



Upper Lachlan Shire Council
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

44 Spring Street
Crookwell NSW 2583

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

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

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

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

Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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.

General Purpose Financial Statements

for the year ended 30 June 2020

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 15 October 2020.

John Stafford
Mayor
15 October 2020

John Searl
Councillor
15 October 2020

Colleen Worthy
General Manager
15 October 2020

Andrew Croke
Responsible Accounting Officer
15 October 2020

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		6,676	3,206
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10(a)	360	611
Impairment (loss) reversal / (Revaluation decrement) relating to IPP&E	10(a)	25	(25)
Total items which will not be reclassified subsequently to the operating result		385	586
Total other comprehensive income for the year		385	586
Total comprehensive income for the year		7,061	3,792
Total comprehensive income attributable to Council		7,061	3,792

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	7,779	6,264
Investments	7(b)	22,900	18,900
Receivables	8	3,329	3,112
Inventories	9a	1,053	977
Other	9b	88	46
Total current assets		35,149	29,299
Non-current assets			
Investments	7(b)	2,200	3,400
Receivables	8	153	169
Infrastructure, property, plant and equipment	10(a)	418,122	412,490
Right of use assets	12a	211	–
Total non-current assets		420,686	416,059
Total assets		455,835	445,358
LIABILITIES			
Current liabilities			
Payables	13	2,800	2,037
Contract liabilities	11	118	–
Lease liabilities	12b	28	–
Borrowings	13	546	341
Provisions	14	4,375	4,284
Total current liabilities		7,867	6,662
Non-current liabilities			
Lease liabilities	12b	185	–
Borrowings	13	5,068	2,314
Provisions	14	2,797	2,783
Total non-current liabilities		8,050	5,097
Total liabilities		15,917	11,759
Net assets		439,918	433,599
EQUITY			
Accumulated surplus	15	307,225	301,291
Revaluation reserves	15	132,693	132,308
Council equity interest		439,918	433,599
Total equity		439,918	433,599

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		301,291	132,308	433,599	298,085	131,722	429,807
Changes due to AASB 1058 and AASB 15 adoption	15	(742)	–	(742)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
Net operating result for the year		6,676	–	6,676	3,206	–	3,206
Restated net operating result for the period		6,676	–	6,676	3,206	–	3,206
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10(a)	–	360	360	–	611	611
– Impairment (loss) reversal relating to IPP&E	10(a)	–	25	25	–	(25)	(25)
Other comprehensive income		–	385	385	–	586	586
Total comprehensive income		6,676	385	7,061	3,206	586	3,792
Equity – balance at end of the reporting period		307,225	132,693	439,918	301,291	132,308	433,599

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
<i>Receipts:</i>				
11,020	Rates and annual charges		10,989	10,627
7,568	User charges and fees		4,780	7,271
703	Investment and interest revenue received		568	770
14,559	Grants and contributions		15,731	11,770
–	Bonds, deposits and retention amounts received		–	124
738	Other		1,779	635
<i>Payments:</i>				
(10,370)	Employee benefits and on-costs		(10,927)	(11,061)
(7,977)	Materials and contracts		(6,382)	(8,336)
(182)	Borrowing costs		(177)	(223)
–	Bonds, deposits and retention amounts refunded		(116)	–
(2,673)	Other		(2,789)	(2,516)
13,386	Net cash provided (or used in) operating activities	16b	13,456	9,061
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investment securities		16,200	6,700
–	Sale of infrastructure, property, plant and equipment		238	418
<i>Payments:</i>				
–	Purchase of investment securities		(19,000)	(9,700)
(13,925)	Purchase of infrastructure, property, plant and equipment		(12,309)	(11,685)
(13,925)	Net cash provided (or used in) investing activities		(14,871)	(14,267)
Cash flows from financing activities				
<i>Receipts:</i>				
1,196	Proceeds from borrowings and advances		3,300	1,000
<i>Payments:</i>				
(323)	Repayment of borrowings and advances		(341)	(235)
–	Lease liabilities (principal repayments)		(29)	–
873	Net cash flow provided (used in) financing activities		2,930	765
334	Net increase/(decrease) in cash and cash equivalents		1,515	(4,441)
–	Plus: cash and cash equivalents – beginning of year	16a	6,264	10,705
334	Cash and cash equivalents – end of the year	16a	7,779	6,264

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 15 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

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

Council is a not for-profit entity.

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

Full dollars have been used in Note 22 Related party disclosures in relation to the disclosure of specific related party transactions.

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) 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.

(b) 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 10
- (ii) estimated tip remediation provisions – refer Note 14
- (iii) employee benefit provisions – refer Note 14.

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 8.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (i.e. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

Specifically, the Australian Accounting Standards Board has pronounced that adoption of the following standards can be deferred to later reporting periods:

- AASB 1059 Service Concession Arrangements: Grantors.
This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

- AASB 10 Consolidated Financial Statements, and AASB 128 Investments in Associates and Joint Ventures.
The Australian Accounting Standards Board has made changes to address an acknowledged inconsistency between the requirements in these standards in dealing with the sale or contribution of assets between an investor and its associate or joint venture. These amendments will only impact councils where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Council does not expect any material impact to future financial statements as we do not generally enter into joint venture arrangements.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

New accounting standards adopted during the year

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

Notes to the Financial Statements
for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Our leadership	770	3	930	787	(160)	(784)	–	–	–	1,655
Our infrastructure	14,903	10,237	15,788	13,866	(885)	(3,629)	7,157	9,721	396,259	393,835
Our society/community	1,925	1,569	3,322	4,037	(1,397)	(2,468)	1,814	359	29,604	29,890
Our environment	1,559	2,339	1,720	2,733	(161)	(394)	182	197	6,443	4,761
Our economy	2,966	5,694	6,236	7,478	(3,270)	(1,784)	90	–	23,227	15,217
Other – general purpose income	12,549	12,265	–	–	12,549	12,265	4,915	1	302	–
Total functions and activities	34,672	32,107	27,996	28,901	6,676	3,206	14,158	10,278	455,835	445,358

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Our leadership

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

Our infrastructure

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

Our society

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

Our environment

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

Our economy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Ordinary rates		
Residential	1,750	1,710
Farmland	5,071	4,929
Mining	2	2
Business	287	281
Other	6	–
Less: pensioner rebates (mandatory)	(116)	(112)
Rates levied to ratepayers	7,000	6,810
Pensioner rate subsidies received	54	53
Total ordinary rates	7,054	6,863
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	1,165	1,092
Stormwater management services	47	47
Water supply services	900	840
Sewerage services	1,197	1,116
Waste management services (non-domestic)	602	562
Annual charges levied	3,911	3,657
Pensioner subsidies received:		
– Water	19	18
– Sewerage	17	16
– Domestic waste management	27	26
Total annual charges	3,974	3,717
TOTAL RATES AND ANNUAL CHARGES	11,028	10,580

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

Accounting policy for rates and charges

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	1	1
Water supply services	1,119	1,025
Sewerage services	297	260
Waste management services (non-domestic)	134	231
Total specific user charges	1,551	1,517
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	79	1,148
Section 10.7 certificates (EP&A Act)	31	26
Section 603 certificates	23	22
Dwelling entitlement searches	12	10
Premises inspections	4	8
Town planning / building	296	258
Total fees and charges – statutory/regulatory	445	1,472
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	49	62
Cemeteries	77	97
Quarry revenues	700	785
RMS charges (state roads not controlled by Council)	2,141	3,811
Water connection fees	3	4
Public halls	3	9
Sporting grounds	13	27
Swimming pools	36	34
Truck wash facility	10	11
Water meter readings	5	7
Engineering plan checking fees	113	188
Other	9	13
Total fees and charges – other	3,159	5,048
TOTAL USER CHARGES AND FEES	5,155	8,037

Accounting policy for user charges and fees**Accounting policy for user charges and fees**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(c) Other revenues		
Rental income – other council properties (2019 only)	106	113
Ex gratia rates	30	29
Fines	18	15
Legal fees recovery – rates and charges (extra charges)	2	20
Commissions and agency fees	156	148
Insurance claims recoveries	35	289
Advertising income – Council newsletter	1	3
Australia post supplies / sales	17	16
Fuel tax credits	109	149
Miscellaneous / sundry sales	–	10
Sale of old/surplus material	1	3
Other	238	51
Southern phone	803	13
Tourist information centre sales and membership fees	75	73
Windfarm Community Enhancement Program administration fee	31	16
<u>TOTAL OTHER REVENUE</u>	<u>1,622</u>	<u>948</u>

Accounting policy for other revenue

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	4,913	4,861	–	–
Total general purpose	4,913	4,861	–	–
Specific purpose				
Water supplies	–	–	–	(64)
Bushfire and emergency services	160	160	–	–
Heritage and cultural	37	12	–	–
Noxious weeds	171	149	–	–
Public halls	–	–	58	39
Recreation and culture	–	–	1,481	263
Street lighting	29	28	–	–
Transport (roads to recovery)	1,804	1,018	–	–
Transport (other roads and bridges funding)	–	116	2,232	773
Footpaths	–	–	821	138
Public libraries	78	48	–	–
Other	12	37	35	7
Transportation (3x3, block, repair, regional roads)	1,725	1,689	511	1,002
Youth week	1	2	–	–
Tourism	90	–	–	–
Total specific purpose	4,107	3,259	5,138	2,158
Total grants	9,020	8,120	5,138	2,158
Grant revenue is attributable to:				
– Commonwealth funding	6,817	5,879	1,328	774
– State funding	2,192	2,199	3,220	1,348
– Other funding	11	42	590	36
	9,020	8,120	5,138	2,158

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	927	609
S 64 – water supply contributions		–	–	111	73
S 64 – sewerage service contributions		–	–	101	143
Total developer contributions – cash		–	–	1,139	825
Total developer contributions	23	–	–	1,139	825
Other contributions:					
Cash contributions					
Other councils – joint works/services		–	–	–	2

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
Recreation and culture		–	–	42	8
Natural disaster funding – roads		804	440	–	–
Transferred employee leave entitlements		24	–	–	–
Vehicle leaseback contributions		85	73	–	–
Waste management centres		–	58	–	–
New Gullen Range Wind Farm Contribution		103	86	–	–
Total other contributions – cash		1,016	657	42	10
Total other contributions		1,016	657	42	10
Total contributions		1,016	657	1,181	835
TOTAL GRANTS AND CONTRIBUTIONS		10,036	8,777	6,319	2,993

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

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

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	63	274
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	153	12
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(223)
Less: operating grants received in a previous reporting period now spent and recognised as income	(14)	–
Unexpended and held as externally restricted assets (operating grants)	202	63
Capital grants		
Unexpended at the close of the previous reporting period	717	1,351
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	157
Add: capital grants received for the provision of goods and services in a future period	744	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(791)
Less: capital grants received in a previous reporting period now spent and recognised as income	(352)	–
Unexpended and held as externally restricted assets (capital grants)	1,109	717
Contributions		
Unexpended at the close of the previous reporting period	3,732	4,691
Add: contributions recognised as income in the current period but not yet spent	–	–
Add: contributions received for the provision of goods and services in a future period	1,193	312
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 (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(332)	(1,271)
Unexpended and held as externally restricted assets (contributions)	4,593	3,732

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	27	34
– Cash and investments	485	738
Finance income on the net investment in the lease	–	–
Total Interest and investment income	512	772
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	17	22
General Council cash and investments	310	419
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	48	88
– Section 64	6	8
Water fund operations	38	64
Sewerage fund operations	70	117
Domestic waste management operations	23	54
Total interest and investment revenue	512	772

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	8,516	8,628
Travel expenses	153	157
Employee leave entitlements (ELE)	2,163	2,069
Superannuation	1,155	1,124
Workers' compensation insurance	319	231
Fringe benefit tax (FBT)	65	47
Training costs (other than salaries and wages)	165	113
Other	100	102
Total employee costs	12,636	12,471
Less: capitalised costs	(1,513)	(1,366)
TOTAL EMPLOYEE COSTS EXPENSED	11,123	11,105
Number of 'full-time equivalent' employees (FTE) at year end	138	137

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on leases		8	–
Interest on loans		153	139
Total interest bearing liability costs		161	139
Total interest bearing liability costs expensed		161	139
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	16	84
Total other borrowing costs		16	84
TOTAL BORROWING COSTS EXPENSED		177	223

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	1,708	1,864
Contractor and consultancy costs		
– Contractors	4,132	5,142
– Consultancy services	1,151	814
Auditors remuneration ²	68	57
Legal expenses:		
Expenses from short-term leases (2020 only)	–	–
Expenses from leases of low value assets (2020 only)	–	–
Expenses from Peppercorn leases (2020 only)	–	–
– Legal expenses: planning and development	3	2
– Legal expenses: other	22	31
Variable lease expense relating to usage (2020 only)	–	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	20
Total materials and contracts	<u>7,084</u>	<u>7,930</u>
TOTAL MATERIALS AND CONTRACTS	<u>7,084</u>	<u>7,930</u>

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

Other	–	20
	<u>–</u>	<u>20</u>

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	48	47
Remuneration for audit and other assurance services	<u>48</u>	<u>47</u>

Total Auditor-General remuneration

	<u>48</u>	<u>47</u>
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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	20	10
Remuneration for audit and other assurance services	<u>20</u>	<u>10</u>

Total remuneration of non NSW Auditor-General audit firms

	<u>20</u>	<u>10</u>
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Total Auditor remuneration

	<u>68</u>	<u>57</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,139	1,192
Office equipment		254	196
Furniture and fittings		7	7
Land improvements (depreciable)		9	9
Infrastructure:	10(a)		
– Buildings – non-specialised		63	63
– Buildings – specialised		710	697
– Other structures		31	31
– Roads		2,596	2,522
– Bridges		503	493
– Footpaths		29	27
– Stormwater drainage		28	27
– Water supply network		480	561
– Sewerage network		471	448
– Swimming pools		23	23
– Other open space/recreational assets		122	115
Right of use assets	12	31	–
Other assets:			
– Other		54	55
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	14,10(a)	204	204
– Quarry assets	14,10(a)	12	12
Total gross depreciation and amortisation costs		<u>6,766</u>	<u>6,682</u>
Total depreciation and amortisation costs		<u>6,766</u>	<u>6,682</u>
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10(a)		
– Bridges		(25)	25
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>(25)</u>	<u>25</u>
Amounts taken through revaluation reserve	10(a)	25	(25)
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>–</u>	<u>–</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>6,766</u>	<u>6,682</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 15 for right of use 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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.

\$ '000	2020	2019
(e) Other expenses		
Advertising	47	67
Australia post stock / supplies	21	19
Bad and doubtful debts	28	13
Bank charges	40	37
Contributions/levies to other levels of government		
– Emergency services levy (SES)	12	16
– NSW fire brigade levy	33	25
– NSW rural fire service levy	418	404
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	111	105
Councillors' expenses (incl. mayor) – other (excluding fees above)	40	61
Donations, contributions and assistance to other organisations (Section 356)	66	80
Electricity and heating	418	336
Insurance	693	649
Postage	42	50
Printing and stationery	125	106
Street lighting	90	107
Subscriptions and publications	80	69
Telephone and communications	118	118
Tourism expenses (excluding employee costs)	–	17
Valuation fees	50	62
Water usage	206	181
Crookwell Library insurance claim	–	12
Gunning Showground insurance claim	–	33
Redground Road property insurance claim	–	90
RFS Control Centre insurance claim	–	11
Health Care Cottage insurance claim	11	–
Other	81	65
Total other expenses	2,757	2,759
TOTAL OTHER EXPENSES	2,757	2,759

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		238	418
Less: carrying amount of plant and equipment assets sold/written off		(153)	(373)
Net gain/(loss) on disposal		<u>85</u>	<u>45</u>
Infrastructure	10(a)		
Less: carrying amount of infrastructure assets sold/written off		(174)	(247)
Net gain/(loss) on disposal		<u>(174)</u>	<u>(247)</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		16,200	6,700
Less: carrying amount of investments sold/redeemed/matured		(16,200)	(6,700)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(89)</u>	<u>(202)</u>

Accounting policy for disposal of assets

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	369	639
Cash-equivalent assets		
– Deposits at call	510	1,225
– Short-term deposits	6,900	4,400
Total cash and cash equivalents	<u>7,779</u>	<u>6,264</u>

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
b. 'Financial assets at amortised cost'	22,900	2,200	18,900	3,400
Total Investments	<u>22,900</u>	<u>2,200</u>	<u>18,900</u>	<u>3,400</u>
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	<u>30,679</u>	<u>2,200</u>	<u>25,164</u>	<u>3,400</u>
Financial assets at amortised cost				
Long term deposits	22,900	2,200	18,900	3,400
Total	<u>22,900</u>	<u>2,200</u>	<u>18,900</u>	<u>3,400</u>

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

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

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

Fair value through other comprehensive income – equity instruments

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

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	30,679	2,200	25,164	3,400
attributable to:				
External restrictions	13,701	2,200	9,912	3,400
Internal restrictions	14,042	–	12,822	–
Unrestricted	2,936	–	2,430	–
	30,679	2,200	25,164	3,400

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	–	–
Specific purpose unexpended grants – water fund (2020 only)	–	–
Specific purpose unexpended grants – sewer fund (2020 only)	–	–
External restrictions – included in liabilities	–	–

External restrictions – other

Developer contributions – general	4,069	3,426
Developer contributions – water fund	192	79
Developer contributions – sewer fund	332	227

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
Specific purpose unexpended grants (recognised as revenue) – general fund	1,311	780
Water supplies	2,770	2,472
Sewerage services	5,063	4,544
Stormwater management	294	247
Wind farms community fund	96	33
Trust fund	2	6
Domestic waste management	1,772	1,498
External restrictions – other	15,901	13,312
Total external restrictions	15,901	13,312
Internal restrictions		
Employees leave entitlement	2,058	2,018
Carry over works	2,692	2,311
Deposits, retentions and bonds	166	283
Buildings and infrastructure improvements	1,155	1,159
Community projects	12	12
Council houses capital works	70	63
Financial Assistance Grant prepayment Q1 and Q2	2,528	2,475
Garbage / waste disposal	37	37
Gravel pit restoration	345	353
Information technology and equipment	293	220
Library cooperative	71	71
Plant and equipment replacement	1,359	1,667
Public halls capital improvements	36	39
Rubbish tips remediation	834	1,500
State Road works contingencies	716	582
Upper Lachlan tourist association	45	32
Unexpended Loans/Borrowings	1,625	–
Total internal restrictions	14,042	12,822
TOTAL RESTRICTIONS	29,943	26,134

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	248	37	207	45
Interest and extra charges	8	9	6	10
User charges and fees	2,689	107	2,320	114
Accrued revenues				
– Interest on investments	175	–	232	–
Net investment in finance lease	–	–	–	–
Net GST receivable	192	–	248	–
Other debtors	34	–	135	–
Total	3,346	153	3,148	169
Less: provision of impairment				
Rates and annual charges	–	–	(6)	–
User charges and fees	(17)	–	(30)	–
Total provision for impairment – receivables	(17)	–	(36)	–
TOTAL NET RECEIVABLES	3,329	153	3,112	169

Externally restricted receivables

Water supply

– Rates and availability charges	40	4	56	5
– Other	119	–	74	30

Sewerage services

– Rates and availability charges	69	6	69	8
– Other	27	–	36	–

Domestic waste management

	55	4	90	5
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Total external restrictions

	310	14	325	48
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Unrestricted receivables	3,019	139	2,787	121
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TOTAL NET RECEIVABLES	3,329	153	3,112	169
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\$ '000	2020	2019
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	36	36
– previous impairment losses reversed	(19)	–

Balance at the end of the year	17	36
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Accounting policy for receivables

Recognition and measurement

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

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

Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	400	–	346	–
Stores and materials – gravel	448	–	415	–
Trading stock – Australia post agency	19	–	22	–
Trading stock – tourist information centres	10	–	12	–
Loose tools	176	–	182	–
Total inventories at cost	1,053	–	977	–
<u>TOTAL INVENTORIES</u>	<u>1,053</u>	<u>–</u>	<u>977</u>	<u>–</u>

(b) Other assets

Prepayments	88	–	46	–
<u>TOTAL OTHER ASSETS</u>	<u>88</u>	<u>–</u>	<u>46</u>	<u>–</u>

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total externally restricted assets	–	–	–	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,141	–	1,023	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>1,141</u>	<u>–</u>	<u>1,023</u>	<u>–</u>

(i) Other disclosures

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

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period						as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000												
Capital work in progress	3,601	–	3,601	2,885	–	–	–	(2,731)	–	3,755	–	3,755
Plant and equipment	14,901	(7,326)	7,575	965	(153)	(1,139)	–	–	–	15,361	(8,114)	7,247
Office equipment	2,488	(1,537)	951	247	–	(254)	–	–	–	2,735	(1,791)	944
Furniture and fittings	209	(150)	59	5	–	(7)	–	–	–	213	(156)	57
Land:												
– Operational land	4,601	–	4,601	–	–	–	–	–	–	4,601	–	4,601
– Community land	3,289	–	3,289	–	–	–	–	–	–	3,289	–	3,289
Land improvements – depreciable	282	(180)	102	–	–	(9)	–	–	–	281	(188)	93
Infrastructure:												
– Buildings – non-specialised	4,696	(2,408)	2,288	8	–	(63)	–	–	–	4,703	(2,470)	2,233
– Buildings – specialised	45,472	(21,361)	24,111	1,941	–	(710)	–	1,023	–	47,414	(22,072)	25,342
– Other structures	1,676	(672)	1,004	110	–	(31)	–	9	–	1,785	(703)	1,082
– Roads	125,385	(49,178)	76,207	2,665	(4)	(2,596)	–	314	–	128,023	(51,750)	76,273
– Bridges	48,063	(23,268)	24,795	3,542	(170)	(503)	25	807	–	49,672	(21,982)	27,690
– Footpaths	2,213	(578)	1,635	1,008	–	(29)	–	180	–	3,221	(607)	2,614
– Bulk earthworks (non-depreciable)	215,610	–	215,610	1,275	–	–	–	388	–	216,885	–	216,885
– Stormwater drainage	2,855	(1,165)	1,690	–	–	(28)	–	–	–	2,855	(1,193)	1,662
– Water supply network	38,791	(14,200)	24,591	37	–	(480)	–	–	229	39,196	(14,820)	24,376
– Sewerage network	22,872	(8,621)	14,251	10	–	(471)	–	–	131	23,100	(9,178)	13,922
– Swimming pools	1,697	(929)	768	10	–	(23)	–	–	–	1,707	(951)	756
– Other open space/recreational assets	3,137	(1,273)	1,864	331	–	(122)	–	10	–	3,469	(1,395)	2,074
Other assets:												
– Other	934	(558)	376	–	–	(54)	–	–	–	934	(613)	321
Reinstatement, rehabilitation and restoration assets (refer Note 17):												
– Tip assets	3,099	(298)	2,801	–	–	(204)	–	–	–	3,099	(501)	2,598
– Quarry assets	333	(12)	321	–	–	(12)	–	–	–	332	(24)	308
Total Infrastructure, property, plant and equipment	546,204	(133,714)	412,490	15,039	(327)	(6,735)	25	–	360	556,630	(138,508)	418,122

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period					as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000											
Capital work in progress	–	–	–	3,601	–	–	–	–	3,601	–	3,601
Plant and equipment	13,856	(6,765)	7,091	2,050	(374)	(1,192)	–	–	14,901	(7,326)	7,575
Office equipment	2,178	(1,341)	837	310	–	(196)	–	–	2,488	(1,537)	951
Furniture and fittings	205	(142)	63	3	–	(7)	–	–	209	(150)	59
Land:											
– Operational land	4,595	–	4,595	6	–	–	–	–	4,601	–	4,601
– Community land	3,289	–	3,289	–	–	–	–	–	3,289	–	3,289
Land improvements – depreciable	281	(171)	110	–	–	(9)	–	–	282	(180)	102
Infrastructure:											
– Buildings – non-specialised	4,651	(2,345)	2,306	45	–	(63)	–	–	4,696	(2,408)	2,288
– Buildings – specialised	45,820	(21,247)	24,573	482	(247)	(697)	–	–	45,472	(21,361)	24,111
– Other structures	1,632	(641)	991	44	–	(31)	–	–	1,676	(672)	1,004
– Roads	122,531	(46,656)	75,875	2,854	–	(2,522)	–	–	125,385	(49,178)	76,207
– Bridges	48,034	(22,913)	25,121	192	–	(493)	(25)	–	48,063	(23,268)	24,795
– Footpaths	2,122	(552)	1,570	90	–	(27)	–	–	2,213	(578)	1,635
– Bulk earthworks (non-depreciable)	214,476	–	214,476	1,134	–	–	–	–	215,610	–	215,610
– Stormwater drainage	2,745	(1,139)	1,606	110	–	(27)	–	–	2,855	(1,165)	1,690
– Water supply network	37,808	(13,416)	24,392	371	–	(561)	–	387	38,791	(14,200)	24,591
– Sewerage network	22,302	(8,037)	14,265	211	–	(448)	–	224	22,872	(8,621)	14,251
– Swimming pools	1,684	(906)	778	13	–	(23)	–	–	1,697	(929)	768
– Other open space/recreational assets	3,046	(1,158)	1,888	92	–	(115)	–	–	3,137	(1,273)	1,864
Other assets:											
– Other	934	(503)	431	–	–	(55)	–	–	934	(558)	376
Reinstatement, rehabilitation and restoration assets (refer Note 17):											
– Tip assets	3,025	(94)	2,931	74	–	(204)	–	–	3,099	(298)	2,801
– Quarry assets	333	–	333	–	–	(12)	–	–	333	(12)	321

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period					as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000											
Total Infrastructure, property, plant and equipment	535,547	(128,026)	407,521	11,682	(621)	(6,682)	(25)	611	546,204	(133,714)	412,490

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	15
Office furniture	5 to 20		
Computer equipment	5		
Vehicles	5	Buildings	
Heavy plant/road making equipment	10 to 15	Buildings: masonry	75
Other plant and equipment	5 to 15	Buildings: other	45
		Stormwater assets	
Water and sewer assets		Drains	100
Dams and reservoirs	100 to 120	Flood control structures	100
Bores	25 to 50		
Reticulation pipes	80		
Pump stations	25 to 70		
Telemetry	15		
		Other infrastructure assets	
Transportation assets		Roads pavement: sub base	indefinite
Sealed roads: surface	25	Other road structures	100
Sealed roads: pavement base	100	Swimming pools	50
Unsealed roads: pavement base	30	Other open space/recreational assets	15 to 50
Bridge: concrete	100	Other structures	15 to 50
Bridge: timber	40 to 100		
Road pavements	60		
Kerb, gutter and footpaths	80		

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

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

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Crown reserves

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

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

Rural Fire Service assets

Until such time as discussions on this matter have been concluded and the legislation changed, Council will not recognise NSW Rural Fire Service plant and vehicle assets.

Market Uncertainty - Valuations Disclosure

Recent natural disasters and the impacts of COVID-19 have increased the likelihood that some items of infrastructure, property, plant, and equipment (IPP&E) may have material movements in fair value as at 30 June, 2020. The impact on IPP&E fair values will depend on the valuation approach used for an asset, i.e. the market, income, or cost approach.

- The cost approach is particularly suited to assets such as specialised buildings, specialised plant and infrastructure held for their service potential, and specialised or unique heritage assets where there are no observable market selling prices. The cost approach to measure an asset's fair value assumes fair value reflects the amount that would be required to replace the service capacity of the asset. No significant changes to the fair value are expected under the cost approach except where assets have been destroyed or damaged. Council uses the Cost approach to measure the fair value of its IPP&E, and each asset classes' fair value has been assessed at varying points in time. Refer to Note 21. The asset classes and their fair value assessments have been determined as follows:
 - Operational Land: revalued by an external independent valuer as at 30 June, 2018.
 - Community Land: revalued as at 30 June, 2016 based on unimproved capital value as supplied by the Valuer General's Office.
 - Land Improvements: revalued internally as at 30 June, 2016.
 - Water and Sewer Infrastructure: revalued internally as at 30 June, 2017, and thereafter indexed annually in line with the Reference Rates Manual published by the NSW Office of Water.
 - Roads, Bridges, Footpaths, and Stormwater Drainage: revalued by an external independent valuer as at 30 June, 2015. In addition, a desktop valuation was carried out by an external valuer as at 30 June, 2020.
 - Specialised and Non-Specialised Buildings: revalued by an external independent valuer as at 30 June, 2018.
- The market approach is mainly used for land and non-specialised buildings. Comparable transactions and market evidence from the outbreak to the relevant date of valuation are extremely limited. Due to significant uncertainty in the property and capital markets and the rapid unfolding of these events, it would be difficult to quantify the impact that the outbreak had on market values. This approach has not been used to value Council's assets.
- Assets valued under the income approach are those predominantly to generate cash flows from the provision of goods and services. The recessionary environment created by COVID-19 may have significant impacts on demand for goods and services. Valuation inputs that may be subject to significant changes and uncertainty include cash flows, risk free interest rates, and risk margins. Council's current and non-current assets, other than IPP&E, are valued under the income approach. Refer to Note 7 – Cash and Cash Equivalents, and Note 8 – Receivables.

Note 10(b). Infrastructure, property, plant and equipment – current year impairments

Council has derecognised an impairment loss from 2019 as a result of the disposal of Harley Road Crookwell River Bridge (Infrastructure Assets).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	118	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	–	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	–	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	–	–
Total grants received in advance		118	–
User fees and charges received in advance:			
Upfront fees – leisure centre	(iii)	–	–
Other		–	–
Total user fees and charges received in advance		–	–
Total contract liabilities		118	–

Notes

(i) Council has received funding to construct assets, including pedestrian and bike paths. 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 assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases

Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) 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 officer equipment. Information relating to the leases in place and associated balances and transactions is provided below:

Terms and conditions of leases

Buildings

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

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

Office and IT equipment

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

\$ '000	Office Equipment	Buildings	Total
(a) Right of use assets			
Opening balance at 30 June 2019	-	-	-
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	51	191	242
Depreciation charge	(18)	(13)	(31)
RIGHT OF USE ASSETS	33	178	211

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	28	185
TOTAL LEASE LIABILITIES	28	185

(i) The maturity analysis

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Leases (continued)

\$ '000	2020
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(c) Income Statement

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

Interest on lease liabilities	8
Depreciation of right of use assets	31
	39

(d) Statement of Cash Flows

Total cash outflow for leases	39
	39

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

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.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c and 17.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	–	–	–	–
Goods and services	2,207	–	1,429	–
Accrued expenses:				
– Salaries and wages	300	–	195	–
– Other expenditure accruals	23	–	104	–
Security bonds, deposits and retentions	166	–	282	–
Community enhancement programs	96	–	17	–
Other	8	–	10	–
Total payables	2,800	–	2,037	–
Borrowings				
Loans – secured ¹	546	5,068	341	2,314
Total borrowings	546	5,068	341	2,314
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,346</u>	<u>5,068</u>	<u>2,378</u>	<u>2,314</u>

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

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	206	365	88	557
Sewer	104	84	46	184
Payables and borrowings relating to externally restricted assets	310	449	134	741
Total payables and borrowings relating to restricted assets	310	449	134	741
Total payables and borrowings relating to unrestricted assets	3,036	4,619	2,244	1,573
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,346</u>	<u>5,068</u>	<u>2,378</u>	<u>2,314</u>

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

(c) Changes in liabilities arising from financing activities

as at 30/06/19

Non-cash changes

as at 30/06/20

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

\$ '000	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	2,655	2,959	–	–	–	–	5,614
Lease liabilities	–	213	–	–	–	–	213
TOTAL	2,655	3,172	–	–	–	–	5,827

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	1,890	765	–	–	–	2,655
TOTAL	1,890	765	–	–	–	2,655

\$ '000	2020	2019
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

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

Undrawn facilities as at balance date:

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

Additional financing arrangements information**Breaches and defaults**

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

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

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Payables and borrowings (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	897	–	809	–
Long service leave	3,459	–	3,463	–
Other leave – time in lieu	19	–	12	–
Sub-total – aggregate employee benefits	4,375	–	4,284	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,797	–	2,783
Sub-total – asset remediation/restoration	–	2,797	–	2,783
TOTAL PROVISIONS	4,375	2,797	4,284	2,783

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	188	–	158	–
Sewer	148	–	152	–
Domestic waste management	115	–	101	–
Provisions relating to externally restricted assets	451	–	411	–
Total provisions relating to restricted assets	451	–	411	–
Total provisions relating to unrestricted assets	3,924	2,797	3,873	2,783
TOTAL PROVISIONS	4,375	2,797	4,284	2,783

\$ '000	2020	2019
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,473	2,398
	<u>2,473</u>	<u>2,398</u>

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2020				
At beginning of year	809	3,463	12	4,284
Other	88	(4)	7	91
Total ELE provisions at end of year	897	3,459	19	4,375
2019				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	2,783	2,783
Other	14	14
Total other provisions at end of year	2,797	2,797
2019		
At beginning of year	2,699	2,699
Other	84	84
Total other provisions at end of year	2,783	2,783

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Tip provision

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

Gravel pit provision

Council is required to remediate gravel pits (quarries).

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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

On-costs

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

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

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

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

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Provisions (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Other reserves

Other reserves are retained to meet the needs of Council.

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Changes in presentation**

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items for contract assets, contract cost assets and contract liabilities have been created (where applicable).

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract assets	
– Under AASB 15	–
– Under AASB 1058	–
Total Contract assets	–
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	742
Total Contract liabilities	742

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	7,779	–	–	7,779	
Investments	22,900	–	–	22,900	
Receivables	3,329	–	–	3,329	
Inventories	1,053	–	–	1,053	
Other	88	–	–	88	
Total current assets	35,149	–	–	35,149	
Current liabilities					
Payables	2,800	–	–	2,800	
Contract liabilities	118	(742)	–	(624)	
Lease liabilities	28	–	–	28	
Borrowings	546	–	–	546	
Provisions	4,375	–	–	4,375	
Total current liabilities	7,867	(742)	–	7,125	
Non-current assets					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Investments	2,200	–	–	2,200	
Receivables	153	–	–	153	
Infrastructure, property, plant and equipment	418,122	–	–	418,122	
Right of use assets	211	–	–	211	
Total non-current assets	420,686	–	–	420,686	
Non-current liabilities					
Lease liabilities	185	–	–	185	
Borrowings	5,068	–	–	5,068	
Provisions	2,797	–	–	2,797	
Total Non-current liabilities	8,050	–	–	8,050	
Net assets	439,918	742	–	440,660	
Equity					
Accumulated surplus	307,225	742	–	307,967	
Revaluation reserves	132,693	–	–	132,693	
Council equity interest	439,918	742	–	440,660	
Total equity	439,918	742	–	440,660	

Contract liability which arises under AASB 1058 for grant funds received in advance, and unspent at 30 June, 2019, to construct assets to be controlled by Council, received prior to the satisfaction of performance obligations.

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	11,028	–	–	11,028	
User charges and fees	5,155	–	–	5,155	
Other revenues	1,622	–	–	1,622	
Grants and contributions provided for operating purposes	10,036	–	–	10,036	
Grants and contributions provided for capital purposes	6,319	742	–	7,061	
Interest and investment income	512	–	–	512	
Total Income from continuing operations	34,672	742	–	35,414	
<u>Expenses from continuing operations</u>					

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Employee benefits and on-costs	11,123	–	–	11,123	
Borrowing costs	177	–	–	177	
Materials and contracts	7,084	–	–	7,084	
Depreciation and amortisation	6,766	–	–	6,766	
Other expenses	2,757	–	–	2,757	
Net losses from the disposal of assets	89	–	–	89	
Total Expenses from continuing operations	27,996	–	–	27,996	
Total Operating result from continuing operations	6,676	742	–	7,418	
Net operating result for the year	6,676	742	–	7,418	
Total comprehensive income	7,061	–	–	7,061	

Contract liability which arises under AASB 1058 for grant funds received in advance, and unspent at 30 June, 2019, to construct assets to be controlled by Council, received prior to the satisfaction of performance obligations.

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	742	742
Total liabilities	11,759	742	12,501
Accumulated surplus	301,291	(742)	300,549
Total equity	(11,759)	(742)	(12,501)

(iii) AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$241,887 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.95%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	61
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	61
Add:	
Contracts not accounted for as operating lease commitments last year	152
Finance lease liabilities	–
Extension options reasonably certain to be exercised not included in the commitments note	–
Variable lease payments linked to an index	–
Other	–
Less:	
Short-term leases included in commitments note	–
Leases for low-value assets included in commitments note	–
Other	–
Lease liabilities recognised at 1 July 2019	213

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Adjustments to the current year figures for the year ended 30 June 2020**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	242	242
Total assets	445,358	242	445,600
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	213	213
Total liabilities	433,599	213	433,812
Accumulated surplus	–	–	–
Total equity	11,759	–	11,788

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	7,779	6,264
Balance as per the Statement of Cash Flows		7,779	6,264
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,676	3,206
Adjust for non-cash items:			
Depreciation and amortisation		6,766	6,682
Net losses/(gains) on disposal of assets		89	202
Adoption of AASB 15/1058		(742)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(182)	(188)
Increase/(decrease) in provision for impairment of receivables		(19)	–
Decrease/(increase) in inventories		(76)	(61)
Decrease/(increase) in other current assets		(42)	60
Increase/(decrease) in payables		778	(345)
Increase/(decrease) in other accrued expenses payable		24	83
Increase/(decrease) in other liabilities		(39)	(704)
Increase/(decrease) in contract liabilities		118	–
Increase/(decrease) in provision for employee benefits		91	42
Increase/(decrease) in other provisions		14	84
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		13,456	9,061

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Commitments

\$ '000	2020	2019
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	5	700
Plant and equipment	224	648
Total commitments	229	1,348
These expenditures are payable as follows:		
Within the next year	229	1,348
Total payable	229	1,348
Sources for funding of capital commitments:		
Unrestricted general funds	70	253
Future grants and contributions	159	1,095
Total sources of funding	229	1,348

Details of capital commitments

Council has capital commitments as at 30 June 2020. Capital commitments are related to Council's ongoing timber bridge replacement program and with the supply & installation of a back-up generator at the Crookwell sewerage treatment works.

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	21
Later than one year and not later than 5 years	–	40
Total non-cancellable operating lease commitments	–	61

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

Refer to Note 12 for information relating to leases for 2020.

Conditions relating to finance and operating leases:

Finance agreements for the office equipment are secured only against the leased asset.

No lease agreements impose any financial restrictions on Council regarding future debt etc.

Refer to Note 15 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. 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 Defined Benefit Multi-Employer Plan as defined by the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

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

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

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

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

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June, 2020. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$325,560. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

Council's expected contribution to the plan for the next annual reporting period is \$305,176.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1695.2	
Past Service Liabilities	1773.2	95.6%
Vested Benefits	1757.5	96.5%

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

(i) Third party claims

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

Not applicable.

(iii)

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

(iv)

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

(v)

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

(vi)

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

(vii)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Contingencies (continued)

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

(viii)

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

(ix)

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

(x)

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

(xi)

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

(xii)

At balance date Upper Lachlan Shire Council had matters pending with its solicitors related to advice on day to day operational activities, such as conveyance on land acquisitions, renewal of Council's quarry contracts, and other operational matters. The fees and costs associated with these were estimated at approximately \$133,000.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	7,779	6,264	7,779	6,264
Receivables	3,482	3,281	3,482	3,242
Investments				
– 'Financial assets at amortised cost'	25,100	22,300	25,100	22,300
Total financial assets	36,361	31,845	36,361	31,806
Financial liabilities				
Payables	2,800	2,037	2,800	2,053
Loans/advances	5,614	2,655	5,614	2,655
Lease liabilities	213	–	213	–
Total financial liabilities	8,627	4,692	8,627	4,708

Fair value is determined as follows:

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	9	9	(9)	(9)
2019				
Possible impact of a 1% movement in interest rates	19	19	(19)	(19)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

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

Credit risk profile**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	(17)	263	39	–	–	285
2019						
Gross carrying amount	–	207	45	–	–	252

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	2,900	49	118	75	72	3,214
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–
2019						
Gross carrying amount	2,909	40	2	114	–	3,065
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(c) Liquidity risk

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Financial risk management (continued)

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	166	2,634	–	–	2,800	2,800
Loans and advances	5.26%	–	756	2,454	3,763	6,973	5,614
Total financial liabilities		166	3,390	2,454	3,763	9,773	8,414
2019							
Trade/other payables	0.00%	282	1,755	–	–	2,037	2,037
Loans and advances	5.99%	–	489	1,622	1,341	3,452	2,655
Total financial liabilities		282	2,244	1,622	1,341	5,489	4,692

Loan agreement breaches

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 18/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	11,020	11,028	8	0% F
User charges and fees	7,568	5,155	(2,413)	(32)% U
Reduction in RMS State Road works orders for MR54 (\$2.3m below budget).				
Other revenues	738	1,622	884	120% F
Southern Phone share sale (not budgeted) - \$785k.				
Operating grants and contributions	8,323	10,036	1,713	21% F
Additional Roads to Recovery funds - \$602k; Natural Disaster (\$800k) and Drought funding not budgeted.				
Capital grants and contributions	6,236	6,319	83	1% F
Interest and investment revenue	703	512	(191)	(27)% U
Lower than anticipated interest rates (1.30% average return).				
Net gains from disposal of assets	82	-	(82)	100% U
EXPENSES				
Employee benefits and on-costs	10,520	11,123	(603)	(6)% U
Senior staff (General Manager and Director of Infrastructure) terminations and workers compensation increase.				
Borrowing costs	212	177	35	17% F
Remediation provision expense lower than anticipated.				
Materials and contracts	8,011	7,084	927	12% F
Reduction in RMS State Road works orders for MR54 resulting in less expenditure on materials and contracts.				
Depreciation and amortisation	6,319	6,766	(447)	(7)% U
Other expenses	2,673	2,757	(84)	(3)% U
Net losses from disposal of assets	-	89	(89)	∞ U
Write-off of timber bridge assets. Refer Note 6.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
STATEMENT OF CASH FLOWS					
Cash flows from operating activities	13,386	13,456	70	1%	F
Cash flows from investing activities	(13,925)	(14,871)	(946)	7%	U
Cash flows from financing activities	873	2,930	2,057	236%	F
Loan borrowings for timber bridge replacement programme. Additional \$2.1 million borrowings approved by Council.					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
– Cash and cash equivalents	30/06/20	–	7,779	–	7,779
– Term deposits	30/06/20	–	25,100	–	25,100
Total financial assets		–	32,879	–	32,879
Financial liabilities					
Payables	30/06/20	–	2,800	–	2,800
Loans and borrowings	30/06/20	–	5,614	–	5,614
Total financial liabilities		–	8,414	–	8,414
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/20	–	–	7,247	7,247
Office equipment	30/06/20	–	–	944	944
Furniture and fittings	30/06/20	–	–	57	57
Operational land	30/06/18	–	–	4,601	4,601
Community land	30/06/16	–	–	3,289	3,289
Land Improvements – depreciable	30/06/16	–	–	93	93
Buildings – non-specialised	30/06/16	–	–	2,233	2,233
Buildings – specialised	30/06/16	–	–	25,342	25,342
Other structures	30/06/16	–	–	1,082	1,082
Roads	30/06/15	–	–	76,273	76,273
Bridges	30/06/15	–	–	27,690	27,690
Footpaths	30/06/15	–	–	2,614	2,614
Stormwater drainage	30/06/15	–	–	1,662	1,662
Water supply network	30/06/17	–	–	24,376	24,376
Sewerage network	30/06/17	–	–	13,922	13,922
Swimming pools	30/06/18	–	–	756	756
Other open space/recreational assets	30/06/18	–	–	2,074	2,074
Other assets	30/06/18	–	–	321	321
Rehabilitation assets	30/06/18	–	–	2,906	2,906
Total infrastructure, property, plant and equipment		–	–	197,482	197,482

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

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

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

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

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

– at the end of the reporting period.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

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

2006/2007 - Water Supply and Sewerage Networks.

2007/2008 - Buildings, Operational Land, and Property, Plant and Equipment Assets.

2009/2010 - Roads, Bridges, Footpaths, Stormwater, and Drainage Assets.

2010/2011 - Community Land, Land Improvements, Other Structures and Other Assets.

Revaluation at Fair Value

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

All new assets and asset acquisitions made after the respective dates of valuation are recorded at their initial cost of acquisition. The Office of Local Government, Department of Premier and Cabinet, have determined that all asset classes are required to be re-valued at least every five years, at their fair value. The standard valuation schedule set as follows:

2017/2018 - Buildings, Operational Land and Property, Plant and Equipment assets.

2020/2021 - Community Land, Land Improvements, Other Structures, and other assets.

2021/2022 - Water Supply and Sewerage network assets.

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

2017/2018 - Buildings, Operational Land and Property, Other Structures and Plant and Equipment assets.

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

2020/2021 - Community Land, Land Improvements and Other assets.

2021/2022 - Water Supply and Sewerage network assets.

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

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

Infrastructure, property, plant and equipment (IPP&E)

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

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

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

Major depreciation periods are:-

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

Asset capitalisation thresholds are:-

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

Operational Land

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

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

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

Community Land

Community land was required to be re-valued as at 30 June 2016. 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.

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

Land Improvements - Depreciable

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

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

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

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

Buildings - Specialised & Non-Specialised

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

the appropriate market and valuation premise. Having maximised the level of valuation input, the adopted techniques deemed appropriate are:

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

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

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

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

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

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

Major depreciation periods and capitalisation thresholds remain unchanged.

Major depreciation periods are:-

Buildings	45 to 75 years
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Asset capitalisation thresholds include:-

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

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

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

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

Other Structures - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

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

Other Structures	\$2,000
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Roads

The Roads asset class was re-valued as at 30 June 2015 componentised by formation (non-depreciable), pavement sub-base (non-depreciable), pavement base, surface and structures including kerb & gutter. This asset class was re-valued at Fair Value by external consultants Jeff Roorda & Associates and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2015. The Cost Approach using Level 3 inputs was used to value this asset class. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

Roads - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Sealed Roads – Surface	25 years
Sealed Roads – Pavement Base	100 years
Unsealed Roads – Pavement Base	30 years
Roads Pavement Sub-base	Infinite
Other Road Structures	100 years
Formation (Bulk Earthworks)	Infinite
Kerb and Gutter	80 years

Asset capitalisation thresholds include:-

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

Bridges

The Bridges asset class was re-valued as at 30 June 2015 classified as concrete, timber or drainage structures. This asset class was re-valued at Fair Value by external consultants Jeff Roorda & Associates and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2015. The Cost Approach using Level 3 inputs was used to value this asset class. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

Bridges - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Bridges – Concrete	100 years
Bridges – Timber	40 - 100 years
Drainage Structures on Roads	100 years

Asset capitalisation thresholds include:-

Bridge construction and reconstruction	\$5,000
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Footpaths

Footpaths were re-valued as at 30 June 2015 at Fair Value by external consultants Jeff Roorda & Associates and Upper Lachlan Shire Council professional engineering staff and were recognised at fair value from 30 June 2015. The same historical cost per square metre of works carried out was utilised. The Cost Approach using Level 3 inputs was used to value this asset class. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition

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

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

Footpaths - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Footpaths	80 years
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Asset capitalisation thresholds include:-

Footpaths	\$5,000
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

Stormwater Drainage Assets

Stormwater Drainage assets were re-valued as at 30 June 2015 at Fair Value by external consultants Jeff Roorda & Associates and Upper Lachlan Shire Council professional engineering staff. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The NSW Office of Water 'Reference Rates Manual - valuation of water supply, sewerage and stormwater assets' was utilised to assist to determine fair value. While the unit rates may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement. All asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

Stormwater Drainage Assets – Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

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

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

Water Supply and Sewerage infrastructure assets were re-valued at Fair Value by an internal valuation undertaken by Upper Lachlan Shire Council professional operations staff and were recognised at fair value as at 30 June 2012 and 30 June 2017. Council's extensive water and sewer capital works programme carried out over the last 5 years has provided useful comparative data on the local construction cost of water and sewer assets. This information was used in conjunction with the NSW Office of Water 'Reference Rates Manual - valuation of water supply, sewerage and stormwater assets' to determine fair value. These assets are indexed each year in line with the Reference Rates Manual as published by the NSW Office of Water. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

Water Supply and Sewerage Infrastructure Assets - Depreciation

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

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

Asset capitalisation thresholds include: -

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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 2018. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value with the adopted technique deemed appropriate being the Cost Approach which requires the depreciated replacement cost approach to valuation. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

Swimming Pool - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Swimming Pools	50 years
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Asset capitalisation thresholds include:-

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

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

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

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

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

Other Open Space/Recreational - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational Land	Community Land
2019					
Opening balance	7,091	837	63	4,595	3,289
Purchases (GBV)	2,050	310	3	6	–
Disposals (WDV)	(374)	–	–	–	–
Depreciation and impairment	(1,192)	(196)	(7)	–	–
Closing balance	7,575	951	59	4,601	3,289
2020					
Opening balance	7,575	951	59	4,601	3,289
Purchases (GBV)	965	247	5	–	–
Disposals (WDV)	(153)	–	–	–	–
Depreciation and impairment	(1,140)	(254)	(7)	–	–
Closing balance	7,247	944	57	4,601	3,289

\$ '000	Land improvements	Buildings non-specialised	Buildings specialised	Other structures	Roads
2019					
Opening balance	110	2,306	24,573	991	290,352
Purchases (GBV)	–	45	482	44	3,988
Depreciation and impairment	(8)	(63)	(247)	(31)	(2,523)
FV gains – other comprehensive income	–	–	(697)	–	–
Closing balance	102	2,288	24,111	1,004	291,817
2020					
Opening balance	102	2,288	24,111	1,004	291,817
Purchases (GBV)	–	8	1,941	110	3,940
Disposals (WDV)	–	–	–	–	(4)
Depreciation and impairment	(9)	(63)	(710)	(32)	(2,595)
Closing balance	93	2,233	25,342	1,082	293,158

\$ '000	Bridges	Footpaths	Stormwater drainage	Water supply network	Sewerage network
2019					
Opening balance	25,121	1,570	1,606	24,392	14,265
Purchases (GBV)	192	92	111	373	210
Depreciation and impairment	(493)	(27)	(27)	(561)	(448)
FV gains – other comprehensive income	(25)	–	–	387	224
Closing balance	24,795	1,635	1,690	24,591	14,251
2020					
Opening balance	24,795	1,635	1,690	24,591	14,251
Purchases (GBV)	3,542	1,008	–	37	10
Disposals (WDV)	(170)	–	–	–	–
Depreciation and impairment	(502)	(29)	(28)	(481)	(470)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

\$ '000	Bridges	Footpaths	Stormwater drainage	Water supply network	Sewerage network
FV gains – other comprehensive income	25	–	–	229	131
Closing balance	27,690	2,614	1,662	24,376	13,922

\$ '000	Swimming pools	Other open space/recreational	Other assets	Rehabilitation assets	Total
2019					
Opening balance	778	1,888	431	3,265	407,523
Purchases (GBV)	13	91	–	73	8,083
Disposals (WDV)	–	–	–	–	(374)
Depreciation and impairment	(23)	(115)	(55)	(216)	(6,232)
FV gains – other comprehensive income	–	–	–	–	(111)
Closing balance	768	1,864	376	3,122	408,889
2020					
Opening balance	768	1,864	376	3,122	408,889
Purchases (GBV)	10	331	–	–	12,154
Disposals (WDV)	–	–	–	–	(327)
Depreciation and impairment	(22)	(121)	(55)	(216)	(6,734)
FV gains – other comprehensive income	–	–	–	–	385
Closing balance	756	2,074	321	2,906	414,367

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and equipment	7,248	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life • Residual value
Office equipment	944	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Furniture and fittings	57	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Operational Land	4,601	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Community Land	3,289	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Land improvements	93	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Buildings non-specialised	2,234	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Buildings specialised	25,342	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other structures	1,083	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Roads	293,158	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Bridges	27,690	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Footpaths	2,614	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Stormwater drainage	1,662	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Water supply network	24,376	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Sewerage network	13,922	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Swimming pools	756	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other open space/recreational	2,074	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Other assets	321	Level 3	<ul style="list-style-type: none"> • Gross replacement cost • Asset condition • Remaining useful life
Rehabilitation assets	2,906	Level 3	<ul style="list-style-type: none"> • Discount Rate • CPI

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Related party disclosures

Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,369	1,067
Termination benefits	443	377
Total	1,812	1,444

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

\$ '000	as at 30/06/19			as at 30/06/20				
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,362	735	–	33	(214)	–	2,916	–
Open space	295	41	–	4	(81)	–	259	–
Community facilities	507	71	–	7	(6)	–	579	–
Other	85	21	–	2	–	–	108	–
Bushfire	176	33	–	2	(31)	–	180	–
Waste management	1	26	–	–	–	–	27	–
S7.11 contributions – under a plan	3,426	927	–	48	(332)	–	4,069	–
Total S7.11 and S7.12 revenue under plans	3,426	927	–	48	(332)	–	4,069	–
S64 contributions	306	212	–	6	–	–	524	–
Total contributions	3,732	1,139	–	54	(332)	–	4,593	–

S7.11 Contributions – under a plan

Upper Lachlan Development Contributions Plan 2007 (previously Section 94)

Bushfire	176	33	–	2	(31)	–	180	–
Roads	2,362	735	–	33	(214)	–	2,916	–
Waste management	1	26	–	–	–	–	27	–
Open space	295	41	–	4	(81)	–	259	–
Community facilities	507	71	–	7	(6)	–	579	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Statement of developer contributions (continued)

	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Other	85	21	–	2	–	–	108	–
Total	3,426	927	–	48	(332)	–	4,069	–

S64 contributions

Upper Lachlan Development Servicing Plan for Water & Sewer

Water supply	79	111	–	2	–	–	192	–
Sewerage services	227	101	–	4	–	–	332	–
Total	306	212	–	6	–	–	524	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	8,931	900	1,197
User charges and fees	3,730	1,127	298
Interest and investment revenue	391	43	78
Other revenues	1,622	–	–
Grants and contributions provided for operating purposes	10,000	19	17
Grants and contributions provided for capital purposes	6,107	111	101
Total income from continuing operations	30,781	2,200	1,691
Expenses from continuing operations			
Employee benefits and on-costs	10,095	640	388
Borrowing costs	123	40	14
Materials and contracts	5,954	727	403
Depreciation and amortisation	5,780	492	494
Other expenses	2,367	233	157
Net losses from the disposal of assets	89	–	–
Total expenses from continuing operations	24,408	2,132	1,456
Operating result from continuing operations	6,373	68	235
Net operating result for the year	6,373	68	235
Net operating result attributable to each council fund	6,373	68	235
Net operating result for the year before grants and contributions provided for capital purposes	266	(43)	134

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	7,779	–	–
Investments	14,543	2,962	5,395
Receivables	3,074	159	96
Inventories	1,053	–	–
Other	88	–	–
Total current assets	26,537	3,121	5,491
Non-current assets			
Investments	2,200	–	–
Receivables	143	4	6
Infrastructure, property, plant and equipment	377,976	25,081	15,065
Right of use assets	211	–	–
Total non-current assets	380,530	25,085	15,071
TOTAL ASSETS	407,067	28,206	20,562
LIABILITIES			
Current liabilities			
Payables	2,783	13	4
Contract liabilities	118	–	–
Lease liabilities	28	–	–
Borrowings	376	114	56
Provisions	4,039	188	148
Total current liabilities	7,344	315	208
Non-current liabilities			
Lease liabilities	185	–	–
Borrowings	4,497	443	128
Provisions	2,797	–	–
Total non-current liabilities	7,479	443	128
TOTAL LIABILITIES	14,823	758	336
Net assets	392,244	27,448	20,226
EQUITY			
Accumulated surplus	266,071	25,564	15,590
Revaluation reserves	126,173	1,884	4,636
Council equity interest	392,244	27,448	20,226
Total equity	392,244	27,448	20,226

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2020	2020	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	446	1.57%	1.43%	5.29%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	28,353				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	18,317	52.83%	63.34%	56.37%	>60.00%
Total continuing operating revenue ¹	34,672				
3. Unrestricted current ratio					
Current assets less all external restrictions	21,138	4.56x	5.13x	2.97x	>1.50x
Current liabilities less specific purpose liabilities	4,633				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7,389	13.51x	15.98x	19.85x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	547				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	302	2.67%	2.39%	2.94%	<10.00%
Rates, annual and extra charges collectible	11,319				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	32,879	19.00	15.32	18.48	>3.00
Monthly payments from cash flow of operating and financing activities	1,730	mths	mths	mths	mths

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1.44%	1.53%	(2.06)%	(4.89)%	8.43%	7.84%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	47.67%	59.32%	94.09%	98.63%	93.02%	90.42%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.56x	5.13x	9.30x	10.58x	24.80x	23.48x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	16.60x	15.62x	4.29x	11.64x	11.46x	36.00x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	2.01%	1.08%	4.58%	7.24%	5.89%	9.28%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	18.31	12.84	13.17	19.70	32.50	59.51	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

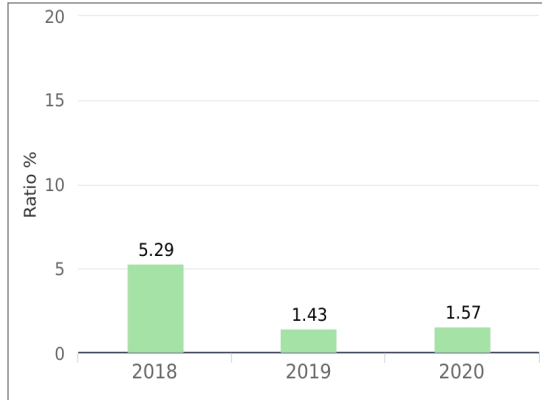
(1) - (2) Refer to Notes at Note 31a above.

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 1.57%

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

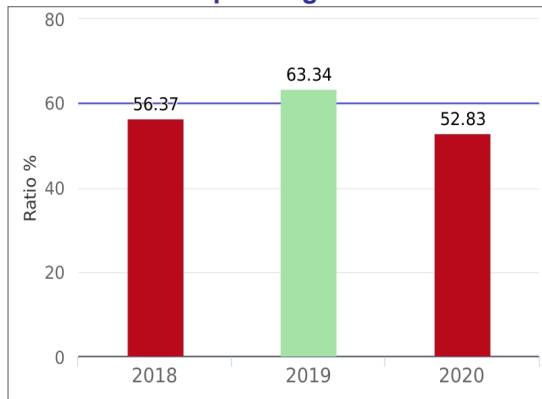
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 52.83%

Council has a significant reliance on external grant funding and a limited rate base. There are few alternatives income streams available similar to those easily sourced by larger regional or city Councils. Additional Roads to Recovery and bridges grant funding resulted in a lower ratio in 2019-2020.

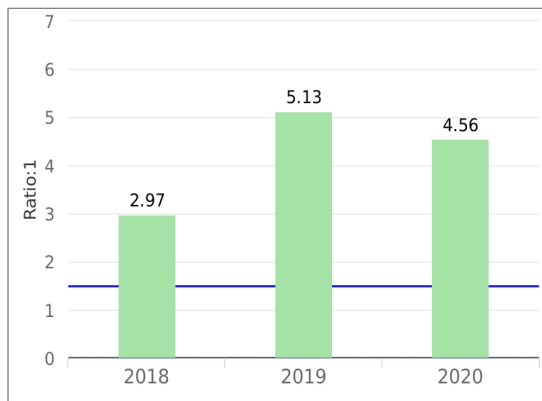
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 4.56x

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

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

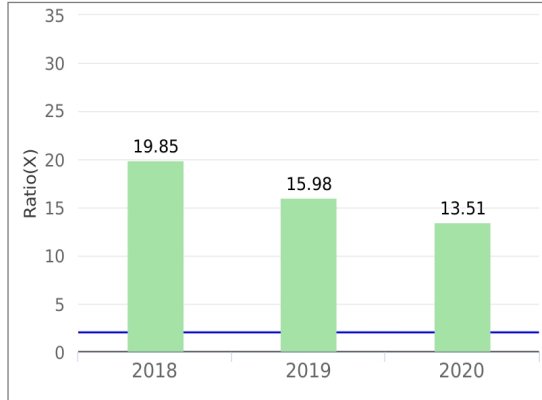
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25(c). Statement of performance measures – consolidated results (graphs)

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 2019/20 result

2019/20 ratio 13.51x

Council has borrowed \$4.3 million in the past two years for infrastructure assets. Council continues to have capacity to borrow further for infrastructure asset replacement programmes.

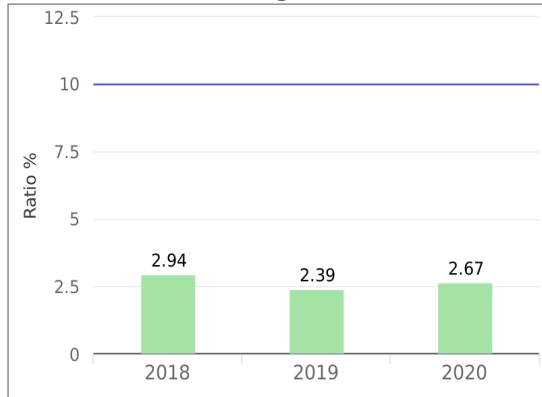
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 2.67%

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

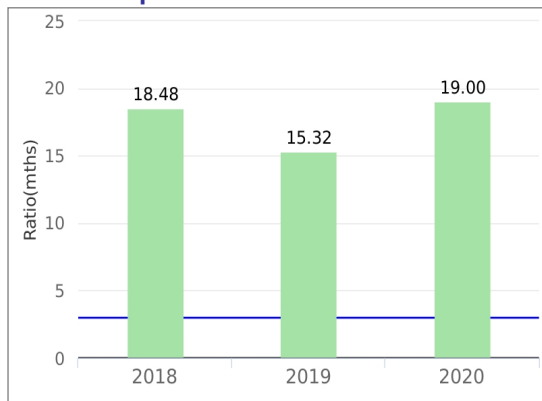
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 19.00 mths

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

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark