



ATTACHMENTS

ORDINARY MEETING

**Thursday 14 December 2023
1.30pm
Council Chambers**

Contents

13 FINANCE AND ADMINISTRATION

13.1 Presentation of the 2022/2023 Financial Statements and Independent Auditor's Report

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Upper Lachlan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2023



Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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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 *Local Government Act 1993* (NSW) and includes:

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

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

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

Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2023.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2023

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:

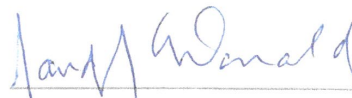
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 16 November 2023.



Pam Kensit
Mayor
16 November 2023



Waddy McDonald
Councillor
16 November 2023



Alex Waldron
Chief Executive Officer
16 November 2023



Jonathan Blake
Responsible Accounting Officer
16 November 2023

Upper Lachlan Shire Council | Income Statement | for the year ended 30 June 2023

Upper Lachlan Shire Council

Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Income from continuing operations				
12,982	Rates and annual charges	B2-1	12,883	12,221
6,311	User charges and fees	B2-2	6,736	6,055
717	Other revenues	B2-3	879	775
9,430	Grants and contributions provided for operating purposes	B2-4	17,920	12,924
20,113	Grants and contributions provided for capital purposes	B2-4	9,243	11,484
322	Interest and investment income	B2-5	972	127
–	Net gain from the disposal of assets	B4-1	–	336
49,875	Total income from continuing operations		48,633	43,922
Expenses from continuing operations				
12,368	Employee benefits and on-costs	B3-1	13,430	12,708
9,917	Materials and services	B3-2	14,235	11,683
257	Borrowing costs	B3-3	289	49
8,451	Depreciation, amortisation and impairment of non-financial assets	B3-4	9,291	8,522
658	Other expenses	B3-5	640	639
189	Net loss from the disposal of assets	B4-1	618	–
31,840	Total expenses from continuing operations		38,503	33,601
18,035	Operating result from continuing operations		10,130	10,321
18,035	Net operating result for the year attributable to Council		10,130	10,321
Net operating result for the year before grants and contributions provided for capital purposes				
(2,076)			887	(1,163)

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

Upper Lachlan Shire Council | Statement of Comprehensive Income | for the year ended 30 June 2023

Upper Lachlan Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Net operating result for the year – from Income Statement		10,130	10,321
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	47,449	26,381
Total items which will not be reclassified subsequently to the operating result		47,449	26,381
Total other comprehensive income for the year		47,449	26,381
Total comprehensive income for the year attributable to Council		57,579	36,702

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

Upper Lachlan Shire Council | Statement of Financial Position | for the year ended 30 June 2023

Upper Lachlan Shire Council

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	Restated 2022
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	10,092	9,895
Investments	C1-2	24,000	21,400
Receivables	C1-4	2,530	2,081
Inventories	C1-5	1,220	1,182
Contract assets and contract cost assets	C1-6	2,545	4,920
Other	C1-8	143	152
Total current assets		40,530	39,630
Non-current assets			
Receivables	C1-4	56	32
Infrastructure, property, plant and equipment (IPPE)	C1-7	539,144	483,784
Right of use assets	C2-1	182	158
Total non-current assets		539,382	483,974
Total assets		579,912	523,604
LIABILITIES			
Current liabilities			
Payables	C3-1	4,926	3,838
Contract liabilities	C3-2	2,284	4,522
Lease liabilities	C2-1	30	18
Borrowings	C3-3	607	583
Employee benefit provisions	C3-4	4,764	4,381
Total current liabilities		12,611	13,342
Non-current liabilities			
Lease liabilities	C2-1	162	148
Borrowings	C3-3	5,444	6,053
Provisions	C3-5	1,395	1,340
Total non-current liabilities		7,001	7,541
Total liabilities		19,612	20,883
Net assets		560,300	502,721
EQUITY			
Accumulated surplus	C4-1	331,122	320,992
IPPE revaluation reserve	C4-1	229,178	181,729
Council equity interest		560,300	502,721
Total equity		560,300	502,721

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

Upper Lachlan Shire Council | Statement of Changes in Equity | for the year ended 30 June 2023

Upper Lachlan Shire Council

Statement of Changes in Equity
for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		320,992	181,729	502,721	310,671	155,348	466,019
Net operating result for the year		10,130	–	10,130	10,321	–	10,321
Net operating result for the period		10,130	–	10,130	10,321	–	10,321
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	47,449	47,449	–	26,381	26,381
Other comprehensive income		–	47,449	47,449	–	26,381	26,381
Total comprehensive income		10,130	47,449	57,579	10,321	26,381	36,702
Closing balance at 30 June		331,122	229,178	560,300	320,992	181,729	502,721

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

Upper Lachlan Shire Council | Statement of Cash Flows | for the year ended 30 June 2023

Upper Lachlan Shire Council

Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
Cash flows from operating activities				
<i>Receipts:</i>				
12,863	Rates and annual charges		12,858	12,407
6,311	User charges and fees		7,214	7,814
322	Interest received		636	171
29,662	Grants and contributions		27,422	26,810
–	Bonds, deposits and retentions received		–	50
717	Other		163	833
<i>Payments:</i>				
(12,305)	Payments to employees		(13,108)	(12,448)
(9,902)	Payments for materials and services		(14,331)	(13,465)
(237)	Borrowing costs		(234)	(213)
–	Bonds, deposits and retentions refunded		(24)	–
(658)	Other		604	(1,518)
26,773	Net cash flows from operating activities	G1-1	21,200	20,441
Cash flows from investing activities				
<i>Receipts:</i>				
11,500	Sale of investments		13,300	15,700
568	Proceeds from sale of IPPE		661	503
<i>Payments:</i>				
(11,500)	Purchase of investments		(13,300)	(15,700)
–	Acquisition of term deposits		(2,600)	(2,400)
(29,414)	Payments for IPPE		(18,449)	(17,429)
(28,846)	Net cash flows from investing activities		(20,388)	(19,326)
Cash flows from financing activities				
<i>Receipts:</i>				
–	Proceeds from borrowings		–	1,200
<i>Payments:</i>				
(563)	Repayment of borrowings		(585)	(632)
(20)	Principal component of lease payments		(30)	(19)
(583)	Net cash flows from financing activities		(615)	549
(2,656)	Net change in cash and cash equivalents		197	1,664
–	Cash and cash equivalents at beginning of year		9,895	8,231
(2,656)	Cash and cash equivalents at end of year	C1-1	10,092	9,895

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

Upper Lachlan Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 21 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these 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.

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

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

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

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

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A1-1 Basis of preparation (continued)

Monies and other assets received by Council

The Consolidated Fund

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

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

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

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Volunteer services received by Council have not been recognised in the financial statements as they cannot be reliably measured and would not be purchased if not donated.

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

This Standard modifies AASB 13 Fair Value Measurement for application by not-for-profit public sector entities such as Council.

It includes authoritative implementation guidance when fair valuing non-financial assets, not held primarily for their ability to generate cash inflows and also provides guidance and clarification when valuing assets that are restricted (in their use) at Council.

This includes guidance and clarification regarding the determination of an assets highest and best use, the development and use of internal assumptions for unobservable inputs and allows for greater use of internal judgements when applying the cost approach in the measurement and determination of fair values.

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A1-1 Basis of preparation (continued)

Although Council is yet to fully determine the impact of this standard, the changes will be evaluated in the future assessment of all property and infrastructure assets measured at fair value.

The standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This Standard amends a number of standards as follows:

- AASB 7 to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101 to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108 to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134 to identify material accounting policy information as a component of a complete set of financial statements; and
- AASB Practice Statement 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The standard may have significant impact on Council as it requires Council to consider the materiality of the accounting policy information to be included in the financial statements.

AASB 101 Presentation of Financial Statements requires the disclosure of material accounting policy information rather than significant accounting policies.

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements."

Accounting policy information is likely to be considered material if that information relates to material transactions, other events or conditions and:

- the entity has changed accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements.
- the entity (or OLG) chose the accounting policy from one or more options permitted by Australian Accounting Standards.
- the accounting policy was developed in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of an Australian Accounting Standard that specifically applies.
- the accounting policy relate to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in the financial statements
- the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions.

Further AASB 101 notes that *'Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed.'*

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

Comparative figures

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

Changes impacting the Income Statement

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

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A1-1 Basis of preparation (continued)

Changes impacting the Statement of Financial Position

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

'Contract Assets' have been reclassified from 'Receivables' (User fees and Charges)

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

B Financial Performance**B1 Functions or activities****B1-1 Functions or activities – income, expenses and assets**

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions or activities										
Our leadership	–	(18)	2,829	1,152	(2,829)	(1,170)	1,106	–	982	840
Our infrastructure	18,405	14,306	14,973	14,443	3,432	(137)	14,132	12,778	410,509	379,242
Our society/community	2,568	830	4,555	3,094	(1,987)	(2,264)	2,386	768	59,884	35,892
Our environment	7,231	10,186	8,065	9,258	(834)	928	808	3,214	80,761	80,735
Our economy	3,950	3,892	8,081	5,654	(4,131)	(1,762)	–	889	23,509	26,496
Other – general purpose income	16,479	14,726	–	–	16,479	14,726	8,731	6,759	4,267	399
Total functions and activities	48,633	43,922	38,503	33,601	10,130	10,321	27,163	24,408	579,912	523,604

B1-2 Components of functions or activities

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

Our leadership

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

Our infrastructure

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

Our society

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

Our environment

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

Our economy

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

Other - general purpose

Includes Ordinary rates and charges revenue

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2023	2022
Ordinary rates		
Residential	2,036	1,956
Farmland	5,448	5,314
Mining	2	2
Business	605	451
Less: pensioner rebates (mandatory)	(118)	(120)
Rates levied to ratepayers	7,973	7,603
Pensioner rate subsidies received	53	53
Total ordinary rates	8,026	7,656
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Domestic waste management services	1,471	1,424
Stormwater management services	49	48
Water supply services	1,084	1,012
Sewerage services	1,440	1,334
Waste management services (non-domestic)	749	681
Annual charges levied	4,793	4,499
Pensioner annual charges subsidies received:		
– Water	18	19
– Sewerage	17	17
– Domestic waste management	29	30
Total annual charges	4,857	4,565
Total rates and annual charges	12,883	12,221

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

Accounting policy

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

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

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

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

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

B2-2 User charges and fees

\$ '000	2023	2022
Specific user charges (per s502 - specific 'actual use' charges)		
Domestic waste management services	4	3
Water supply services	1,079	919
Sewerage services	327	287
Waste management services (non-domestic)	135	388
Total specific user charges	1,545	1,597
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		
Private works – section 67	536	241
Section 10.7 certificates (EP&A Act)	40	36
Section 603 certificates	24	33
Dwelling entitlement searches	21	22
Premises inspections	7	19
Town planning / building	392	431
Total fees and charges – statutory/regulatory	1,020	782
(ii) Fees and charges – other (incl. general user charges (per s608))		
Caravan park	78	57
Cemeteries	71	96
Quarry revenues	1,220	833
Transport for NSW charges (State roads not controlled by Council)	2,691	2,565
Water connection fees	–	44
Public halls	6	3
Sporting grounds	45	32
Swimming pools	8	9
Truck wash facility	14	16
Water meter readings	10	14
Engineering plan checking fees	–	–
Other	28	7
Total fees and charges – other	4,171	3,676
Total other user charges and fees	5,191	4,458
Total user charges and fees	6,736	6,055
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time (1)	–	–
User charges and fees recognised at a point in time (2)	6,736	6,055
Total user charges and fees	6,736	6,055

Accounting policy

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

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

Where an upfront fee is charged for seasonal use at Council swimming pools the fee is recognised on a receipts basis as the season runs for a short period and starts and finishes within the same financial year.

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

B2-3 Other revenues

\$ '000	2023	2022
Rental income – other council properties	91	110
Ex gratia rates	24	23
Fines	17	22
Legal fees recovery – rates and charges (extra charges)	2	9
Commissions and agency fees	170	168
Employment Subsidies	28	–
Proceeds from s355 Committees	–	3
Insurance claims recoveries	12	118
Australia post supplies / sales	15	27
Fuel tax credits	128	102
Miscellaneous / sundry sales	24	42
Bank Guarantee - Crookwell Pool	74	–
Other	216	74
Tourist information centre sales and membership fees	42	43
Windfarm Community Enhancement Program administration fee	36	34
Total other revenue	879	775
Timing of revenue recognition for other revenue		
Other revenue recognised over time (1)	–	–
Other revenue recognised at a point in time (2)	879	775
Total other revenue	879	775

Accounting policy for other revenue

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

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

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Current year allocation				
Financial assistance	7,645	6,759	–	–
Amount recognised as income during current year	7,645	6,759	–	–
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Water supplies	–	–	45	70
Sewerage services	–	–	333	20
Bushfire and emergency services	163	242	–	61
Heritage and cultural	50	40	–	–
Noxious weeds	136	185	–	–
Public halls	–	–	42	39
Recreation and culture	–	–	1,664	1,750
Storm/flood damage	1,000	–	–	–
Environment	–	–	–	80
Footpaths	–	–	22	33
Public libraries	86	80	–	–
Stormwater drainage	–	–	–	29
Street lighting	29	29	–	–
Transportation (3x3, block, repair, regional roads)	1,758	1,725	332	332
Tourism	–	15	–	616
Transport (roads to recovery)	1,160	1,204	–	–
Transport (other roads and bridges funding)	4,138	–	5,502	7,045
Other specific grants	320	8	672	–
Previous contributions:				
Other councils – joint works/services	–	–	–	4
Roads and bridges	–	–	10	21
Other contributions	–	2	–	–
Natural disaster funding – roads	1,181	2,378	–	–
Section 44 bushfire reimbursement	20	–	–	–
Transferred employee leave entitlements	–	42	–	–
Vehicle leaseback contributions	114	109	–	–
Waste management centres	9	–	–	–
New Gullen Range Wind Farm Contribution	111	106	–	–
Total special purpose grants and non-developer contributions – cash	10,275	6,165	8,622	10,100
Total special purpose grants and non-developer contributions (tied)	10,275	6,165	8,622	10,100
Total grants and non-developer contributions	17,920	12,924	8,622	10,100
Comprising:				
– Commonwealth funding	8,856	7,983	1,604	3,010
– State funding	8,830	4,592	6,971	7,072
– Other funding	234	349	47	18
	17,920	12,924	8,622	10,100

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B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Developer contributions:	G4				
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	519	882
S 64 – water supply contributions		–	–	51	245
S 64 – sewerage service contributions		–	–	51	257
Total developer contributions – cash		–	–	621	1,384
Total developer contributions		–	–	621	1,384
Total contributions		–	–	621	1,384
Total grants and contributions		17,920	12,924	9,243	11,484
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time (1)		50	–	7,466	8,069
Grants and contributions recognised at a point in time (2)		17,870	12,924	1,777	3,415
Total grants and contributions		17,920	12,924	9,243	11,484

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B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
Unspent grants and contributions				
Unspent funds at 1 July	868	21	4,956	2,753
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	4,374	868	173	428
Add: Funds received and not recognised as revenue in the current year	50	–	1,120	3,886
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	(864)	(21)	(264)	(352)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–	(3,758)	(1,759)
Unspent funds at 30 June	4,428	868	2,227	4,956
Contributions				
Unspent funds at 1 July	–	–	5,660	4,661
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	–	–
Add: contributions received and not recognised as revenue in the current year	–	–	621	1,441
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–	–	–
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(311)	(442)
Unspent contributions at 30 June	–	–	5,970	5,660

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

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

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

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

Capital grants

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

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B2-4 Grants and contributions (continued)

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

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

Developer Contributions

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

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

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

Other grants and contributions

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

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

B2-5 Interest and investment income

\$ '000	2023	2022
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	23	20
– Cash and investments	949	107
Total interest and investment income (losses)	972	127
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	14	20
General Council cash and investments	469	28
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	104	48
– Section 64	25	9
Water fund operations	108	7
Sewerage fund operations	190	12
Domestic waste management operations	62	3
Total interest and investment income	972	127

Accounting policy

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

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	9,810	9,547
Travel expenses	97	98
Employee leave entitlements (ELE)	2,577	2,326
Superannuation	1,283	1,271
Workers' compensation insurance	627	704
Fringe benefit tax (FBT)	46	49
Training costs (other than salaries and wages)	324	159
Other	122	105
Total employee costs	14,886	14,259
Less: capitalised costs	(1,456)	(1,551)
Total employee costs expensed	13,430	12,708

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		3,387	2,324
Contractor and consultancy costs			
– Contractors		7,110	6,053
– Consultancy services		687	758
Audit Fees	F2-1	65	61
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	202	149
Advertising		15	18
Bank charges		58	56
Election expenses		–	83
Electricity and heating		525	375
Insurance		1,150	878
Postage		29	30
Printing and stationery		92	101
Street lighting		105	119
Subscriptions and publications		79	74
Telephone and communications		114	107
Tourism expenses (excluding employee costs)		9	2
Valuation fees		56	53
Other expenses		166	118
Australia post stock / supplies		15	24
Water usage		222	124

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

B3-2 Materials and services (continued)

\$ '000	2023	2022
Taralga Water Treatment Plant claim	–	108
Legal expenses:		
– Legal expenses: planning and development	20	–
– Legal expenses: other	129	67
Operating leases expense:		
– Operating lease rentals: minimum lease payments	–	1
Total materials and services	14,235	11,683
Total materials and services	14,235	11,683

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2023	2022
(i) Interest bearing liability costs			
Interest on leases		6	7
Interest on loans		228	206
Total interest bearing liability costs		234	213
Total interest bearing liability costs expensed		234	213
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	55	(164)
Total other borrowing costs		55	(164)
Total borrowing costs expensed		289	49

Accounting policy

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

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

\$ '000	Notes	2023	2022
Depreciation and amortisation			
Plant and equipment		1,430	1,376
Office equipment		315	279
Furniture and fittings		5	5
Land improvements (depreciable)		9	9
Infrastructure:	C1-7		
– Buildings – non-specialised		74	63
– Buildings – specialised		832	715
– Other structures		44	34
– Roads		3,503	3,412
– Bridges		824	724
– Footpaths		55	54
– Other road assets		18	12
– Stormwater drainage		337	309
– Water supply network		841	587
– Sewerage network		534	488
– Swimming pools		13	11
– Other open space/recreational assets		163	151
Right of use assets	C2-1	32	21

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

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

\$ '000	Notes	2023	2022
Other assets:			
– Other		46	56
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-7	204	204
– Quarry assets	C3-5,C1-7	12	12
Total gross depreciation and amortisation costs		9,291	8,522
Total depreciation and amortisation costs		9,291	8,522
Total depreciation, amortisation and impairment for non-financial assets		9,291	8,522

Accounting policy**Depreciation and amortisation**

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

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

Impairment of non-financial assets

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

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

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

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

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

B3-5 Other expenses

\$ '000	Notes	2023	2022
Impairment of receivables			
Other		1	29
Total impairment of receivables	C1-4	1	29
Other			
Contributions/levies to other levels of government			
– Emergency services levy (SES)		22	12
– NSW fire brigade levy		39	34
– NSW rural fire service levy		493	508
Donations, contributions and assistance to other organisations (Section 356)		85	56
Total other		639	610
Total other expenses		640	639

Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2023	2022
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		661	503
Less: carrying amount of plant and equipment assets sold/written off		(284)	(167)
Gain (or loss) on disposal		377	336
Gain (or loss) on disposal of infrastructure	C1-7		
Less: carrying amount of infrastructure assets sold/written off		(995)	–
Gain (or loss) on disposal		(995)	–
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		13,300	15,700
Less: carrying amount of investments sold/redeemed/matured		(13,300)	(15,700)
Gain (or loss) on disposal		–	–
Net gain (or loss) from disposal of assets		(618)	336

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 16 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
Revenues				
Rates and annual charges	12,982	12,883	(99)	(1)% U
User charges and fees	6,311	6,736	425	7% F
Other revenues	717	879	162	23% F
Other revenues include proceeds from a Bank Guarantee (Crookwell Pool) not budgeted for of \$74k, and event income that was not originally budgeted of \$92k.				
Operating grants and contributions	9,430	17,920	8,490	90% F
Council received additional funding not budgeted for including, Natural Disasters \$1.1m, Regional and Local Roads Repair Program \$3.5m, Reconnecting Regional NSW \$192k, and the advanced payments for Financial Assistance Grant 2024 exceed budget by \$2.3m.				
Capital grants and contributions	20,113	9,243	(10,870)	(54)% U
Deferral of capital projects has resulted in a significant reduction in capital grant funding and project income received was less than budgeted in the reporting period. The following capital project budgets were deferred or delayed - Crookwell Visitor Information Centre (\$2.4m); Crookwell MAAC delays and Lloyd Group liquidation resulted in project delays and budgeted payments not being received (\$2.34m); Julong Road No.2 Bridge delayed commencement (\$1.25m); and Tablelands Way MR256 reconstruction and causeway project did not commence during the year, grants budgeted were not received (\$5.8m)				
Interest and investment revenue	322	972	650	202% F
Investment interest income exceeded budgeted forecasts as a direct result of the significant increase in interest rates applicable on the investment portfolio.				
Net gains from disposal of assets	—	—	—	∞ F
Expenses				
Employee benefits and on-costs	12,368	13,430	(1,062)	(9)% U
Staff employment termination payments included redundancy and severance payments for 2 employees. The settlement costs of IRC Hearing OoSoft (job evaluation system) dispute with USU were expensed in 2022-2023. ELE expenses exceeded budget by \$28k and staff training expenses exceeded budget by \$90k.				
Materials and services	9,917	14,235	(4,318)	(44)% U
Additional operating grants and contributions funding has resulted in a significant increase in operational expenditure (materials and contracts) to undertake the programs. The material costs exceeded budget by \$4m; Insurance premium expenses exceeded budget by \$122k which was a result of the large scale natural disasters (floods and bushfires) and the subsequent impact on reinsurers with increases in annual premiums exceeding 15%; consultancy expenses exceeded budget by \$61k and relates to consultant costs for building surveyor, grant writing, infrastructure and finance consultancy costs; electricity costs exceeded budget by \$110k as a direct reflection on the increase in market price of power.				
Borrowing costs	257	289	(32)	(12)% U

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B5-1 Material budget variations (continued)

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----
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Amortisation expenses for remediation liabilities exceeded budget by \$35k.

Depreciation, amortisation and impairment of non-financial assets	8,451	9,291	(840)	(10)%	U
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Recent comprehensive valuations and annual indexation of infrastructure assets continues to increase annual depreciation expense together with the impact of unforeseen construction cost increases on completed projects. The revaluation of water and sewer assets in 2022 has led to an increase in depreciation expense of \$340k for water supply assets and \$57k for sewer assets. In addition the annual indexation rate applied to all asset classes not subject to comprehensive valuation has a direct correlation with increased depreciation expenses relative to budget forecasts.

Other expenses	658	640	18	3%	F
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Net losses from disposal of assets	189	618	(429)	(227)%	U
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The disposal at carrying value of infrastructure assets totalling \$995k was associated with replacement works offset by a gain on sale of plant and equipment totalling \$377k. There was an unbudgeted loss on disposal of infrastructure assets at carrying amount as the disposal is subject to timing of the construction phase of projects. Asset disposals included Coleman Park playground equipment in Crookwell, the Lin Cooper (The Grange) amenities block in Crookwell and the Gunning Showground (Endeavour Park) sports amenities block. These facilities were demolished in June 2023 and construction commenced on new buildings and structures.

B5-1 Material budget variations (continued)

	2023	2023	2023
\$ '000	Budget	Actual	----- Variance -----

Statement of cash flows

Cash flows from operating activities	26,773	21,200	(5,573)	(21)%	U
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Council had additional employee benefits and on-cost expenses and material and services costs and contract work expenses of \$5.1m. In addition grant funding was \$4.6m less than budgeted and Council receipts for capital grants was less than budgeted for projects in progress and the payment for these works will be received by Council in the 2024 year, outside the 2023 reporting period. These were partly offset by cash flows from user charges and fees exceeding budget by \$3.2m which is reflected in a decrease in user charges and fee debtors.

Cash flows from investing activities	(28,846)	(20,388)	8,458	(29)%	F
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Council had budgeted \$29m in infrastructure, property plant and equipment capital works projects however actual expenditure was \$11m less than forecast for the period as priority was given to operational projects for which operational grant funding had been received. Council acquired \$2.6m in additional Term Deposits that was not included in the budget forecast.

Cash flows from financing activities	(583)	(615)	(32)	5%	U
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C Financial position**C1 Assets we manage****C1-1 Cash and cash equivalents**

\$ '000	2023	2022
Cash assets		
Cash on hand and at bank	842	545
Cash equivalent assets		
– Deposits at call	1,250	250
– Short-term deposits	8,000	9,100
Total cash and cash equivalents	10,092	9,895

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	10,092	9,895
Balance as per the Statement of Cash Flows	10,092	9,895

Accounting policy

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

C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Debt securities at amortised cost				
Long term deposits	24,000	–	21,400	–
Total	24,000	–	21,400	–
Total financial investments	24,000	–	21,400	–
Total cash assets, cash equivalents and investments	34,092	–	31,295	–

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

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C1-2 Financial investments (continued)

Amortised cost

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

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

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

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

\$ '000	2023	2022
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(a) Externally restricted cash, cash equivalents and investments

Total cash, cash equivalents and investments	34,092	31,295
Less: Externally restricted cash, cash equivalents and investments	(24,023)	(22,249)
Cash, cash equivalents and investments not subject to external restrictions	10,069	9,046

External restrictions

External restrictions – included in liabilities

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

Specific purpose unexpended grants – general fund	1,705	4,247
External restrictions – included in liabilities	1,705	4,247

External restrictions – other

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

Developer contributions – general	4,901	4,590
Developer contributions – water fund	525	463
Developer contributions – sewer fund	670	606
Specific purpose unexpended grants (recognised as revenue) – general fund	4,950	1,577
Water fund	3,057	3,047
Sewer fund	5,634	5,371
Stormwater management	282	315
Wind farms community fund	354	309
Trust fund	2	2
Domestic waste management	1,943	1,722
External restrictions – other	22,318	18,002
Total external restrictions	24,023	22,249

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

\$ '000	2023	2022
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(b) Internal allocations

Cash, cash equivalents and investments not subject to external restrictions	10,069	9,046
Less: Internally allocated cash, cash equivalents and investments	(9,952)	(9,018)

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

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

\$ '000	2023	2022
Unrestricted and unallocated cash, cash equivalents and investments	117	28

Internal allocations

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

Employees leave entitlement	1,572	1,445
Carry over works	1,257	1,108
Deposits, retentions and bonds	205	229
Council houses capital works	67	67
Financial Assistance Grant prepayment	6,068	4,096
Information technology and equipment	273	410
Library cooperative	58	71
Upper Lachlan tourist association	–	70
Multipurpose Aquatic & Activity Centre Crookwell	452	786
Unexpended Loans/Borrowings	–	736
Total internal allocations	9,952	9,018

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

\$ '000	2023	2022
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	117	28

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

C1-4 Receivables

	2023 Current	2023 Non-current	2022 Current Restated	2022 Non-current
\$ '000				
Rates and annual charges	430	51	363	21
Interest and extra charges	22	5	4	11
User charges and fees	1,287	–	1,447	–
Accrued revenues				
– Interest on investments	387	–	63	–
Net investment in finance lease	–	–	–	–
Net GST receivable	369	–	180	–
Other debtors	40	–	36	–
Total	2,535	56	2,093	32
Less: provision for impairment				
User charges and fees	(5)	–	(12)	–
Total provision for impairment – receivables	(5)	–	(12)	–
Total net receivables	2,530	56	2,081	32

\$ '000	2023	2022
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	12	17
– previous impairment losses reversed	(7)	(5)
Balance at the end of the year	5	12

Accounting policy

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

Impairment

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

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

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

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.

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C1-4 Receivables (continued)

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
(i) Inventories at cost				
Stores and materials	389	–	524	–
Stores and materials – gravel	604	–	443	–
Trading stock – Australia post agency	27	–	29	–
Trading stock – tourist information centres	30	–	23	–
Loose tools	170	–	163	–
Total inventories at cost	1,220	–	1,182	–
Total inventories	1,220	–	1,182	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

C1-6 Contract assets and Contract cost assets

\$ '000	2023 Current	2023 Non-current	2022 Current Restated	2022 Non-current
Contract assets	2,545	–	4,920	–
Total contract assets and contract cost assets	2,545	–	4,920	–

Contract assets

Work relating to infrastructure grants	2,545	–	4,920	–
Total contract assets	2,545	–	4,920	–

Significant changes in contract assets

The Contract Asset resulting from Natural Disaster Declarations reduced by \$858k as a result of payments of claims being received (\$2.05M) for the year in excess of additional works carried out and to be claimed of \$1.2M.

There was a large claim outstanding as at 30 June 2022 in respect of Wombeyan Caves Road of \$1.9M which was paid in full and as at 30 June 2023 there are no current projects at that level of claim outstanding.

Accounting policy

Contract assets

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

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

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	WIP transfers	WIP Expensed	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	7,236	—	7,236	11,334	—	—	(1,258)	(154)	—	—	17,157	—	17,157
Plant and equipment	17,371	(8,422)	8,949	1,617	(284)	(1,430)	—	—	—	—	17,090	(8,238)	8,852
Office equipment	2,499	(1,461)	1,038	308	—	(315)	23	—	—	—	2,829	(1,777)	1,052
Furniture and fittings	150	(100)	50	179	—	(5)	—	—	—	—	328	(105)	223
Land:													
— Operational land	7,500	—	7,500	118	—	—	49	—	(436)	—	7,231	—	7,231
— Community land	4,434	—	4,434	—	—	—	—	—	—	2,071	6,505	—	6,505
Land improvements – depreciable	170	(94)	76	—	—	(9)	—	—	—	—	170	(103)	67
Infrastructure:													
— Buildings – non-specialised	5,467	(2,988)	2,479	2	—	(74)	—	—	(197)	—	5,914	(3,705)	2,209
— Buildings – specialised	53,852	(26,209)	27,643	66	(318)	(832)	16	—	—	1,666	58,718	(30,476)	28,242
— Other structures	2,288	(885)	1,403	98	—	(44)	46	—	—	135	2,687	(1,050)	1,637
— Roads	152,080	(63,654)	88,426	2,843	(524)	(3,503)	1,124	—	—	10,233	173,199	(74,600)	98,599
— Bridges	75,218	(22,851)	52,367	322	—	(824)	—	—	—	3,335	80,397	(25,197)	55,200
— Footpaths	4,417	(1,734)	2,683	173	—	(55)	—	—	—	230	4,966	(1,936)	3,030
— Other road assets	633	(25)	608	—	—	(18)	—	—	—	68	706	(47)	659
— Bulk earthworks (non-depreciable)	213,177	—	213,177	1,207	—	—	—	—	—	24,826	239,209	—	239,209
— Stormwater drainage	33,149	(19,187)	13,962	333	—	(337)	—	—	—	1,220	36,408	(21,231)	15,177
— Water supply network	44,059	(16,309)	27,750	—	—	(841)	—	—	—	2,075	47,456	(18,472)	28,984
— Sewerage network	30,959	(12,403)	18,556	—	—	(534)	—	—	—	1,390	33,346	(13,934)	19,412
— Swimming pools	910	(532)	378	8	—	(13)	—	—	(73)	—	896	(597)	299
— Other open space/recreational assets	4,297	(1,931)	2,366	—	(152)	(163)	—	—	—	906	4,402	(1,444)	2,958
Other assets:													
— Other	931	(702)	229	—	—	(46)	—	—	—	—	931	(748)	183
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
— Tip assets	3,099	(909)	2,190	—	—	(204)	—	—	—	—	3,099	(1,112)	1,987
— Quarry assets	333	(49)	284	—	—	(12)	—	—	—	—	333	(61)	272
Total infrastructure, property, plant and equipment	664,229	(180,445)	483,784	18,608	(1,278)	(9,259)	—	(154)	(706)	48,155	743,977	(204,833)	539,144

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

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period					At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000											
Capital work in progress	6,412	—	6,412	5,799	—	—	(4,974)	—	7,236	—	7,236
Plant and equipment	16,162	(7,691)	8,471	2,020	(167)	(1,376)	—	—	17,371	(8,422)	8,949
Office equipment	2,106	(1,182)	924	393	—	(279)	—	—	2,499	(1,461)	1,038
Furniture and fittings	145	(95)	50	5	—	(5)	—	—	150	(100)	50
Land:											
— Operational land	4,601	—	4,601	—	—	—	—	2,899	7,500	—	7,500
— Community land	4,423	—	4,423	12	—	—	—	—	4,434	—	4,434
Land improvements – depreciable	170	(86)	84	—	—	(9)	—	—	170	(94)	76
Infrastructure:											
— Buildings – non-specialised	4,724	(2,533)	2,191	28	—	(63)	—	325	5,467	(2,988)	2,479
— Buildings – specialised	46,572	(22,064)	24,508	231	—	(715)	—	3,618	53,852	(26,209)	27,643
— Other structures	1,825	(736)	1,089	163	—	(34)	—	183	2,288	(885)	1,403
— Roads	140,449	(59,178)	81,271	7,457	—	(3,412)	1,632	1,478	152,080	(63,654)	88,426
— Bridges	65,737	(20,375)	45,362	1,740	—	(724)	1,977	4,013	75,218	(22,851)	52,367
— Footpaths	4,351	(1,657)	2,694	9	—	(54)	—	35	4,417	(1,734)	2,683
— Other road assets (including bulk earthworks)	490	(12)	478	132	—	(12)	—	10	633	(25)	608
— Bulk earthworks (non-depreciable)	209,549	—	209,549	64	—	—	—	3,563	213,177	—	213,177
— Stormwater drainage	30,530	(17,375)	13,155	22	—	(309)	—	1,094	33,149	(19,187)	13,962
— Water supply network	39,657	(15,454)	24,203	323	—	(587)	—	3,812	44,059	(16,309)	27,750
— Sewerage network	23,489	(9,747)	13,742	310	—	(488)	—	4,992	30,959	(12,403)	18,556
— Swimming pools	714	(452)	262	77	—	(11)	—	49	910	(532)	378
— Other open space/recreational assets	3,726	(1,527)	2,199	9	—	(151)	—	310	4,297	(1,931)	2,366
Other assets:											
— Other	931	(647)	284	—	—	(56)	—	—	931	(702)	229
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):											
— Tip assets	3,099	(705)	2,394	—	—	(204)	—	—	3,099	(909)	2,190
— Quarry assets	333	(37)	296	—	—	(12)	—	—	333	(49)	284
Total infrastructure, property, plant and equipment	610,195	(161,553)	448,642	18,794	(167)	(8,501)	(1,365)	26,381	664,229	(180,445)	483,784

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

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C1-7 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

Revaluation Model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value. In 2023, material changes to fair value for assets classes: community land, buildings, other structures, roads, bridges, footpaths, storm water, open spaces/recreation and swimming pools were accounted for in the reporting period.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning and Environment – Water and a comprehensive valuation undertaken every 5 years. The rate applicable at 30 June 2023 was 7.71%. In 2022 a comprehensive valuation was undertaken and accordingly the rate for 2022 was not applied.

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

Useful lives of IPPE

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

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

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

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C1-7 Infrastructure, property, plant and equipment (continued)

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

Crown reserves

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

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

Rural Fire Service assets

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

Further, Council Resolution 207/22 on 15 September 2022 confirms and advises that Upper Lachlan Shire Council is unable to recognise and record RFS fire-fighting assets in Council's Financial Statements for the reasons outlined in Council's accounting position paper.

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

C1-8 Other

Other assets

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepayments	143	—	152	—
Total other assets	143	—	152	—

Current other assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Total externally restricted assets	—	—	—	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	143	—	152	—
Total other assets	143	—	152	—

C2 Leasing activities

C2-1 Council as a lessee

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

Terms and conditions of leases

Buildings

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

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

Office and IT equipment

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

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

There are \$Nil potential future lease payments which are not included in lease liabilities as Council has assessed that the exercise of the option is reasonably certain.

(a) Right of use assets

\$ '000	Office Equipment	Buildings	Total
2023			
Opening balance at 1 July	8	150	158
Additions to right-of-use assets	66	–	66
Depreciation charge	(19)	(13)	(32)
Balance at 30 June	45	137	182
2022			
Opening balance at 1 July	15	164	179
Depreciation charge	(7)	(14)	(21)
Balance at 30 June	8	150	158

(b) Lease liabilities

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Lease liabilities	30	162	18	148
Total lease liabilities	30	162	18	148

(c) (i) The maturity analysis

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C2-1 Council as a lessee (continued)

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

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2023					
Cash flows	30	92	70	192	192
2022					
Cash flows	18	64	84	166	166

(d) Income Statement

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

\$ '000	2023	2022
Interest on lease liabilities	8	7
Depreciation of right of use assets	30	21
	38	28

(e) Statement of Cash Flows

Total cash outflow for leases	38	28
	38	28

Accounting policy

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

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

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

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

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

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

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

C2-2 Council as a lessor

Operating leases

Council provides operating leases on Council buildings, the table below relates to operating leases on assets disclosed in C1-6. These leases are classified as operating leases for financial reporting purposes and the asset is included in the Statement of Financial Position.

Council leases out part of the new Crookwell Memorial Oval Sports Centre building to Rising Sun Health Gym. The lease was originally for a period of one year that expired on 14th March 2022. In line with the terms of the lease agreement Rising Sun Health activated the lease extension option for a further period of three years, a further one year extension option still exists to follow after that term.

Council leases out the Crookwell Aerodrome to Advanced Aero Components Pty Limited. The lease is for a period of 25 years expiring on 31 October 2047 with an option for a further 25 year term.

The leases contain an annual pricing mechanism based on either fixed increase or CPI movement at each anniversary of the lease inception after a qualifying period.

\$ '000	2023	2022
(i) Assets held as property, plant and equipment		
Lease to Rising Sun Health (Fitness Centre operator) ⁱ	17	15
Lease to Advanced Aero Components Pty Limited ⁱⁱ	—	—
Total income relating to operating leases for Council assets	17	15

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

(ii) Lease commenced January 2023 with 12 months rent free period

(ii) Amount of IPPE leased out by Council under operating leases

Crookwell Memorial Oval Sports Centre (Gym area)	478	474
Crookwell Aerodrome	80	—
Total amount of IPPE leased out by Council under operating leases	558	474

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

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

< 1 year	25	17
1–2 years	33	18
2–3 years	34	19
Total undiscounted lease payments to be received	92	54

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

C3 Liabilities of Council**C3-1 Payables**

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Prepaid rates	299	–	302	–
Goods and services	3,773	–	2,528	–
Accrued expenses:				
– Salaries and wages	334	–	304	–
– Other expenditure accruals	30	–	7	–
Security bonds, deposits and retentions	122	–	146	–
Income received in advance	–	–	229	–
Community enhancement programs	354	–	309	–
Other	14	–	13	–
Total payables	4,926	–	3,838	–

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	2,284	–	4,522	–
Total grants received in advance		2,284	–	4,522	–
Total contract liabilities		2,284	–	4,522	–

Notes

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

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

Significant changes in contract liabilities

Department of Infrastructure, Transport, Regional Development and Communications - Local Roads and Community Infrastructure Program (LRCI) Grants \$4,623,022 for Multipurpose Aquatic and Activity Centre, Coleman Park upgrade, Stormwater upgrades and gravel resheeting. The associated Contract Liability at 30 June 2023 is \$75,000 (2022 - \$738,804)

Transport for NSW – Fixing Local Roads Program Grants \$5,257,281 for various reseals of deteriorated, existing sealed sections of road as well as reconstruction and sealing parts of Mulgowrie Road, Julong Road and Middle Arm Road. The associated Contract Liability at 30 June 2023 is \$595,367 (2022 - \$2,542,959).

The NSW Office of Sports Infrastructure Grant \$978,601 for Lin Cooper Field Sport Amenities upgrade, Crookwell. The associated Contract Liability at 30 June 2023 is \$Nil (2022 - 489,301).

Department of Industry, Science, Energy and Resources – Black Summer Bushfire Recovery Program (BSBR) Grant \$875,000 for the Taralga Off-Stream Water Storage Assessment and Design Project. The associated Contract Liability at 30 June 2023 is \$579,640 (2022 - \$275,000).

Department of Planning and Environment - Everyone Can Play Program Grant of \$300,000 for the Coleman Park Inclusive Play Space. The associated Contract Liability at 30 June 2023 is \$49,590 (2022 - \$286,400).

Crown in NSW via Regional NSW Regional Development Program - Stronger Country Communities Fund Round 5 Grant \$829,915 towards the sustainable fit out of the Crookwell MAAC internal and external. The associated Contract Liability at 30 June 2023 is \$663,932.

Federal and NSW Governments Jointly - Local Government Recovery Grant \$1,000,000 towards specific projects to be approved before commencement. The associated Contract Liability at 30 June 2023 is \$1,000,000.

Accounting policy

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

C3-3 Borrowings

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Loans – secured ¹	607	5,444	583	6,053
Total borrowings	607	5,444	583	6,053

(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 E1-1.

(a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements				2023
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,636	(582)	–	(3)	–	–	6,051
Lease liability (Note C2-1b)	166	(30)	56	–	–	–	192
Total liabilities from financing activities	6,802	(612)	56	(3)	–	–	6,243

\$ '000	2021		Non-cash movements				2022
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,068	(632)	1,200	–	–	–	6,636
Lease liability (Note C2-1b)	185	(19)	–	–	–	–	166
Total liabilities from financing activities	6,253	(651)	1,200	–	–	–	6,802

(b) Financing arrangements

\$ '000	2023	2022
Total facilities		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	30	30
Total financing arrangements	330	330
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	30	30
Total undrawn financing arrangements	330	330

Additional financing arrangements information**Breaches and defaults**

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

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

Accounting policy

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that

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C3-3 Borrowings (continued)

there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

C3-4 Employee benefit provisions

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
Annual leave	1,056	–	960	–
Long service leave	3,122	–	2,939	–
Other leave – time in lieu	14	–	7	–
ELE on-costs	572	–	475	–
Total employee benefit provisions	4,764	–	4,381	–

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,828	2,738
	2,828	2,738

Accounting policy

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

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

C3-5 Provisions

\$ '000	2023 Current	2023 Non-Current	2022 Current	2022 Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	1,395	–	1,340
Sub-total – asset remediation/restoration	–	1,395	–	1,340
Total provisions	–	1,395	–	1,340

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2023		
At beginning of year	1,340	1,340
Unwinding of discount	55	55
Total other provisions at end of year	1,395	1,395
2022		
At beginning of year	2,860	2,860
Changes to provision:		
– Revised discount rate	(164)	(164)
Amounts used (payments)	(1,356)	(1,356)
Total other provisions at end of year	1,340	1,340

Nature and purpose of provisions

Asset remediation

Council has a legal/public obligation to make good, 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

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

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

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

Asset remediation – tips and quarries

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

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C3-5 Provisions (continued)

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

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

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation reserve

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

Other reserves

Other reserves are retained to meet the needs of Council.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
Income from continuing operations			
Rates and annual charges	10,359	1,084	1,440
User charges and fees	5,279	1,124	333
Interest and investment revenue	649	119	204
Other revenues	879	–	–
Grants and contributions provided for operating purposes	17,885	18	17
Grants and contributions provided for capital purposes	9,095	97	51
Total income from continuing operations	44,146	2,442	2,045
Expenses from continuing operations			
Employee benefits and on-costs	12,339	673	418
Materials and services	11,888	1,448	899
Borrowing costs	258	25	6
Depreciation, amortisation and impairment of non-financial assets	7,862	862	567
Other expenses	633	7	–
Net losses from the disposal of assets	601	–	17
Total expenses from continuing operations	33,581	3,015	1,907
Operating result from continuing operations	10,565	(573)	138
Net operating result for the year	10,565	(573)	138
Net operating result attributable to each council fund	10,565	(573)	138
Net operating result for the year before grants and contributions provided for capital purposes	1,470	(670)	87

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

D1-2 Statement of Financial Position by fund

\$ '000	General 2023	Water 2023	Sewer 2023
ASSETS			
Current assets			
Cash and cash equivalents	10,092	—	—
Investments	14,114	3,582	6,304
Receivables	1,866	516	148
Inventories	1,220	—	—
Contract assets and contract cost assets	2,545	—	—
Other	143	—	—
Total current assets	29,980	4,098	6,452
Non-current assets			
Receivables	33	9	14
Infrastructure, property, plant and equipment	487,309	30,684	21,151
Right of use assets	182	—	—
Total non-current assets	487,524	30,693	21,165
Total assets	517,504	34,791	27,617
LIABILITIES			
Current liabilities			
Payables	4,914	9	3
Contract liabilities	1,704	580	—
Lease liabilities	30	—	—
Borrowings	586	17	4
Employee benefit provision	4,338	259	167
Total current liabilities	11,572	865	174
Non-current liabilities			
Lease liabilities	162	—	—
Borrowings	4,999	361	84
Provisions	1,395	—	—
Total non-current liabilities	6,556	361	84
Total liabilities	18,128	1,226	258
Net assets	499,376	33,565	27,359
EQUITY			
Accumulated surplus	290,190	24,943	15,989
Revaluation reserves	209,186	8,622	11,370
Council equity interest	499,376	33,565	27,359
Total equity	499,376	33,565	27,359

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

\$ '000	Carrying value 2023	Carrying value 2022	Fair value 2023	Fair value 2022
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	10,092	9,895	10,092	9,895
Receivables	2,586	2,113	2,586	2,113
Investments				
– Debt securities at amortised cost	24,000	21,400	24,000	21,400
Total financial assets	36,678	33,408	36,678	33,408
Financial liabilities				
Payables	4,926	3,838	4,926	3,838
Borrowings	6,051	6,636	6,051	6,636
Total financial liabilities	10,977	10,474	10,977	10,474

Fair value is determined as follows:

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

(a) Market risk – interest rate and price risk

\$ '000	2023	2022
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	21	8
Impact of a 10% movement in price of investments		
– Equity / Income Statement	147	35

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

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges < 5 years	≥ 5 years	Total
2023				
Gross carrying amount	430	44	7	481
2022				
Gross carrying amount	363	21	–	384

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days	Overdue debts 31 - 60 days	61 - 90 days	> 91 days	Total
2023						
Gross carrying amount	4,525	(4)	1	5	128	4,655
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.20%	0.12%
ECL provision	–	–	–	–	5	5
2022						
Gross carrying amount	5,952	404	7	8	290	6,661
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	4.20%	0.18%
ECL provision	–	–	–	–	12	12

(c) Liquidity risk

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

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2023							
Payables	0.00%	122	4,801	–	–	4,923	4,926
Borrowings	4.24%	–	803	2,611	4,010	7,424	6,051
Total financial liabilities		122	5,604	2,611	4,010	12,347	10,977
2022							
Payables	0.00%	146	3,161	–	–	3,307	3,838
Borrowings	4.24%	–	814	2,783	4,632	8,229	6,636
Total financial liabilities		146	3,975	2,783	4,632	11,536	10,474

Loan agreement breaches

There have been no breaches during the reporting period nor the prior year in relation to loan agreements.

E2-1 Fair value measurement

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

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

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

Recurring fair value measurements

		Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
\$ '000	Notes	2023	2022	2023	2022	2023	2022
Recurring fair value measurements							
Infrastructure, property, plant and equipment	C1-7						
Plant and equipment		–	–	8,852	8,949	8,852	8,949
Office equipment		–	–	1,052	1,038	1,052	1,038
Furniture and fittings		–	–	223	50	223	50
Operational land		7,231	7,500	–	–	7,231	7,500
Community land		–	–	6,505	4,434	6,505	4,434
Land Improvements – depreciable		–	–	67	76	67	76
Buildings – non-specialised		–	–	2,209	2,479	2,209	2,479
Buildings – specialised		–	–	28,242	27,643	28,242	27,643
Other structures		–	–	1,637	1,403	1,637	1,403
Roads		–	–	338,467	302,211	338,467	302,211
Bridges		–	–	55,200	52,367	55,200	52,367
Footpaths		–	–	3,030	2,683	3,030	2,683
Stormwater drainage		–	–	15,177	13,962	15,177	13,962
Water supply network		–	–	28,984	27,750	28,984	27,750
Sewerage network		–	–	19,412	18,556	19,412	18,556
Swimming pools		–	–	299	378	299	378
Other open space/recreational assets		–	–	2,958	2,366	2,958	2,366
Other assets		–	–	183	229	183	229
Rehabilitation assets		–	–	2,259	2,474	2,259	2,474
Total infrastructure, property, plant and equipment		7,231	7,500	514,756	469,048	521,987	476,548

Non-recurring fair value measurements

Valuation techniques

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

Revaluation at Fair Value

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E2-1 Fair value measurement (continued)

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

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

Valuation of certain classes of assets require the engagement of an external valuer. Comprehensive valuation of infrastructure and operational land asset classes are undertaken every 5 years. The most recent comprehensive valuations are listed below.

2020/2021 - Roads, Bridges, Footpaths, Stormwater, and Drainage assets (deferred from 2019/2020).

2020/2021 - Community Land (now assessed annually against the NSW Valuer General valuations)

2021/2022 - Water Supply and Sewerage network assets.

2022/2023 - Buildings, Operational Land and Property, Other Structures and Recreation Assets

Fair value assessments are performed annually in between comprehensive valuations to ensure the carrying amounts of these assets reflect their fair value.

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

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

Infrastructure, property, plant and equipment (IPPE)

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

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

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

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

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

Asset capitalisation thresholds are:-

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

Operational Land

Operational Land was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2023. 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.

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

Community Land

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

Land Improvements - Depreciable

Land Improvements - Depreciable were re-valued at Fair Value under AASB 13 as at 30 June 2016 using the depreciated historical cost method.

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E2-1 Fair value measurement (continued)

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

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

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

Buildings - Specialised & Non-Specialised

Buildings were re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2023. 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 current 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.

Asset capitalisation thresholds include:-

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

The Other Structures asset class was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2023. 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 current 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.

Asset capitalisation thresholds include:-

Other Structures	\$2,000
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Roads

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

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

Asset capitalisation thresholds include:-

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

Bridges

continued on next page ...

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E2-1 Fair value measurement (continued)

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

Asset capitalisation thresholds include:-

Bridge construction and reconstruction	\$5,000
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Footpaths

Footpaths were re-valued as at 30 June 2021 at Fair Value by external consultants Assetic and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2021. The 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.

Asset capitalisation thresholds include:-

Footpaths	\$5,000
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Stormwater Drainage Assets

Stormwater Drainage assets were re-valued as at 30 June 2021 at Fair Value by external consultants Assetic and Upper Lachlan Shire Council professional engineering staff. The Cost Approach using Level 3 inputs was used to value this asset class. 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.

Asset capitalisation thresholds include:-

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

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

During the 2021/2022 financial year Upper Lachlan Shire Council engaged *Australis Asset Advisory Group* to complete a comprehensive revaluation of Council's Water and Sewer assets as at 30 June 2022.

Council's water and sewer assets are to be indexed each year in line with the 'Reference Rates Manual' as published by the NSW Office of Water. Council has an extensive water and sewer capital works programme, 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.

The changes to the valuation process during the reporting period are outlined above.

Asset capitalisation thresholds include: -

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

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E2-1 Fair value measurement (continued)

The Swimming Pool asset class was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2023. 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 current 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.

Asset capitalisation thresholds include:-

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

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 2023. 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 current 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.

Asset capitalisation thresholds include:-

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

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

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

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

Fair value measurements using significant unobservable inputs (level 3)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant and equipment	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life Residual value
Office equipment	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Furniture and fittings	Level 3	<ul style="list-style-type: none"> Gross replacement cost Asset condition Remaining useful life
Community Land	Level 3	<ul style="list-style-type: none"> Land value Land area Level of restriction

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Land improvements	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Buildings non-specialised	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset componentisation • Asset condition • Remaining useful life
Buildings specialised	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset componentisation • Asset condition • Remaining useful life
Other structures	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset componentisation • Asset condition • Remaining useful life
Roads	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Bridges	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Footpaths	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Stormwater drainage	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Water supply network	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset componentisation • Asset condition • Remaining useful life
Sewerage network	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset componentisation • Asset condition • Remaining useful life
Swimming pools	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other open space/recreational	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other assets	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Rehabilitation assets	Level 3	<ul style="list-style-type: none"> • Environmental legislation • Discount Rates, CPI • Remaining life

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

	Plant and equipment		Office equipment		Furniture and fittings		Community Land	
\$ '000	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	8,949	8,471	1,038	924	50	50	4,434	4,423
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	2,071	–
Other movements								
Purchases (GBV)	1,617	2,020	330	393	179	5	–	11

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

E2-1 Fair value measurement (continued)

	Plant and equipment		Office equipment		Furniture and fittings		Community Land	
\$ '000	2023	2022	2023	2022	2023	2022	2023	2022
Disposals (WDV)	(284)	(167)	–	(279)	–	–	–	–
Depreciation and impairment	(1,430)	(1,375)	(316)	–	(6)	(5)	–	–
Closing balance	8,852	8,949	1,052	1,038	223	50	6,505	4,434

	Land improvements		Buildings non-specialised		Buildings specialised		Other structures	
\$ '000	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	76	84	2,479	2,191	27,643	24,508	1,403	1,089
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	(197)	324	1,666	3,619	134	183
Other movements								
Purchases (GBV)	–	–	2	28	82	231	144	164
Disposals (WDV)	–	–	–	–	(318)	–	(44)	–
Depreciation and impairment	(9)	(8)	(75)	(64)	(831)	(715)	–	(33)
Closing balance	67	76	2,209	2,479	28,242	27,643	1,637	1,403

	Roads		Bridges		Footpaths		Stormwater drainage	
\$ '000	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	302,211	291,298	52,367	45,362	2,683	2,694	13,962	13,155
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	35,127	5,051	3,335	4,013	230	35	1,220	1,094
Other movements								
Purchases (GBV)	5,174	9,285	322	3,717	173	9	333	22
Disposals (WDV)	(524)	–	–	–	–	–	–	–
Depreciation and impairment	(3,521)	(3,423)	(824)	(725)	(56)	(55)	(338)	(309)
Closing balance	338,467	302,211	55,200	52,367	3,030	2,683	15,177	13,962

	Water supply network		Sewerage network		Swimming pools		Other open space/recreational	
\$ '000	2023	2022	2023	2022	2023	2022	2023	2022
Opening balance	27,750	24,203	18,556	13,742	378	262	2,366	2,199
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	2,075	3,812	1,390	4,992	(73)	49	906	310
Other movements								
Purchases (GBV)	–	323	–	310	8	78	–	8
Disposals (WDV)	–	–	–	–	–	–	(152)	–
Depreciation and impairment	(841)	(588)	(534)	(488)	(14)	(11)	(162)	(151)
Closing balance	28,984	27,750	19,412	18,556	299	378	2,958	2,366

	Other assets		Rehabilitation assets		Total	
\$ '000	2023	2022	2023	2022	2023	2022
Opening balance	229	284	2,474	2,690	476,548	442,230
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	47,448	26,381
Purchases (GBV)	–	–	–	–	8,531	16,604
Disposals (WDV)	–	–	–	–	(1,322)	(446)

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

E2-1 Fair value measurement (continued)

\$ '000	Other assets		Rehabilitation assets		Total	
	2023	2022	2023	2022	2023	2022
Depreciation and impairment	(46)	(55)	(215)	(216)	(9,218)	(8,221)
Closing balance	183	229	2,259	2,474	521,987	476,548

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

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

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

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

* For 180 Point Members, Employers are required to contribute 8% of salaries for the year ending 30 June 2023 (increasing to 8.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

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

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

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

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

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

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

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

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E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$163,678. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2022.

Council's expected contribution to the plan for the next annual reporting period is \$164,068.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2023 is:

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

* excluding other accumulation accounts and reserves in both assets and liabilities.

The share of any funding surplus or deficit that can be attributed to Council is 0.53% or \$106,406.

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	6.0% per annum
Salary inflation	3.5% per annum
Increase in CPI	6% for FY 22/23 2.5% per annum thereafter

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

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

(ii) Statewide Mutual Limited

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

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

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

(iii) StateCover Mutual Limited

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

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

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

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

(iv) Essential Energy Bank Guarantee

The Council has provided a Bank Guarantee in favour of Essential Energy for \$32,208 for security pending the registration

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E3-1 Contingencies (continued)

of an easement over property (Crown Land) known as Lot 1 DP1270470 located at 203-209 Goulburn Street, Crookwell.

(v) Other guarantees

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

2. Other contingent liabilities

(i) Third party claims

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

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

(ii) Legal Matters

At balance date Upper Lachlan Shire Council had matters pending with its solicitor, Robert J McCarthy & Co, related to advice on day to day operational activities, such as conveyance on land acquisitions, renewal of Council's quarry contracts, and other operational matters. The fees and costs associated with these were estimated at approximately \$137,500.

A further:

- \$300,000 is estimated by Pikes & Verekers Lawyers who are acting for Upper Lachlan Shire Council at Tutzing Pty Ltd in Supreme Court Proceeding No. 2021/123548 with respect to specific performance of the Deed of Agreement for Unnamed Crown Road (Kokomo Road).
- \$250,000 is estimated by BAL Lawyers with respect to Council's contribution to road pavement for Cloverleigh Subdivision at Tait Street, Crookwell.
- \$350,000 is estimated by BAL Lawyers with respect to an 'offset' of contributions to Crookwell Trunk

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

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E3-1 Contingencies (continued)

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 quarter. A Community Fund Committee will be formed to govern the Community fund. Council will be responsible for the administration and governance of the Committee.

(viii)

Council entered into a Community Enhancement Planning Agreement with Crookwell Developments Pty Ltd on 27 July 2017 in relation to the project commonly known as the Crookwell 2 and 3 Wind Farm. As per section 6 'The Community Enhancement Fund' of the voluntary Planning Agreement, Crookwell Development Pty Ltd has agreed to pay a total monetary contribution of \$2,500.00 per operating turbine per annum to be indexed by CPI annually commencing at 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 and a Deed of Variation dated 12 October 2021. As per section 2 "Variation of Planning Agreement" in the Deed of Variation, Rye Park Renewable Energy Pty Limited has agreed to pay a total monetary contribution of \$40,000.00 per annum 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.

(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. As per section 6 'The Community Enhancement Fund' of the voluntary Planning Agreement, Newtricity Developments Biala Pty Ltd has agreed to pay a total monetary contribution of \$2,500.00 per turbine constructed per annum to be indexed by CPI annually commencing at September 2010 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.

(xi)

Upper Lachlan Shire Council entered into a Community Enhancement Program agreement with Collector Wind Farm Pty Ltd on 11 January 2019 in relation to the State Significant Development of Collector Wind Farm Project. As per section 6 'The Community Enhancement Fund' of the voluntary Planning Agreement, Collector Wind Farm Pty Ltd has agreed to pay a total monetary contribution of \$200,000. A Community Fund Committee will be formed to govern the Community fund. Council will be responsible for the administration and governance of the Committee.

F People and relationships**F1 Related party disclosures****F1-1 Key management personnel (KMP)**

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

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

\$ '000	2023	2022
Compensation:		
Short-term benefits	1,076	975
Termination benefits	–	22
Total	1,076	997

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	28	25
Councillors' fees	120	91
Other Councillors' expenses (including Mayor)	54	33
Total ⁽ⁱ⁾	202	149

⁽ⁱ⁾ Other Transactions - Other transactions between the Council and KMP and their related parties included only the payment of rates and charges at arms length on properties owned by KMP and their related parties.

F2 Other relationships

F2-1 Audit fees

\$ '000	2023	2022
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During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements

	65	55
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Remuneration for audit and other assurance services	65	55
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Total Auditor-General remuneration	65	55
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Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Due diligence services – Grant Thornton Australia internal audit services

	–	6
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Remuneration for audit and other assurance services	–	6
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Total remuneration of non NSW Auditor-General audit firms	–	6
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Total audit fees	65	61
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G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
Net operating result from Income Statement	10,130	10,321
Add / (less) non-cash items:		
Depreciation and amortisation	9,291	8,522
(Gain) / loss on disposal of assets	618	(336)
Unwinding of discount rates on reinstatement provisions	55	(164)
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	(466)	1,779
Increase / (decrease) in provision for impairment of receivables	(7)	(5)
(Increase) / decrease of inventories	(38)	(205)
(Increase) / decrease of other current assets	9	27
(Increase) / decrease of contract asset	2,375	—
Increase / (decrease) in payables	1,245	(1,577)
Increase / (decrease) in other accrued expenses payable	53	(12)
Increase / (decrease) in other liabilities	(210)	787
Increase / (decrease) in contract liabilities	(2,238)	2,402
Increase / (decrease) in employee benefit provision	383	258
Increase / (decrease) in other provisions	—	(1,356)
Net cash flows from operating activities	21,200	20,441

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	4,874	1,275
Plant and equipment	1,616	3,666
Total commitments	6,490	4,941
These expenditures are payable as follows:		
Within the next year	6,490	4,941
Total payable	6,490	4,941
Sources for funding of capital commitments:		
Unrestricted general funds	6,490	4,407
Future grants and contributions	–	534
Total sources of funding	6,490	4,941

Details of capital commitments

Council has capital commitments as at 30 June 2023. Capital commitments are related to, Plant Replacement Program, and the Crookwell Swimming Pool.

G3-1 Events occurring after the reporting date

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

Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

G4 Statement of developer contributions as at 30 June 2023

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Roads	3,126	373	–	–	71	(154)	–	3,416	–
Open space	328	30	–	–	7	(8)	–	357	–
Community facilities	713	58	–	–	16	(137)	–	650	–
Other	114	9	–	–	3	(2)	–	124	–
Bushfire	238	28	–	–	5	(12)	–	259	–
Waste management	72	21	–	–	2	–	–	95	–
S7.11 contributions – under a plan	4,591	519	–	–	104	(313)	–	4,901	–
Total S7.11 and S7.12 revenue under plans	4,591	519	–	–	104	(313)	–	4,901	–
S64 contributions	1,068	102	–	–	25	–	–	1,195	–
Total contributions	5,659	621	–	–	129	(313)	–	6,096	–

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

G4-2 Developer contributions by plan

	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
\$ '000		Cash	Non-cash Land	Non-cash Other					
Upper Lachlan Development Contributions Plan 2007 (previously Section 94)									
Bushfire	238	28	–	–	5	(12)	–	259	–
Roads	3,126	373	–	–	71	(154)	–	3,416	–
Waste management	72	21	–	–	2	–	–	95	–
Open space	328	30	–	–	7	(8)	–	357	–
Community facilities	713	58	–	–	16	(137)	–	650	–
Other	114	9	–	–	3	(2)	–	124	–
Total	4,591	519	–	–	104	(313)	–	4,901	–

G4-3 S64 contributions

Upper Lachlan Development Servicing Plan for Water & Sewer

continued on next page ...

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Upper Lachlan Shire Council | Notes to the Financial Statements 30 June 2023

G4-3 S64 contributions (continued)

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Water supply	463	51	–	–	11	–	–	525	–
Sewerage services	605	51	–	–	14	–	–	670	–
Total	1,068	102	–	–	25	–	–	1,195	–

G5 Statement of performance measures**G5-1 Statement of performance measures – consolidated results**

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022 2021		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,506	3.82%	(4.58)%	(8.64)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	39,390				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	21,470	44.15%	44.00%	52.79%	> 60.00%
Total continuing operating revenue ¹	48,633				
3. Unrestricted current ratio					
Current assets less all external restrictions	15,742	2.07x	2.88x	2.30x	> 1.50x
Current liabilities less specific purpose liabilities	7,619				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	11,086	12.26x	10.14x	5.75x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	904				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	508	3.82%	3.18%	2.42%	< 10.00%
Rates and annual charges collectable	13,307				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	34,092	14.76	13.27	13.48	> 3.00
Monthly payments from cash flow of operating and financing activities	2,309	months	months	months	months

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

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

G5-2 Statement of performance measures by fund

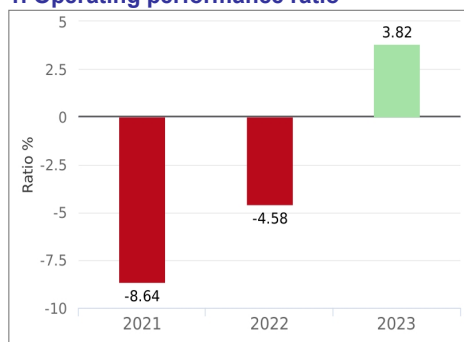
\$ '000	General Indicators		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5.96%	(4.82)%	(28.57)%	(15.42)%	4.36%	12.72%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ^{1,2}							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	38.88%	39.07%	95.29%	86.65%	96.67%	86.48%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.07x	2.88x	4.74x	7.05x	37.08x	33.96x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	11.69x	9.14x	8.68x	10.17x	110.00x	93.25x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	3.42%	3.92%	4.97%	0.00%	5.77%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.00 months	13.27 months	19.83 months	∞	56.29 months	∞	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

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

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

End of the audited financial statements

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2022/23 result

2022/23 ratio 3.82%

The ratio has returned to being above the benchmark in the current year after being below in the previous two years. Prior to that the ratio had been above the benchmark for a decade. This is primarily due to recognition of 100% Financial Assistance Grants Income paid in advance for the year 2023-2024.

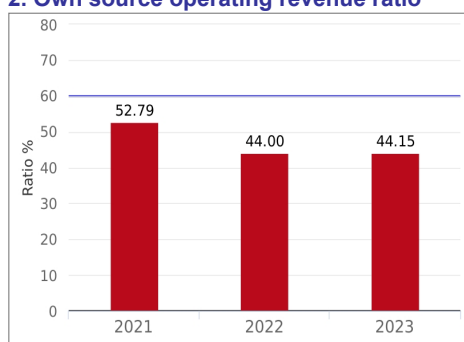
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2022/23 result

2022/23 ratio 44.15%

Council has significant reliance on external grant funding and a limited rate base. There are few alternative income streams available similar to those that are readily sourced by larger regional or city Councils. Large capital income for road reconstruction projects, Roads to Recovery, bridges and the Crookwell Multipurpose Aquatic and Activity Centre income, and the large Regional and Local Roads Repair Program income have resulted in a lower ratio.

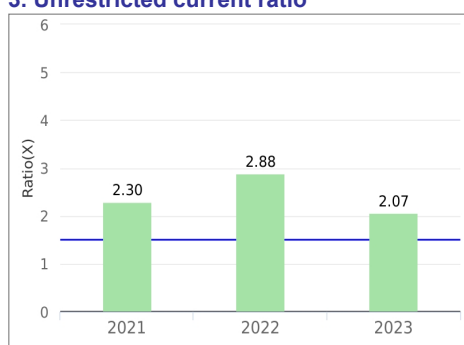
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2022/23 result

2022/23 ratio 2.07x

Council has been above benchmark for the last 16 years. Adequate working capital funds are retained to meet short term liabilities.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

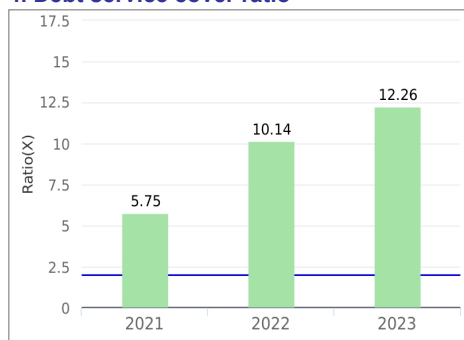
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H Additional Council disclosures (unaudited)

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 12.26x

Council did not have any new borrowings in the current year. In the year prior Council borrowed \$1.2 million for the Crookwell Multipurpose Aquatic and Activity Centre, and in the 2 years prior to that Council borrowed \$4.3 million for its bridge replacement program. The current year increase in the ratio is attributable to improved operational results.

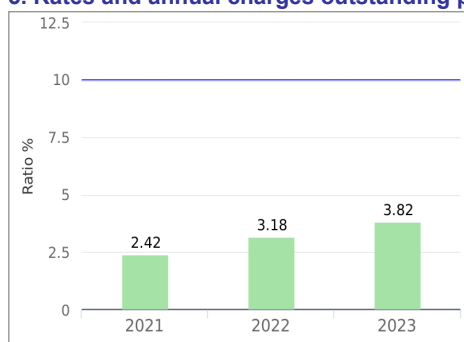
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2022/23 result

2022/23 ratio 3.82%

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

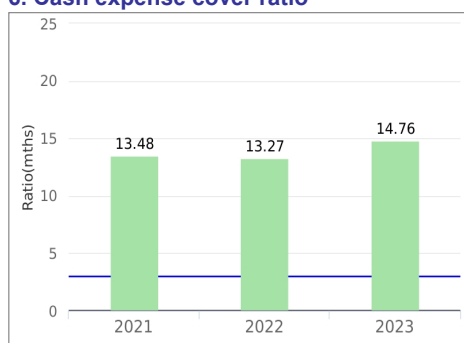
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2022/23 result

2022/23 ratio 14.76 months

Performance has been above benchmark for the past 10 years and Council currently has liquidity with the capacity to fund the works program detailed in the four year delivery program. Council has increased its capacity to meet short-term liquidity expenses from unanticipated natural disaster events.

Benchmark: — > 3.00months

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Upper Lachlan Shire Council

To the Councillors of the Upper Lachlan Shire Council

Qualified Opinion

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

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

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

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

Basis for Qualified Opinion

Non recognition of rural fire-fighting equipment

As disclosed in Note C1-7 'Infrastructure, property, plant and equipment' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

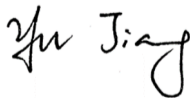
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Reiky Jiang
Delegate of the Auditor-General for New South Wales

28 November 2023
SYDNEY



Ms Pam Kensit
Mayor
Upper Lachlan Shire Council
PO Box 42
Gunning NSW 2581

Contact: Reiky Jiang
Phone no: 02 9275 7281
Our ref: R008-16585809-48910

28 November 2023

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements:

- Rural fire-fighting equipment - refer to section 'Non-recognition of rural fire-fighting equipment' below for details. This issue will continue to be reported as high risk finding in the management letter.
- IT policies and procedures and lack of user access review - the Council is currently using outdated IT policy documents that are critical to the IT operations. The Council has not developed any policies and procedures around user access and change management. Furthermore, the Council does not conduct regular reviews of user access and activities for privileged and regular users. This issue will be reported as a high risk finding in the management letter.

Modification to the opinion in the Independent Auditor's Report

Non-recognition of rural fire-fighting equipment

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

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

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

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

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

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

This has resulted in the audit opinion on the Council's 30 June 2023 GPFS to be modified.

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

INCOME STATEMENT

Operating result

	2023 \$m	2022 \$m	Variance %
Rates and annual charges revenue	12.9	12.2	↑ 5.7
Grants and contributions revenue	27.2	24.4	↑ 11.5
Operating result from continuing operations	10.1	10.3	↓ (1.9)
Net operating result before capital grants and contributions	0.9	(1.2)	↑ 175

Rates and annual charges revenue (\$12.9 million) increased by \$0.7 million (5.7 per cent) in 2022–23 due to the following

- rate peg percentage of 2.4 per cent for 2022–23, an increase from 2.0 per cent for 2021–22. There was also a general increase in the number of rateable assessments for residential and business land types
- \$154,000 and \$133,000 increase in the annual charges related to Business levy and Farmland Levy respectively.
- The annual charges income (including domestic waste management , water business activity and sewer business activity) has increased by \$0.3 million (or 6.5 per cent in 2022-23).

Grants and contributions revenue (\$27.2 million) increased by \$2.8 million (or 11.5 per cent) in 2022–23 primarily due to:

- the increase in transport and financial assistance grants largely pertaining to the following:
 - \$1.3 million increase in revenue related to Rural Timber Bridge replacement grants
 - \$4.1 million new funding secured by the Council during the financial year for roads repair
 - \$0.9 million increase in financial assistance grant due to the 2023-24 funding received in advance
- the above was partially offset by \$2.6 million decrease in revenue related to Wombeyan cave regional road grant and \$1.2 million decrease in natural disaster grant funding.

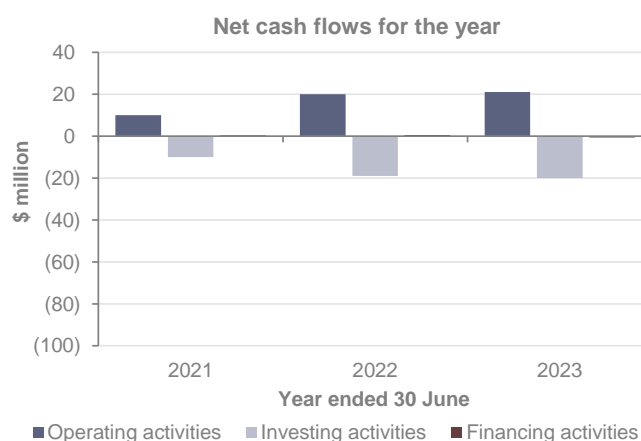
Overall, the Council's operating result from continuing operations (\$10.1 million including depreciation, amortisation and impairment of non-financial assets of \$9.3 million) was \$0.2 million lower than the 2021–22 result.

The net operating result before capital grants and contributions (\$0.9 million) was \$2.1 million higher than the 2021–22 result. This is mainly due to the increase in grants and contributions provided for operating purposes of \$5.0 million from prior year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year. The Council's cash and cash equivalents increased by \$0.2 million during the current year.

Net cash flows from operating activities increased by \$0.8 million which were mainly due to an increase in rates and annual charges received (\$0.5 million), an increase in interest received (\$0.5 million) and an increase in grants and contributions received (\$0.6 million). Additionally, the Other expenses decreased largely by \$2.1 million during the current financial year. This overall increase in the cash flows from operating activities has been offset by a decrease in user charges and fees (\$0.6 million), an increase in



payments to employees (\$0.7 million) as well as an increase in payments for materials and services (\$0.9 million) in the current year.

Net cash outflows from investing activities increased by \$1.1 million, primarily driven by the increased payments for IPPE (\$1.0 million).

Net cash flows from financing activities decreased by \$1.2 million which is primarily attributable to the absence of any proceeds from borrowings during 2022-23 financial year.

FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	34.1	31.3	<ul style="list-style-type: none"> Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.
Restricted and allocated cash, cash equivalents and investments:			<p>External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, water, sewer and wind farms community funds, and stormwater management charges.</p> <p>In 2023, there has been an increase in the externally restricted cash, cash equivalents and investments of \$1.7 million, which is mostly attributable to the current year increase in the unspent specific purpose grants recognised as revenue of \$3.4m.</p>
• External restrictions	24.0	22.3	
• Internal allocations	10.0	9.0	<ul style="list-style-type: none"> Internal allocations are determined by council policies or decisions, which are subject to change. They include work programs such as allocations to Financial Assistance Grant prepayment, employee leave entitlement and carry over works. <p>Through Council resolution, internal allocations can be adjusted to enable the use of these funds to provide liquidity for general operational use as required.</p>

Debt

At 30 June 2023, Council had:

- \$6.1 million in secured loans (\$6.6 million at 30 June 2022) utilised for Timber Bridge Replacement, Crookwell Memorial Oval, and Regional/Local Road Bridges projects
- access to \$0.3 million in bank overdraft facilities (\$0.3 million in 2021-22) which was undrawn as at the reporting date
- \$30,000 in credit card/purchase card facilities (\$30,000 in 2021-22) with \$30,000 limit being cleared monthly.

PERFORMANCE

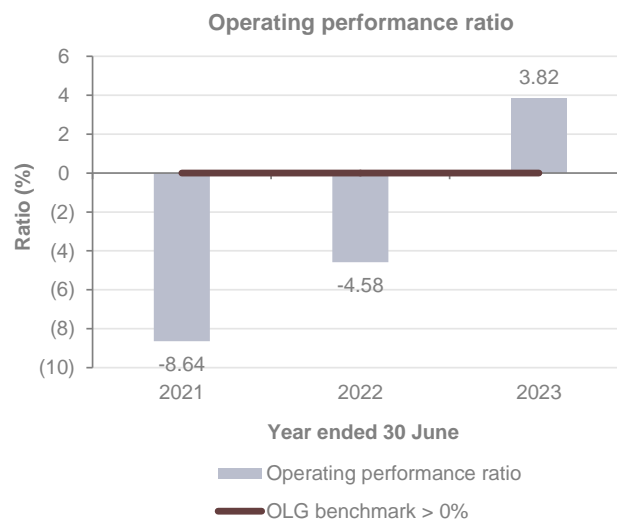
Performance measures

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

Operating performance ratio

The Council exceeded the benchmark for the current reporting period.

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



Own source operating revenue ratio

The Council did not meet the benchmark for the current reporting period. This is mainly because the Council has significant reliance on external grant funding and a limited rate base.

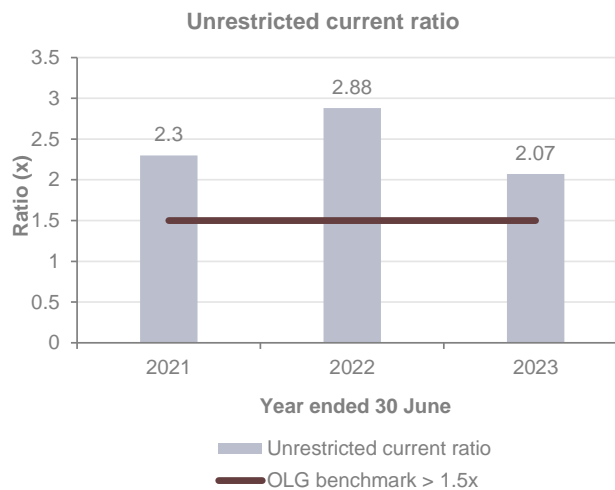
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council met the benchmark for the current reporting period.

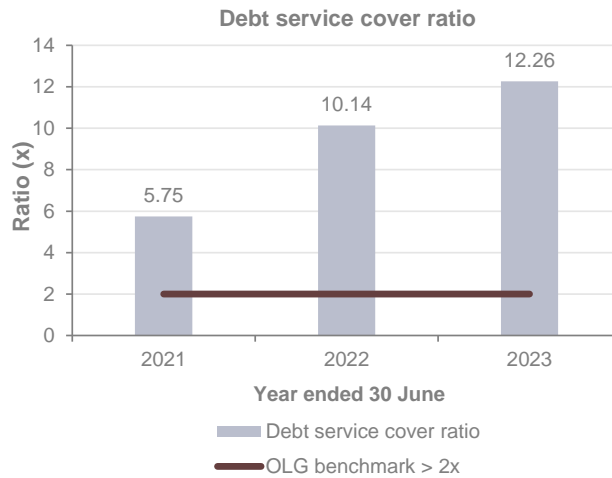
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

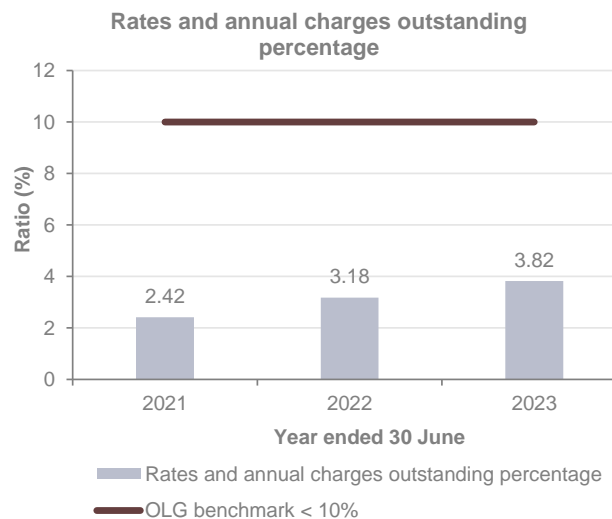
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council met the benchmark for the current reporting period.

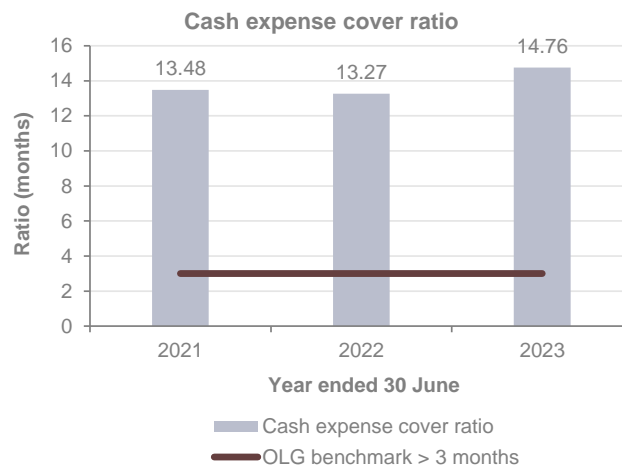
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is for this ratio to be less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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



Infrastructure, property, plant and equipment renewals

Council renewed \$18.6 million of infrastructure, property, plant and equipment during the 2022-23 financial year, a decrease of \$0.2 million from the prior year. This was mainly spent on roads, repairing assets damaged by natural disasters, purchases of plant and equipment, bulk earthworks as well as ongoing capital works in progress.

OTHER MATTERS

Legislative compliance

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

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

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

Reiky Jiang
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Upper Lachlan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2023



Upper Lachlan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2023

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Background

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

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

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

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

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

Upper Lachlan Shire Council**Special Purpose Financial Statements**

for the year ended 30 June 2023

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

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

- NSW Government Policy Statement, *Application of National Competition Policy to Local Government*
- 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
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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

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

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

Signed in accordance with a resolution of Council made on 16 November 2023.



Pam Kensit
Mayor
16 November 2023



Andy McDonald
Councillor
16 November 2023



Alex Waldron
Chief Executive Officer
16 November 2023



Jonathan Blake
Responsible Accounting Officer
16 November 2023

Upper Lachlan Shire Council | Income Statement of water supply business activity | for the year ended 30 June 2023

Upper Lachlan Shire Council

Income Statement of water supply business activity
for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	1,084	1,012
User charges	1,079	919
Fees	45	112
Interest and investment revenue	119	13
Grants and contributions provided for operating purposes	18	19
Other income	–	111
Total income from continuing operations	2,345	2,186
Expenses from continuing operations		
Employee benefits and on-costs	673	675
Borrowing costs	25	29
Materials and services	1,448	1,198
Depreciation, amortisation and impairment	862	603
Net loss from the disposal of assets	–	5
Other expenses	7	13
Total expenses from continuing operations	3,015	2,523
Deficit from continuing operations before capital amounts	(670)	(337)
Grants and contributions provided for capital purposes	97	315
Deficit from continuing operations after capital amounts	(573)	(22)
Deficit from all operations before tax	(573)	(22)
Deficit after tax	(573)	(22)
Plus accumulated surplus	25,516	25,538
Closing accumulated surplus	24,943	25,516
Return on capital %	(2.1)%	0.0%
Subsidy from Council	1,878	1,367
Calculation of dividend payable:		
Deficit after tax	(573)	(22)
Less: capital grants and contributions (excluding developer contributions)	(97)	(315)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Upper Lachlan Shire Council | Income Statement of sewerage business activity | for the year ended 30 June 2023

Upper Lachlan Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
Income from continuing operations		
Access charges	1,440	1,334
User charges	327	287
Fees	6	111
Interest and investment revenue	204	20
Grants and contributions provided for operating purposes	17	17
Total income from continuing operations	1,994	1,769
Expenses from continuing operations		
Employee benefits and on-costs	418	458
Borrowing costs	6	8
Materials and services	899	565
Depreciation, amortisation and impairment	567	513
Net losses from the disposal of assets	17	—
Total expenses from continuing operations	1,907	1,544
Surplus from continuing operations before capital amounts	87	225
Grants and contributions provided for capital purposes	51	257
Surplus from continuing operations after capital amounts	138	482
Surplus from all operations before tax	138	482
Less: corporate taxation equivalent (25%) (based on result before capital)	(22)	(56)
Surplus after tax	116	426
Plus accumulated surplus	15,851	15,369
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	22	56
Closing accumulated surplus	15,989	15,851
Return on capital %	0.4%	1.2%
Subsidy from Council	757	502
Calculation of dividend payable:		
Surplus after tax	116	426
Less: capital grants and contributions (excluding developer contributions)	(51)	(257)
Surplus for dividend calculation purposes	65	169
Potential dividend calculated from surplus	33	85

Upper Lachlan Shire Council | Income Statement of Domestic Waste Management | for the year ended 30 June 2023

Upper Lachlan Shire Council

Income Statement of Domestic Waste Management

for the year ended 30 June 2023

	2023	2022
\$ '000	Category 2	Category 2
Income from continuing operations		
Annual charges	1,471	1,424
User charges	4	3
Interest and investment income	62	6
Grants and contributions provided for operating purposes	29	30
Other income	25	1
Total income from continuing operations	1,591	1,464
Expenses from continuing operations		
Employee benefits and on-costs	332	297
Borrowing costs	–	677
Materials and services	1,003	1,081
Depreciation, amortisation and impairment	138	158
Total expenses from continuing operations	1,473	2,213
Surplus (deficit) from continuing operations before capital amounts	118	(749)
Grants and contributions provided for capital purposes	21	34
Surplus (deficit) from continuing operations after capital amounts	139	(715)
Surplus (deficit) from all operations before tax	139	(715)
Less: corporate taxation equivalent (25%) (based on result before capital)	(30)	–
Surplus (deficit) after tax	109	(715)
Plus accumulated surplus	2,382	3,097
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	30	–
Closing accumulated surplus	2,521	2,382
Return on capital %	25.2%	(11.1)%
Subsidy from Council	–	96

Upper Lachlan Shire Council | Statement of Financial Position of water supply business activity | for the year ended 30 June 2023

Upper Lachlan Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Investments	3,582	3,510
Receivables	516	225
Total current assets	4,098	3,735
Non-current assets		
Receivables	9	7
Infrastructure, property, plant and equipment	30,684	28,942
Total non-current assets	30,693	28,949
Total assets	34,791	32,684
LIABILITIES		
Current liabilities		
Contract liabilities	580	275
Payables	9	10
Borrowings	17	16
Employee benefit provisions	259	229
Total current liabilities	865	530
Non-current liabilities		
Borrowings	361	378
Total non-current liabilities	361	378
Total liabilities	1,226	908
Net assets	33,565	31,776
EQUITY		
Accumulated surplus	24,943	25,516
Revaluation reserves	8,622	6,260
Total equity	33,565	31,776

Upper Lachlan Shire Council | Statement of Financial Position of sewerage business activity | for the year ended 30 June 2023

Upper Lachlan Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
ASSETS		
Current assets		
Investments	6,304	5,977
Receivables	148	67
Total current assets	6,452	6,044
Non-current assets		
Receivables	14	12
Infrastructure, property, plant and equipment	21,151	20,079
Total non-current assets	21,165	20,091
Total assets	27,617	26,135
LIABILITIES		
Current liabilities		
Payables	3	2
Borrowings	4	4
Employee benefit provisions	167	172
Total current liabilities	174	178
Non-current liabilities		
Borrowings	84	88
Total non-current liabilities	84	88
Total liabilities	258	266
Net assets	27,359	25,869
EQUITY		
Accumulated surplus	15,989	15,851
Revaluation reserves	11,370	10,018
Total equity	27,359	25,869

Upper Lachlan Shire Council | Statement of Financial Position of Domestic Waste Management | for the year ended 30 June 2023

Upper Lachlan Shire Council

Statement of Financial Position of Domestic Waste Management

as at 30 June 2023

\$ '000	2023 Category 2	2022 Category 2
ASSETS		
Current assets		
Investments	1,943	1,722
Receivables	101	69
Total current assets	2,044	1,791
Non-current assets		
Receivables	10	7
Infrastructure, property, plant and equipment	468	646
Total non-current assets	478	653
Total assets	2,522	2,444
LIABILITIES		
Current liabilities		
Employee benefit provisions	147	120
Total current liabilities	147	120
Total liabilities	147	120
Net assets	2,375	2,324
EQUITY		
Accumulated surplus	2,521	2,382
Revaluation reserves	(146)	(58)
Total equity	2,375	2,324

Note – Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the *Local Government Act 1993 (NSW)*, the *Local Government (General) Regulation 2021*, 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)

a. Water Supply

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

Category 2

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

a. Sewerage Services

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

b. Domestic Waste Management

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

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

continued on next page ...

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Note – Significant Accounting Policies (continued)

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

Notional rate applied (%)

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

Land tax – the first \$969,000 of combined land values attracts **0%**. For the combined land values in excess of \$969,000 up to \$5,925,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$5,925,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$1,200,000.

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

A calculation of the equivalent rates and charges payable on all Category1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

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

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

(i) Subsidies

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

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.

continued on next page ...

Page 11 of 15

Note – Significant Accounting Policies (continued)

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

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

(ii) Return on investments (rate of return)

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

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30 June 2023.

(iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with section 4 of Department of Planning and Environment – Water's regulatory and assurance framework and must not exceed:

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

In accordance with section 4 of the Department of Planning and Environment – Water's regulatory and assurance framework 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 Planning and Environment.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Upper Lachlan Shire Council

To the Councillors of the Upper Lachlan Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of the Upper Lachlan Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2023, the Statement of Financial Position of each Declared Business Activity as at 30 June 2023 and Significant accounting policies note.

The Declared Business Activities of the Council are:

- water supply
- sewerage business
- domestic waste management.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's Declared Business Activities as at 30 June 2023, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2022-23 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Reiky Jiang
Delegate of the Auditor-General for New South Wales

28 November 2023
SYDNEY

Upper Lachlan Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2023



Upper Lachlan Shire Council

Special Schedules

for the year ended 30 June 2023

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Upper Lachlan Shire Council | Permissible income for general rates | for the year ended 30 June 2023

Upper Lachlan Shire Council

Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
Notional general income calculation ¹			
Last year notional general income yield	a	7,916	8,305
Plus or minus adjustments ²	b	196	77
Notional general income	c = a + b	8,112	8,382
Permissible income calculation			
Or rate peg percentage	e	2.40%	3.70%
Or plus rate peg amount	i = e x (c + g)	195	310
Sub-total	k = (c + g + h + i + j)	8,307	8,692
Plus (or minus) last year's carry forward total	l	3	5
Sub-total	n = (l + m)	3	5
Total permissible income	o = k + n	8,310	8,697
Less notional general income yield	p	8,305	8,686
Catch-up or (excess) result	q = o - p	5	11
Carry forward to next year ⁶	t = q + r + s	5	11

Notes

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

Upper Lachlan Shire Council | Permissible income for general rates | for the year ended 30 June 2023



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Upper Lachlan Shire Council

To the Councillors of the Upper Lachlan Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

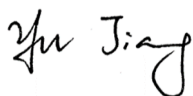
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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



Reiky Jiang
Delegate of the Auditor-General for New South Wales

28 November 2023
SYDNEY

Upper Lachlan Shire Council | Report on infrastructure assets as at 30 June 2023 | for the year ended 30 June 2023

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2022/23 Required maintenance ^a	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Buildings	3,274	3,274	1,242	513	30,451	64,632	16.0%	15.0%	63.0%	6.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	3,274	3,274	1,242	513	30,451	64,632	16.0%	15.0%	63.0%	6.0%	0.0%
Other structures	Other structures	—	—	30	114	1,637	2,687	33.0%	37.0%	30.0%	0.0%	0.0%
	Sub-total	—	—	30	114	1,637	2,687	33.0%	37.0%	30.0%	0.0%	0.0%
Roads	Roads	8,297	8,297	4,813	9,248	396,697	498,477	66.0%	13.0%	19.0%	2.0%	0.0%
	Sub-total	8,297	8,297	4,813	9,248	396,697	498,477	66.0%	13.0%	19.0%	2.0%	0.0%
Water supply network	Water supply network	4,797	4,797	1,392	1,148	28,984	47,456	40.0%	26.0%	23.0%	1.0%	10.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,797	4,797	1,392	1,148	28,984	47,456	40.0%	26.0%	23.0%	1.0%	10.0%
Sewerage network	Sewerage network	1,971	1,971	483	556	19,412	33,346	35.0%	27.0%	31.0%	7.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	1,971	1,971	483	556	19,412	33,346	35.0%	27.0%	31.0%	7.0%	0.0%
Stormwater drainage	Stormwater drainage	17,468	17,468	1,284	898	15,177	36,408	18.0%	17.0%	1.0%	64.0%	0.0%
	Other	—	—	—	—	—	—	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	17,468	17,468	1,284	898	15,177	36,408	18.0%	17.0%	1.0%	64.0%	0.0%
Open space / recreational assets	Swimming pools	—	—	18	13	299	896	0.0%	0.0%	100.0%	0.0%	0.0%
	Other open space/recreational assets	356	356	54	364	2,958	4,402	61.0%	16.0%	13.0%	10.0%	0.0%
	Sub-total	356	356	72	377	3,257	5,298	50.7%	13.3%	27.7%	8.3%	0.0%
Total – all assets		36,163	36,163	9,316	12,854	495,615	688,304	55.2%	15.1%	23.1%	5.9%	0.7%

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

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)

continued on next page ...

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Upper Lachlan Shire Council | Report on infrastructure assets as at 30 June 2023 | for the year ended 30 June 2023

Upper Lachlan Shire Council

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

2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Upper Lachlan Shire Council | Report on infrastructure assets as at 30 June 2023 | for the year ended 30 June 2023

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022	2021	Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	4,628	63.94%	159.70%	107.96%	> 100.00%
Depreciation, amortisation and impairment	7,238				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	36,163	7.05%	3.89%	8.51%	< 2.00%
Net carrying amount of infrastructure assets	512,772				
Asset maintenance ratio					
Actual asset maintenance	12,854	137.98%	161.66%	120.86%	> 100.00%
Required asset maintenance	9,316				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	36,163	5.25%	2.88%	6.36%	
Gross replacement cost	688,304				

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

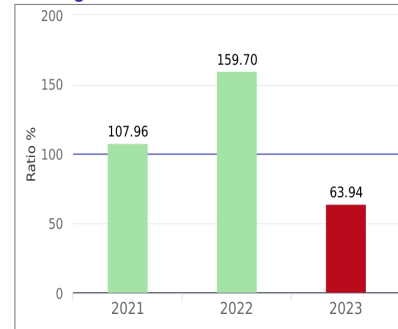
(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Upper Lachlan Shire Council | Report on infrastructure assets as at 30 June 2023 | for the year ended 30 June 2023

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2023

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

22/23 ratio 63.94%

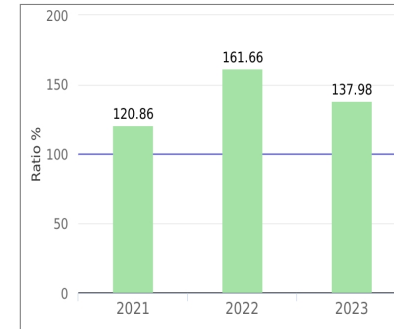
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

22/23 ratio 137.98%

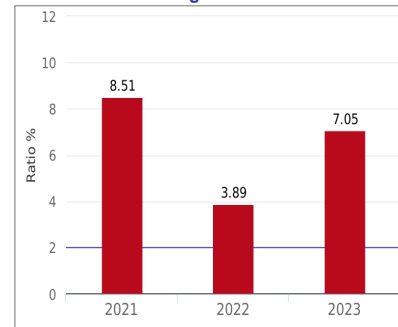
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

22/23 ratio 7.05%

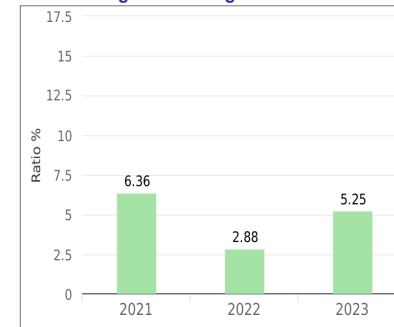
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

22/23 ratio 5.25%

Upper Lachlan Shire Council | Report on infrastructure assets as at 30 June 2023 | for the year ended 30 June 2023

Upper Lachlan Shire Council

Report on infrastructure assets as at 30 June 2023

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	78.94%	179.45%	0.00%	55.03%	0.00%	63.52%	> 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	6.33%	3.43%	16.55%	9.91%	10.15%	5.12%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	149.85%	160.87%	82.47%	143.65%	115.11%	222.99%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	4.84%	2.60%	10.11%	6.24%	5.91%	3.07%	
Gross replacement cost							

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