

# Lachlan Shire Council

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2023

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# Lachlan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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# Lachlan Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

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### Overview

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

58-64 Molong Street  
CONDOBOLIN NSW 2877

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

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

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

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

# Lachlan Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

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

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

- the *Local Government Act 1993* 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 27 September 2023.



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Paul Phillips  
Mayor  
27 September 2023



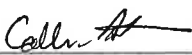
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John Medcalf OAM  
Councillor  
27 September 2023



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Greg Tory  
General Manager  
27 September 2023



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Colleen Staines  
Acting Responsible Accounting Officer  
27 September 2023

## Lachlan Shire Council

### Income Statement

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Income from continuing operations</b>				
12,178	Rates and annual charges	B2-1	11,874	11,501
3,984	User charges and fees	B2-2	4,215	4,293
383	Other revenues	B2-3	769	1,183
17,292	Grants and contributions provided for operating purposes	B2-4	33,120	20,236
9,899	Grants and contributions provided for capital purposes	B2-4	20,480	19,879
662	Interest and investment income	B2-5	2,015	576
353	Other income	B2-6	542	1,338
44,751	<b>Total income from continuing operations</b>		<b>73,015</b>	59,006
<b>Expenses from continuing operations</b>				
10,921	Employee benefits and on-costs	B3-1	11,818	11,099
13,308	Materials and services	B3-2	14,376	11,848
369	Borrowing costs	B3-3	436	201
10,993	Depreciation, amortisation and impairment of non-financial assets	B3-4	12,256	10,839
1,102	Other expenses	B3-5	1,149	934
50	Net loss from the disposal of assets	B4-1	368	283
36,743	<b>Total expenses from continuing operations</b>		<b>40,403</b>	35,204
8,008	<b>Operating result from continuing operations</b>		<b>32,612</b>	23,802
8,008	<b>Net operating result for the year attributable to Council</b>		<b>32,612</b>	23,802
1,890	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>12,132</b>	3,923

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

## Lachlan Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
<b>Net operating result for the year – from Income Statement</b>		<b>32,612</b>	23,802
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<b>42,673</b>	50,590
Impairment (loss) reversal / (revaluation decrement) relating to infrastructure, property, plant and equipment	C1-7	<b>(53,340)</b>	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(10,667)</b>	50,590
<b>Total other comprehensive income for the year</b>		<b>(10,667)</b>	50,590
<b>Total comprehensive income for the year attributable to Council</b>		<b>21,945</b>	74,392

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

## Lachlan Shire Council

### Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	16,945	16,185
Investments	C1-2	37,600	40,750
Receivables	C1-4	4,759	3,171
Inventories	C1-5	2,313	2,540
Contract assets and contract cost assets	C1-6	3,197	1,334
Other		74	160
<b>Total current assets</b>		<b>64,888</b>	<b>64,140</b>
<b>Non-current assets</b>			
Investments	C1-2	19,150	11,750
Receivables	C1-4	393	559
Inventories	C1-5	215	215
Infrastructure, property, plant and equipment (IPPE)	C1-7	626,142	621,339
Intangible assets	C1-8	160	145
<b>Total non-current assets</b>		<b>646,060</b>	<b>634,008</b>
<b>Total assets</b>		<b>710,948</b>	<b>698,148</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	4,022	3,270
Contract liabilities	C3-2	3,899	12,029
Borrowings	C3-3	469	465
Employee benefit provisions	C3-4	3,385	3,210
Provisions	C3-5	101	20
<b>Total current liabilities</b>		<b>11,876</b>	<b>18,994</b>
<b>Non-current liabilities</b>			
Borrowings	C3-3	5,878	6,347
Employee benefit provisions	C3-4	135	123
Provisions	C3-5	822	2,392
<b>Total non-current liabilities</b>		<b>6,835</b>	<b>8,862</b>
<b>Total liabilities</b>		<b>18,711</b>	<b>27,856</b>
<b>Net assets</b>		<b>692,237</b>	<b>670,292</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	289,783	257,171
IPPE revaluation reserve	C4-1	402,454	413,121
<b>Council equity interest</b>		<b>692,237</b>	<b>670,292</b>
<b>Total equity</b>		<b>692,237</b>	<b>670,292</b>

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

## Lachlan Shire Council

### Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	2023			2022		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		257,171	413,121	670,292	233,369	362,531	595,900
Net operating result for the year		32,612	–	32,612	23,802	–	23,802
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	–	42,673	42,673	–	50,590	50,590
Impairment (loss) reversal relating to IPP&E	C1-7	–	(53,340)	(53,340)	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>(10,667)</b>	<b>(10,667)</b>	<b>–</b>	<b>50,590</b>	<b>50,590</b>
<b>Total comprehensive income</b>		<b>32,612</b>	<b>(10,667)</b>	<b>21,945</b>	<b>23,802</b>	<b>50,590</b>	<b>74,392</b>
<b>Closing balance at 30 June</b>		<b>289,783</b>	<b>402,454</b>	<b>692,237</b>	<b>257,171</b>	<b>413,121</b>	<b>670,292</b>

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



## Lachlan Shire Council

### Statement of Cash Flows

for the year ended 30 June 2023

Original unaudited budget 2023	\$ '000	Notes	Actual 2023	Actual 2022
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
12,178	Rates and annual charges		11,843	11,529
3,984	User charges and fees		3,765	7,167
662	Interest received		1,345	533
27,190	Grants and contributions		43,607	46,118
–	Bonds, deposits and retentions received		–	20
737	Other		5,088	6,124
<i>Payments:</i>				
(10,921)	Payments to employees		(11,597)	(11,310)
(13,308)	Payments for materials and services		(13,634)	(11,731)
(369)	Borrowing costs		(350)	(153)
–	Bonds, deposits and retentions refunded		(6)	–
(1,103)	Other		(6,633)	(5,202)
19,050	<b>Net cash flows from operating activities</b>	G1-1	<b>33,428</b>	43,095
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Redemption of term deposits		42,750	19,500
–	Sale of real estate assets		–	270
1,155	Proceeds from sale of IPPE		1,138	1,428
–	Sale of non-current assets classified as 'held for sale'		–	–
–	Deferred debtors receipts		11	6
<i>Payments:</i>				
–	Acquisition of term deposits		(47,000)	(30,500)
(21,198)	Payments for IPPE		(29,047)	(31,085)
–	Purchase of intangible assets		(55)	(11)
(20,043)	<b>Net cash flows from investing activities</b>		<b>(32,203)</b>	(40,392)
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(465)	Repayment of borrowings		(465)	(460)
(465)	<b>Net cash flows from financing activities</b>		<b>(465)</b>	(460)
(1,458)	<b>Net change in cash and cash equivalents</b>		<b>760</b>	2,243
16,185	Cash and cash equivalents at beginning of year		16,185	13,942
14,727	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>16,945</b>	16,185
–	plus: Investments on hand at end of year	C1-2	56,750	52,500
14,727	<b>Total cash, cash equivalents and investments</b>		<b>73,695</b>	68,685

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

# Lachlan Shire Council

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# Lachlan Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27 September 2023. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2021 (Regulation)*, 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.

#### **Historical cost convention**

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

#### **Significant accounting estimates and judgements**

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-7
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4

#### **Significant judgements in applying the Council's accounting policies**

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2– B2-4.

### **Monies and other assets received by Council**

#### **The Consolidated Fund**

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

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

- General purpose operations
- Water Supply business
- Sewerage business

## A1-1 Basis of preparation (continued)

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### **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.

### **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**

Volunteers services are minimal in Lachlan Shire Council and have not been recognised in the income statement.

### **New accounting standards and interpretations issued but not yet effective**

#### **New accounting standards and interpretations issued but not yet effective**

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

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

### **New accounting standards adopted during the year**

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2023. None of these standards had a significant impact on the reported financial position or financial performance.

## B Financial Performance

### B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Functions or activities</b>										
Community Services	3,465	3,802	1,705	1,772	1,760	2,030	1,092	2,895	20,774	17,627
Tourism & Economic Development	7,062	3,927	1,397	1,092	5,665	2,835	3,139	3,182	20,414	19,630
Transport	24,662	10,079	12,755	8,614	11,907	1,465	27,771	9,821	448,569	460,007
Governance & Financial Control	24,622	22,185	7,864	7,616	16,758	14,569	14,651	13,243	47,407	38,709
People & Environment	3,140	4,009	4,266	4,863	(1,126)	(854)	571	506	8,820	8,549
Recreation	1,697	906	4,493	3,925	(2,796)	(3,019)	3,580	1,344	48,480	43,152
Service Infrastructure	8,367	14,098	7,923	7,322	444	6,776	2,796	9,124	116,484	110,474
<b>Total functions and activities</b>	<b>73,015</b>	<b>59,006</b>	<b>40,403</b>	<b>35,204</b>	<b>32,612</b>	<b>23,802</b>	<b>53,600</b>	<b>40,115</b>	<b>710,948</b>	<b>698,148</b>

## B1-2 Components of functions or activities

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

### Community Services

Includes connecting with our Aboriginal communities, assistance with successful transition from school to training to employment, childcare services and facilities that meet the needs of young families, support for the elderly in our community, community participation in arts and cultural activities, improved health care for the community and social outcomes for those with disabilities, and wellbeing of youth

### Tourism & Economic Development

Includes camping areas and caravan parks, facilitating tourism and area promotion, advocating and facilitating industrial development and real estate development and sales

### Transport

Includes provision and maintenance of roads, bridges, pedestrian and cycle paths, parking areas

### Governance & Financial Control

Includes an effective and responsive Council, financial controls, legislative compliance, corporate and governance support, communication with residents, and strategic management of villages and Crown Reserves

### People & Environment

Includes waste management, community land, animal control, community safety, preservation of heritage, noxious plants and insect/vermin control, emergency services, town planning and building control, street lights and street cleaning

### Recreation

Includes lakes and rivers, community buildings, streetscapes, parks & gardens, sporting facilities and playgrounds, libraries and cemeteries

### Service Infrastructure

Includes provision and maintenance of water and sewerage utilities and stormwater drainage

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2023	2022
<b>Ordinary rates</b>		
Residential	1,393	1,313
Farmland	5,077	4,984
Mining	118	359
Business	331	322
Less: pensioner rebates (mandatory)	(52)	(55)
<b>Rates levied to ratepayers</b>	<b>6,867</b>	<b>6,923</b>
Pensioner rate subsidies received	30	31
<b>Total ordinary rates</b>	<b>6,897</b>	<b>6,954</b>
<b>Annual charges (pursuant to s496, 496A, 496B, 501 &amp; 611)</b>		
Domestic waste management services	1,105	1,030
Stormwater management services	51	51
Water supply services	1,597	1,438
Sewerage services	1,815	1,643
Waste management services (non-domestic)	459	437
Less: pensioner rebates (mandatory)	(110)	(114)
<b>Annual charges levied</b>	<b>4,917</b>	<b>4,485</b>
Pensioner annual charges subsidies received:		
– Water	18	19
– Sewerage	16	17
– Domestic waste management	26	26
<b>Total annual charges</b>	<b>4,977</b>	<b>4,547</b>
<b>Total rates and annual charges</b>	<b>11,874</b>	<b>11,501</b>

Council has used 01/07/2019 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

Rates and annual charges are recognised as revenue at 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 recognised within the underlying revenue item based on their substance.



## B2-2 User charges and fees

\$ '000	2023	2022
<b>Specific user charges (per s502 - specific 'actual use' charges)</b>		
Water supply services	2,069	1,799
Sewerage services	4	8
<b>Total specific user charges</b>	<b>2,073</b>	<b>1,807</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s608)</b>		
Regulatory/ statutory fees	142	134
Section 10.7 certificates (EP&A Act)	21	20
Section 603 certificates	15	21
<b>Total fees and charges – statutory/regulatory</b>	<b>178</b>	<b>175</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s608))</b>		
Aerodrome	11	7
Caravan park	674	735
Cemeteries	34	29
Child care	334	315
Library and art gallery	3	2
Park rents	18	13
Transport for NSW works (state roads not controlled by Council)	117	93
Saleyards	13	11
Waste disposal tipping fees	117	82
Water connection fees	–	1
Hall hire	6	10
Meals on wheels and community care	95	104
Private works – section 67	541	909
Other	1	–
<b>Total fees and charges – other</b>	<b>1,964</b>	<b>2,311</b>
<b>Total other user charges and fees</b>	<b>2,142</b>	<b>2,486</b>
<b>Total user charges and fees</b>	<b>4,215</b>	<b>4,293</b>
<b>Timing of revenue recognition for user charges and fees</b>		
User charges and fees recognised over time	6	10
User charges and fees recognised at a point in time	4,209	4,283
<b>Total user charges and fees</b>	<b>4,215</b>	<b>4,293</b>

### Accounting policy

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

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

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

## B2-3 Other revenues

\$ '000	2023	2022
Legal fees recovery – rates and charges (extra charges)	64	19
Commissions and agency fees	168	168
Diesel rebate	95	144
Insurance claims recoveries	–	14
Sales – general	69	216
Reimbursements – Other	223	417
Other	150	205
<b>Total other revenue</b>	<b>769</b>	<b>1,183</b>
<b>Timing of revenue recognition for other revenue</b>		
Other revenue recognised over time	–	–
Other revenue recognised at a point in time	769	1,183
<b>Total other revenue</b>	<b>769</b>	<b>1,183</b>

### Accounting policy for other revenue

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

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

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

## B2-4 Grants and contributions

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>General purpose grants and non-developer contributions (untied)</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,854	3,343	–	–
Financial assistance – local roads component	1,079	1,875	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	7,469	5,133	–	–
Financial assistance – local roads component	4,249	2,892	–	–
<b>Amount recognised as income during current year</b>	<b>14,651</b>	<b>13,243</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>				
<b>Cash contributions</b>				
Water supplies	36	–	2,678	9,100
Sewerage services	12	–	54	23
Bushfire and emergency services	194	287	121	38
Child care	566	600	–	–
Community care	523	412	–	–
Community services	–	24	1,944	2,339
Caravan parks	–	–	–	326
Economic development	27	60	–	446
Library	–	–	45	29
Library – per capita	34	49	–	–
Noxious weeds	80	69	–	–
Public halls	–	–	38	47
Recreation and culture	97	–	1,423	728
Aerodromes	–	–	271	–
Footpaths	–	–	–	16
Tourism	–	8	6,349	2,342
Town planning	30	25	–	–
Waste management	–	–	–	3
Street lighting	43	43	–	–
Transport (flood damage)	2,922	–	–	–
Transport (roads to recovery)	2,129	2,129	–	–
Transport (other roads and bridges funding)	8,431	–	7,039	3,998
Transport for NSW contributions (regional roads, block grant)	3,342	3,279	400	400
Youth	3	8	–	–
<b>Total special purpose grants and non-developer contributions – cash</b>	<b>18,469</b>	<b>6,993</b>	<b>20,362</b>	<b>19,835</b>
<b>Total special purpose grants and non-developer contributions (tied)</b>	<b>18,469</b>	<b>6,993</b>	<b>20,362</b>	<b>19,835</b>
<b>Total grants and non-developer contributions</b>	<b>33,120</b>	<b>20,236</b>	<b>20,362</b>	<b>19,835</b>
<b>Comprising:</b>				
– Commonwealth funding	17,591	16,070	2,318	3,275
– State funding	15,506	4,158	18,008	16,543
– Other funding	23	8	36	17
	<b>33,120</b>	<b>20,236</b>	<b>20,362</b>	<b>19,835</b>

## B2-4 Grants and contributions (continued)

### Developer contributions

\$ '000	Notes	<b>Operating 2023</b>	Operating 2022	<b>Capital 2023</b>	Capital 2022
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G3				
<b>Cash contributions</b>					
S 7.12 – fixed development consent levies		–	–	103	44
S 64 – water supply contributions		–	–	12	–
S 64 – sewerage service contributions		–	–	3	–
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>118</b>	<b>44</b>
<b>Total developer contributions</b>		<b>–</b>	<b>–</b>	<b>118</b>	<b>44</b>
<b>Total contributions</b>		<b>–</b>	<b>–</b>	<b>118</b>	<b>44</b>
<b>Total grants and contributions</b>		<b>33,120</b>	<b>20,236</b>	<b>20,480</b>	<b>19,879</b>
<b>Timing of revenue recognition for grants and contributions</b>					
Grants and contributions recognised over time		1,178	512	20,399	19,831
Grants and contributions recognised at a point in time		31,942	19,724	81	48
<b>Total grants and contributions</b>		<b>33,120</b>	<b>20,236</b>	<b>20,480</b>	<b>19,879</b>

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

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

\$ '000	Operating 2023	Operating 2022	Capital 2023	Capital 2022
<b>Unspent grants and non-developer contributions</b>				
Unspent funds at 1 July	1,345	1,897	11,762	5,633
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	8,205	208	–	10
<b>Add:</b> Funds received and not recognised as revenue in the current year	183	80	2,193	8,503
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(192)	(800)	–	(282)
<b>Less:</b> Funds received in prior year but revenue recognised and funds spent in current year	(7)	(40)	(10,282)	(2,102)
<b>Unspent grants and non-developer contributions at 30 June</b>	<b>9,534</b>	<b>1,345</b>	<b>3,673</b>	<b>11,762</b>
<b>Unspent Developer Contributions</b>				
Unspent funds at 1 July	–	–	351	351
<b>Add:</b> contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	–	–	128	44
<b>Less:</b> contributions recognised as revenue in previous years that have been spent during the reporting year	–	–	(100)	(44)
<b>Unspent developer contributions at 30 June</b>	<b>–</b>	<b>–</b>	<b>379</b>	<b>351</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

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

The performance obligations vary according to the agreement but include development of reports and promotion of events. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

#### Capital grants

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

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.

## B2-4 Grants and contributions (continued)

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

### **Developer 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* (EP&A Act).

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 Council may apply contributions according to the priorities established in work schedules for the contribution plan.

### **Other grants and contributions**

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

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

## B2-5 Interest and investment income

\$ '000	2023	2022
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	123	124
– Cash and investments	1,892	452
<b>Total interest and investment income</b>	<b>2,015</b>	<b>576</b>
<b>Interest and investment income is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	55	56
General Council cash and investments	1,413	355
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.12	14	4
– Section 64	1	–
Water fund operations	258	85
Sewerage fund operations	272	75
Domestic waste management operations	2	1
<b>Total interest and investment income</b>	<b>2,015</b>	<b>576</b>

### Accounting policy

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

## B2-6 Other income

\$ '000	Notes	2023	2022
<b>Rental income</b>			
Leaseback fees - council vehicles		111	109
Rental Income		422	388
<b>Total rental income</b>	C2-1	<b>533</b>	<b>497</b>
<b>Other</b>			
Revaluation/reassessment of Tip Rehabilitation provision		9	841
<b>Total other</b>		<b>9</b>	<b>841</b>
<b>Total other income</b>		<b>542</b>	<b>1,338</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

\$ '000	2023	2022
Salaries and wages	9,615	9,921
Employee leave entitlements (ELE)	1,759	1,173
Superannuation	1,081	1,074
Workers' compensation insurance	308	238
Fringe benefit tax (FBT)	119	128
Protective clothing	44	52
Other	84	71
<b>Total employee costs</b>	<b>13,010</b>	<b>12,657</b>
Less: capitalised costs	(1,192)	(1,558)
<b>Total employee costs expensed</b>	<b>11,818</b>	<b>11,099</b>
Number of 'full-time equivalent' employees (FTE) at year end	147	147
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	162	163

#### Accounting policy

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

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.

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

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



## B3-2 Materials and services

\$ '000	Notes	2023	2022
Raw materials and consumables		7,519	6,392
Contractor and consultancy costs			
– Aerodromes		540	16
– Animal Control		2	11
– Buildings Dwellings		156	501
– Caravan Parks		507	672
– Cemeteries		8	10
– Children’s services		11	4
– Corporate Services		575	466
– Engineering office and operations		24	12
– Flood Works		1,774	56
– Halls and community centres		141	137
– Health		133	112
– Home and community care		7	6
– Libraries		23	22
– Medical Health Centres		10	4
– Noxious Weeds		3	–
– Other community services and amenities		32	353
– Other Economic Affairs		912	528
– Parks and reserves		66	341
– Private Works		26	151
– Public Amenities		8	13
– Roads Infrastructure		11,456	7,368
– Rural fire service and SES		99	63
– Sewerage		714	725
– Sports grounds and recreation facilities		1,627	302
– Street Cleaning		8	7
– Swimming Pools		1,157	1,907
– Tourism		3,855	1,232
– Town Planning Office		77	43
– Waste		1,370	1,288
– Water		4,094	10,834
– Works Depots/Workshops/Plant		380	1,709
– Western Plains Regional Development – Youth Services		171	186
Audit Fees	F2-1	65	70
Councillor and Mayoral fees and associated expenses	F1-2	216	188
Advertising		28	21
Bank charges		35	40
Cleaning		154	120
Computer software charges		337	331
Electricity and heating		592	594
Insurance		793	707
Postage		31	33
Printing and stationery		63	67
Street lighting		119	621
Telephone and communications		97	106
Tourism expenses (excluding employee costs)		4	9
Valuation fees		37	35
Training costs (other than salaries and wages)		145	138
Other expenses		–	30
Audit, Risk & Improvement Committee		8	3
Investment advisory service		12	10
<b>Legal expenses:</b>			
– Legal expenses: debt recovery		18	19
– Legal expenses: other		66	34
<b>Total materials and services</b>		<b>40,305</b>	<b>38,647</b>

continued on next page ...

### B3-2 Materials and services (continued)

\$ '000	2023	2022
Less: capitalised costs	(25,929)	(26,799)
<b>Total materials and services</b>	<b>14,376</b>	<b>11,848</b>

#### Accounting policy

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

### B3-3 Borrowing costs

\$ '000	Notes	2023	2022
<b>(i) Interest bearing liability costs</b>			
Interest on loans		347	169
<b>Total interest bearing liability costs</b>		<b>347</b>	<b>169</b>
<b>Total interest bearing liability costs expensed</b>		<b>347</b>	<b>169</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	89	32
<b>Total other borrowing costs</b>		<b>89</b>	<b>32</b>
<b>Total borrowing costs expensed</b>		<b>436</b>	<b>201</b>

#### Accounting policy

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

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

\$ '000	Notes	2023	2022
<b>Depreciation and amortisation</b>			
Plant and equipment		1,775	1,368
Office equipment		278	79
Furniture and fittings		115	77
Land improvements (depreciable)		54	45
<b>Infrastructure:</b>	C1-7		
– Buildings – non-specialised		94	106
– Buildings – specialised		1,349	1,043
– Other structures		909	671
– Roads		4,593	4,583
– Bridges		358	332
– Footpaths		119	115
– Stormwater drainage		142	133
– Water supply network		1,748	1,571
– Sewerage network		634	554
<b>Other assets:</b>			
– Library books		14	9
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5,C1-7	34	121
Intangible assets	C1-8	40	32
<b>Total depreciation and amortisation costs</b>		<b>12,256</b>	<b>10,839</b>
<b>Impairment / revaluation decrement of IPPE</b>			
<b>Infrastructure:</b>	C1-7		
– Roads		53,340	–
<b>Total gross IPPE impairment / revaluation decrement costs</b>		<b>53,340</b>	<b>–</b>
Amounts taken through revaluation reserve	C1-7	(53,340)	–
<b>Total IPPE impairment / revaluation decrement costs charged to Income Statement</b>		<b>–</b>	<b>–</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>12,256</b>	<b>10,839</b>

### Accounting policy

#### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives.

#### 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 not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets 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 non-financial 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).

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

## B3-5 Other expenses

\$ '000	Notes	2023	2022
<b>Impairment of receivables</b>			
Other		210	147
<b>Total impairment of receivables</b>	C1-4	<b>210</b>	<b>147</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		16	9
– NSW fire brigade levy		43	37
– NSW rural fire service levy		547	410
– Other contributions/levies		7	3
Donations, contributions and assistance to other organisations (Section 356)		177	97
– Lachlan & Western Regional Services Inc		56	53
– Lower Lachlan Community Services		56	54
Write-down of inventories held for sale or distribution		37	124
<b>Total other expenses</b>		<b>1,149</b>	<b>934</b>

### Accounting policy

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

Impairment expenses are recognised when identified.

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

\$ '000	Notes	2023	2022
<b>Gain (or loss) on disposal of property (excl. investment property)</b>			
Proceeds from disposal – property		–	355
Less: carrying amount of property assets sold/written off		<b>(44)</b>	(244)
<b>Gain (or loss) on disposal</b>		<b>(44)</b>	111
<b>Gain (or loss) on disposal of plant and equipment</b>			
	C1-7		
Proceeds from disposal – plant and equipment		<b>1,138</b>	1,073
Less: carrying amount of plant and equipment assets sold/written off		<b>(975)</b>	(843)
<b>Gain (or loss) on disposal</b>		<b>163</b>	230
<b>Gain (or loss) on disposal of infrastructure</b>			
	C1-7		
Less: carrying amount of infrastructure assets sold/written off		<b>(487)</b>	(693)
<b>Gain (or loss) on disposal</b>		<b>(487)</b>	(693)
<b>Gain (or loss) on disposal of real estate assets held for sale</b>			
	C1-5		
Proceeds from disposal – real estate assets		–	270
Less: carrying amount of real estate assets sold/written off		–	(201)
<b>Gain (or loss) on disposal</b>		<b>–</b>	69
<b>Gain (or loss) on disposal of term deposits</b>			
	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		<b>42,750</b>	19,500
Less: carrying amount of term deposits sold/redeemed/matured		<b>(42,750)</b>	(19,500)
<b>Gain (or loss) on disposal</b>		<b>–</b>	–
<b>Net gain (or loss) from disposal of assets</b>		<b>(368)</b>	(283)

**Accounting policy**

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

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 29 June 2022 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Revenues</b>				
<b>Other revenues</b>	383	769	386	101% <b>F</b>
Service NSW Agency payments of \$181K were not included in the Other Revenue budget area in 2023. Reimbursements were \$127K higher than expected and other items of revenue not budgeted for included \$40K for the sale of water licences and \$33K received for energy rebates.				
<b>Operating grants and contributions</b>	17,292	33,120	15,828	92% <b>F</b>
In 2023, Council received 100% of the 2024 Financial Assistance Grant, \$3.95M of which was not provided for in the 2023 Annual Budget. As well, Council received Emergency Support funding of \$1.5M due to the November 2022 floods. Grants for Potholes and Road Maintenance for \$8.43M were also received which had not been anticipated when preparing the Annual Budget.				
<b>Capital grants and contributions</b>	9,899	20,480	10,581	107% <b>F</b>
Continuing programs from 2022 were not considered in the Annual Budget with the following items brought in as part of the revote process in 2023: \$2.68M for the Drought Water Security Project, \$6.35M for the Visitor Information Centre and tourism precinct and \$2.5M for various Fixing Local Road projects.				
<b>Interest and investment revenue</b>	662	2,015	1,353	204% <b>F</b>
The Reserve Bank of Australia increased Interest rates significantly over the 2023 year, which had a positive result for Councils investments.				
<b>Other income</b>	353	542	189	54% <b>F</b>
Increases in Staff rentals, Gym payments and lease for the old abattoir were not considered in the Annual Budget.				
<b>Expenses</b>				
<b>Borrowing costs</b>	369	436	(67)	(18)% <b>U</b>
Tip remediation provision adjustments were \$67K higher than anticipated in 2023.				
<b>Depreciation, amortisation and impairment of non-financial assets</b>	10,993	12,256	(1,263)	(11)% <b>U</b>
It was recognised during the 2023 financial year that depreciation would be higher than originally budgeted for and an adjustment of \$349K was made in QBR2. This brings the variance under the material budget threshold. Asset additions in 2023 also negatively impacted this line item.				
<b>Net losses from disposal of assets</b>	50	368	(318)	(636)% <b>U</b>
A \$487K writedown of infrastructure assets and a \$263K gain on disposal of plant was not allowed for in the 2023 Annual Budget.				

### Statement of cash flows

**B5-1 Material budget variations (continued)**

\$ '000	2023 Budget	2023 Actual	2023 ----- Variance -----	
<b>Cash flows from operating activities</b>	<b>19,050</b>	<b>33,428</b>	<b>14,378</b>	<b>75% F</b>
Unanticipated Grants and Contributions had a significant impact on cashflows in 2023. This included previously mentioned grants, such as the Financial Assistance Grant of \$3.95M and the Road repair grants for \$8.43M.				
<b>Cash flows from investing activities</b>	<b>(20,043)</b>	<b>(32,203)</b>	<b>(12,160)</b>	<b>61% U</b>
Payments for IPPE was \$8M more than budgeted for in the Annual Budget. The increases were accounted for in the revotes relating to the previous year. Term deposit investments were more than was redeemed and were not included in the Annual Budget.				

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2023	2022
<b>Cash assets</b>		
Cash on hand and at bank	3,689	7,544
Cash equivalent assets		
– Deposits at call	13,256	8,641
<b>Total cash and cash equivalents</b>	<b>16,945</b>	<b>16,185</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	16,945	16,185
<b>Balance as per the Statement of Cash Flows</b>	<b>16,945</b>	<b>16,185</b>

#### Accounting policy

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

#### C1-2 Financial investments

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Debt securities at amortised cost</b>				
Long term deposits	37,600	19,150	40,750	11,750
<b>Total</b>	<b>37,600</b>	<b>19,150</b>	<b>40,750</b>	<b>11,750</b>
<b>Total financial investments</b>	<b>37,600</b>	<b>19,150</b>	<b>40,750</b>	<b>11,750</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>54,545</b>	<b>19,150</b>	<b>56,935</b>	<b>11,750</b>

#### Accounting policy

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

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

#### Financial assets

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

##### Classification

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

- amortised cost
- fair value through profit and loss (FVTPL)

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



## C1-2 Financial investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, 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.

### *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.

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

\$ '000	2023	2022
(a) Externally restricted cash, cash equivalents and investments		
<b>Total cash, cash equivalents and investments</b>	<b>73,695</b>	68,685
Less: Externally restricted cash, cash equivalents and investments	<u>(28,525)</u>	<u>(29,026)</u>
<b>Cash, cash equivalents and investments not subject to external restrictions</b>	<b>45,170</b>	39,659
<b>External restrictions</b>		
<b>External restrictions – included in liabilities</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Specific purpose unexpended grants – general fund	<u>2,727</u>	<u>8,583</u>
<b>External restrictions – included in liabilities</b>	<b>2,727</b>	8,583
<b>External restrictions – other</b>		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	344	334
Developer contributions – water fund	26	13
Developer contributions – sewer fund	8	4
Specific purpose unexpended grants (recognised as revenue) – general fund	10,480	4,524
Water fund	7,272	8,166
Sewer fund	6,777	6,564
Stormwater management	694	642
Meals on wheels	65	65
Lachlan aged and community services	25	25
Domestic waste management	107	106
<b>External restrictions – other</b>	<b>25,798</b>	20,443
<b>Total external restrictions</b>	<b>28,525</b>	29,026

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

## C1-4 Receivables

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Rates and annual charges	614	1,032	387	1,063
Interest and extra charges	412	–	310	–
User charges and fees	2,353	–	1,849	–
Accrued revenues				
– Interest on investments	753	–	185	–
Deferred debtors	–	47	–	58
Net GST receivable	817	–	576	–
Other debtors	(7)	–	(7)	–
<b>Total</b>	<b>4,942</b>	<b>1,079</b>	<b>3,300</b>	<b>1,121</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	–	(686)	–	(562)
User charges and fees	(183)	–	(129)	–
<b>Total provision for impairment – receivables</b>	<b>(183)</b>	<b>(686)</b>	<b>(129)</b>	<b>(562)</b>
<b>Total net receivables</b>	<b>4,759</b>	<b>393</b>	<b>3,171</b>	<b>559</b>

\$ '000	2023	2022
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	691	576
+ new provisions recognised during the year	232	219
– amounts provided for but recovered during the year	(54)	(104)
<b>Balance at the end of the year</b>	<b>869</b>	<b>691</b>

### Accounting policy

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

### Impairment

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

When estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

When considering the ECL for rates and annual charges 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.

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.

The Council writes off a 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, or when the receivables are over 2 years past due, whichever occurs first.

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

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

## C1-5 Inventories

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	–	215	–	215
Stores and materials	2,313	–	2,540	–
<b>Total inventories at cost</b>	<b>2,313</b>	<b>215</b>	<b>2,540</b>	<b>215</b>
<b>Total inventories</b>	<b>2,313</b>	<b>215</b>	<b>2,540</b>	<b>215</b>

### (i) Other disclosures

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>(a) Details for real estate development</b>					
Residential		–	215	–	215
<b>Total real estate for resale</b>		<b>–</b>	<b>215</b>	<b>–</b>	<b>215</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		–	215	–	215
<b>Total costs</b>		<b>–</b>	<b>215</b>	<b>–</b>	<b>215</b>
<b>Total real estate for resale</b>		<b>–</b>	<b>215</b>	<b>–</b>	<b>215</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		–	215	201	215
– WDV of sales (expense)	B4-1	–	–	(201)	–
<b>Total real estate for resale</b>		<b>–</b>	<b>215</b>	<b>–</b>	<b>215</b>

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

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

#### Land held for resale

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

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

## C1-6 Contract assets and Contract cost assets

\$ '000	2023		2022	
	Current	Non-current	Current	Non-current
Contract assets	3,197	–	1,334	–
<b>Total contract assets and contract cost assets</b>	<b>3,197</b>	<b>–</b>	<b>1,334</b>	<b>–</b>

### Contract assets

Work relating to infrastructure grants	3,197	–	1,334	–
<b>Total contract assets</b>	<b>3,197</b>	<b>–</b>	<b>1,334</b>	<b>–</b>

### Significant changes in contract assets

Council has performed works relating to Council owned assets, for which grant funding has been sourced, and, at the end of the financial year had not received the grant funds.

Grants include:

- Multi Sport Centre Grant - SRA Amenities upgrade
- Fixing Local Roads - School Precinct Safety works, Lachlan Valley Way and Busby Street works
- Growing Local Economies - Lachlan Visitor Information Centre

### Accounting policy

#### Contract assets

Contract assets represent Council's right to payment for grant funded projects that have been undertaken throughout the year. The that are subject to grant funds but the grant funds have not yet been paid, or have not been fully paid, to Council.

Contract assets arise to reflect these grants as income in the same financial year for which the works were completed, and may not coincide with milestone payments as stated in the grant funding agreement.

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

#### Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

## C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2022			Asset movements during the reporting period							At 30 June 2023			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	26,521	–	26,521	4,701	17,541	–	–	–	(4,506)	(49)	–	44,208	–	44,208
Plant and equipment	25,779	(15,073)	10,706	59	3,782	(975)	(1,775)	–	–	–	–	27,332	(15,535)	11,797
Office equipment	1,721	(1,237)	484	10	46	–	(278)	–	–	–	–	1,777	(1,515)	262
Furniture and fittings	1,483	(963)	520	4	41	–	(115)	–	–	–	–	1,527	(1,077)	450
<b>Land:</b>														
– Operational land	6,409	–	6,409	–	–	–	–	–	–	–	2,627	9,036	–	9,036
– Community land	3,484	–	3,484	–	–	–	–	–	–	–	1,846	5,330	–	5,330
Land improvements – non-depreciable	655	–	655	–	–	–	–	–	–	–	–	655	–	655
Land improvements – depreciable	1,227	(475)	752	–	18	–	(54)	–	–	–	–	1,244	(528)	716
<b>Infrastructure:</b>														
– Buildings – non-specialised	4,173	(1,580)	2,593	–	19	(40)	(94)	–	–	(26)	1,490	5,241	(1,299)	3,942
– Buildings – specialised	68,130	(32,908)	35,222	162	3	(4)	(1,349)	–	61	35	3,926	69,647	(31,591)	38,056
– Other structures	25,806	(9,277)	16,529	186	592	–	(909)	–	725	(9)	1,276	28,401	(10,011)	18,390
– Roads	477,774	(75,823)	401,951	2,122	789	(487)	(4,593)	(53,340)	2,097	–	23,693	510,711	(138,479)	372,232
– Bridges	36,543	(11,173)	25,370	–	–	–	(358)	–	–	–	1,479	38,703	(12,212)	26,491
– Footpaths	5,987	(1,819)	4,168	144	95	–	(119)	–	2	–	248	6,591	(2,053)	4,538
– Stormwater drainage	11,722	(3,336)	8,386	39	230	–	(142)	–	1,582	–	470	14,241	(3,676)	10,565
– Water supply network	108,988	(52,605)	56,383	–	219	–	(1,748)	–	–	–	4,213	117,610	(58,543)	59,067
– Sewerage network	41,016	(22,166)	18,850	–	–	–	(634)	–	–	–	1,405	44,179	(24,558)	19,621
<b>Other assets:</b>														
– Library books	173	(116)	57	–	32	–	(14)	–	–	–	–	205	(130)	75
<b>Reinstatement, rehabilitation and restoration assets (refer Note 16):</b>														
– Tip assets	2,989	(690)	2,299	–	–	–	(34)	–	–	(1,554)	–	1,435	(724)	711
<b>Total infrastructure, property, plant and equipment</b>	<b>850,580</b>	<b>(229,241)</b>	<b>621,339</b>	<b>7,427</b>	<b>23,407</b>	<b>(1,506)</b>	<b>(12,216)</b>	<b>(53,340)</b>	<b>(39)</b>	<b>(1,603)</b>	<b>42,673</b>	<b>928,073</b>	<b>(301,931)</b>	<b>626,142</b>

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

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

By aggregated asset class	At 1 July 2021			Asset movements during the reporting period								At 30 June 2022		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>														
Capital work in progress	14,207	–	14,207	1,958	19,268	–	–	(8,854)	(58)	–	–	26,521	–	26,521
Plant and equipment	24,705	(14,565)	10,140	378	2,352	(843)	(1,368)	47	–	–	–	25,779	(15,073)	10,706
Office equipment	1,641	(1,158)	483	–	80	–	(79)	–	–	–	–	1,721	(1,237)	484
Furniture and fittings	1,430	(887)	543	–	54	–	(77)	–	–	–	–	1,483	(963)	520
<b>Land:</b>														
– Operational land	6,409	–	6,409	–	–	–	–	–	–	–	–	6,409	–	6,409
– Community land	3,484	–	3,484	–	–	–	–	–	–	–	–	3,484	–	3,484
Land improvements – non-depreciable	655	–	655	–	–	–	–	–	–	–	–	655	–	655
Land improvements – depreciable	990	(430)	560	237	–	–	(45)	–	–	–	–	1,227	(475)	752
<b>Infrastructure:</b>														
– Buildings – non-specialised	4,440	(1,510)	2,930	–	–	(244)	(106)	–	13	–	–	4,173	(1,580)	2,593
– Buildings – specialised	57,280	(28,158)	29,122	301	1,404	(254)	(1,043)	866	–	–	4,826	68,130	(32,908)	35,222
– Other structures	20,758	(7,347)	13,411	336	563	(69)	(671)	669	(15)	–	2,305	25,806	(9,277)	16,529
– Roads	422,915	(64,281)	358,634	1,609	1,246	(370)	(4,583)	5,581	1	–	39,833	477,774	(75,823)	401,951
– Bridges	31,996	(9,734)	22,262	–	–	–	(332)	927	–	–	2,513	36,543	(11,173)	25,370
– Footpaths	5,641	(1,704)	3,937	25	46	–	(115)	275	–	–	–	5,987	(1,819)	4,168
– Stormwater drainage	11,722	(3,203)	8,519	–	–	–	(133)	–	–	–	–	11,722	(3,336)	8,386
– Water supply network	100,652	(46,035)	54,617	252	441	–	(1,571)	204	–	–	2,440	108,988	(52,605)	56,383
– Sewerage network	38,814	(18,575)	20,239	92	115	–	(554)	285	–	(1,327)	–	41,016	(22,166)	18,850
<b>Other assets:</b>														
– Library books	1,121	(1,082)	39	27	–	–	(9)	–	–	–	–	173	(116)	57
<b>Reinstatement, rehabilitation and restoration assets (refer Note 16):</b>														
– Tip assets	2,453	(569)	1,884	–	–	–	(121)	–	536	–	–	2,989	(690)	2,299
<b>Total infrastructure, property, plant and equipment</b>	<b>751,313</b>	<b>(199,238)</b>	<b>552,075</b>	<b>5,215</b>	<b>25,569</b>	<b>(1,780)</b>	<b>(10,807)</b>	<b>–</b>	<b>477</b>	<b>(1,327)</b>	<b>51,917</b>	<b>850,580</b>	<b>(229,241)</b>	<b>621,339</b>

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

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

### Accounting policy

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

Council buildings with a replacement cost exceeding \$750,000 are componentised with each component having a different useful life.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Primary Industries – Office of Water.

Increases in the carrying amounts arising on revaluation are credited to the 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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry - specialised	50 to 100
Other plant and equipment	5 to 15	Buildings: other - non - specialised	20 to 40
<b>Other Assets</b>			
Library Books	5 to 10		
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Pipes -Drains	80 to 100
Bores	20 to 40	Pipes - Culverts	50 to 100
Reticulation pipes: PVC	70 to 80	Pits	50 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	20 to 50	Swimming pools	50
Sealed roads: structure	80 to 100	Other open space/recreational assets	20
Unsealed road pavement	20	Other infrastructure	20
Bridge: concrete	100	Solar Panels	25
Bridge: other	50		
Sealed Road pavements	80-100		
Kerb and Gutter	up to 40		
Footpaths	up to 60		
Cycle paths	30		

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

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Street Furniture

50-60

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

### **Land under roads**

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

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

### **Crown reserves**

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

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

### **Rural Fire Service assets**

Council does not recognise firefighting equipment purchased on behalf of the rural fire service in the financial statements, as Council deems that they do not have care and control over these assets.

Council recognises buildings, including fire sheds, in the financial statements.



## C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2023	2022
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	623	612
Accumulated amortisation	(478)	(446)
<b>Net book value – opening balance</b>	<b>145</b>	<b>166</b>
<b>Movements for the year</b>		
Other movements	55	11
Amortisation charges	(40)	(32)
<b>Closing values at 30 June</b>		
Gross book value	678	623
Accumulated amortisation	(518)	(478)
<b>Total software – net book value</b>	<b>160</b>	<b>145</b>
<b>Total intangible assets – net book value</b>	<b>160</b>	<b>145</b>

### Accounting policy

#### IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

## C2 Leasing activities

### C2-1 Council as a lessor

#### Operating leases

Council leases out a number of properties and /or plant and equipment to community groups and staff; these leases have been classified as operating leases for financial reporting purposes.

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

\$ '000	2023	2022
<b>(i) Assets held as investment property</b>		
<b>(ii) Assets held as property, plant and equipment</b>		
Council provides operating leases on Council buildings for the purpose of supporting economic development and the community.		
Lease income (excluding variable lease payments not dependent on an index or rate)	422	388
Leaseback fees - council vehicles	111	109
<b>Total income relating to operating leases for Council assets</b>	<b>533</b>	<b>497</b>

## C2-1 Council as a lessor (continued)

### Amount of IPPE leased out by Council under operating leases

Council leases out buildings and land which are valued as per below:

### Reconciliation of IPPE assets leased out as operating leases

\$ '000	Land 2023	Land 2022	Buildings - Specialised 2023	Buildings - Specialised 2022
<b>Opening balance as at 1 July</b>	<b>1,395</b>	1,620	<b>3,966</b>	4,362
Additions new assets	-	28	-	-
Carrying value of disposals	-	(253)	-	(236)
Depreciation expense	-	-	<b>(44)</b>	(160)
Adjustments and transfers	<b>22</b>	-	-	-
Revaluation increments to equity (ARR)	-	-	<b>1,576</b>	-
<b>Closing balance as at 30 June</b>	<b>1,417</b>	1,395	<b>5,498</b>	3,966
<b>\$ '000</b>			<b>2023</b>	2022

### (ii) Maturity analysis of contractual lease income

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

< 1 year	<b>196</b>	230
1–2 years	<b>42</b>	122
2–3 years	<b>42</b>	75
3–4 years	<b>42</b>	62
<b>Total undiscounted lease payments to be received</b>	<b>322</b>	489

### Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Payables</b>				
Government departments and agencies	30	-	11	-
Prepaid rates	261	-	220	-
Goods and services	1,648	-	1,133	-
Goods and services – capital expenditure	1,556	-	1,411	-
Accrued expenses:				
– Borrowings	34	-	37	-
– Salaries and wages	271	-	237	-
– Other expenditure accruals	76	-	69	-
Security bonds, deposits and retentions	146	-	152	-
<b>Total payables</b>	<b>4,022</b>	<b>-</b>	<b>3,270</b>	<b>-</b>
<b>Total payables</b>	<b>4,022</b>	<b>-</b>	<b>3,270</b>	<b>-</b>

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

\$ '000	2023	2022
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	111	110
Other liabilities	96	64
<b>Total payables</b>	<b>207</b>	<b>174</b>

#### Accounting policy

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

#### Payables

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

## C3-2 Contract Liabilities

\$ '000	Notes	2023 Current	2023 Non-current	2022 Current	2022 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,712	-	11,949	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	187	-	80	-
<b>Total grants received in advance</b>		<b>3,899</b>	<b>-</b>	<b>12,029</b>	<b>-</b>
<b>Total contract liabilities</b>		<b>3,899</b>	<b>-</b>	<b>12,029</b>	<b>-</b>

### Notes

(i) Council has received funding to construct assets including sporting and showground facilities, public amenities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

### Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2023	2022
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	10,468	2,129
Operating grants (received prior to performance obligation being satisfied)	7	13
<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>10,475</b>	<b>2,142</b>

### Accounting policy

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

## C3-3 Borrowings

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Loans – secured <sup>1</sup>	469	5,878	465	6,347
<b>Total borrowings</b>	<b>469</b>	<b>5,878</b>	<b>465</b>	<b>6,347</b>

(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 E.

### (a) Changes in liabilities arising from financing activities

\$ '000	2022		Non-cash movements			2023
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	6,812	(465)	–	–	–	6,347
<b>Total liabilities from financing activities</b>	<b>6,812</b>	<b>(465)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,347</b>

\$ '000	2021		Non-cash movements			2022
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	7,272	(460)	–	–	–	6,812
<b>Total liabilities from financing activities</b>	<b>7,272</b>	<b>(460)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,812</b>

### (b) Financing arrangements

\$ '000	2023	2022
<b>Total facilities</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	50	50
<b>Total financing arrangements</b>	<b>550</b>	<b>550</b>
<b>Drawn facilities</b>		
– Credit cards/purchase cards	16	15
<b>Total drawn financing arrangements</b>	<b>16</b>	<b>15</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	34	35
<b>Total undrawn financing arrangements</b>	<b>534</b>	<b>535</b>

### 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.

### C3-3 Borrowings (continued)

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#### **Accounting policy**

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

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.

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 borrowing costs.

## C3-4 Employee benefit provisions

\$ '000	2023	2023	2022	2022
	Current	Non-current	Current	Non-current
Annual leave	1,268	–	1,209	–
Sick leave	343	–	378	–
Long service leave	1,549	135	1,409	123
Gratuities	34	–	84	–
Other leave	191	–	130	–
<b>Total employee benefit provisions</b>	<b>3,385</b>	<b>135</b>	<b>3,210</b>	<b>123</b>

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

\$ '000	2023	2022
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,217	2,036
	<b>2,217</b>	<b>2,036</b>

### Description of and movements in provisions

#### Accounting policy

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

#### Short-term obligations

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

#### Other long-term employee benefit obligations

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

#### On-costs

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

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

## C3-5 Provisions

\$ '000	2023	2023	2022	2022
	Current	Non-Current	Current	Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	101	822	20	2,392
<b>Sub-total – asset remediation/restoration</b>	<b>101</b>	<b>822</b>	<b>20</b>	<b>2,392</b>
<b>Total provisions</b>	<b>101</b>	<b>822</b>	<b>20</b>	<b>2,392</b>

## C3-5 Provisions (continued)

### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
<b>2023</b>		
At beginning of year	2,412	2,412
Unwinding of discount	89	89
Derecognition of provision no longer required	(9)	(9)
Remeasurement effects	(1,554)	(1,554)
Amounts used (payments)	(15)	(15)
Total other provisions at end of year	<b>923</b>	<b>923</b>
<b>2022</b>		
At beginning of year	2,685	2,685
Unwinding of discount	32	32
Derecognition of provision no longer required	(841)	(841)
Remeasurement effects	536	536
Total other provisions at end of year	<b>2,412</b>	<b>2,412</b>

### Nature and purpose of provisions

#### Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

#### Accounting policy

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

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

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

#### Asset remediation – tips and quarries

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

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

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

#### Self-insurance

Council does not self-insure.



## D Council structure

### D1 Results by fund

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

#### D1-1 Income Statement by fund

\$ '000	General 2023	Water 2023	Sewer 2023
<b>Income from continuing operations</b>			
Rates and annual charges	8,262	1,747	1,865
User charges and fees	1,521	2,662	32
Interest and investment revenue	1,416	306	293
Other revenues	762	1	6
Grants and contributions provided for operating purposes	33,038	54	28
Grants and contributions provided for capital purposes	17,748	2,678	54
Other income	542	–	–
<b>Total income from continuing operations</b>	<b>63,289</b>	<b>7,448</b>	<b>2,278</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	10,618	740	460
Materials and services	11,008	2,556	812
Borrowing costs	436	–	–
Depreciation, amortisation and impairment of non-financial assets	9,504	1,953	799
Other expenses	548	396	205
Net losses from the disposal of assets	368	–	–
<b>Total expenses from continuing operations</b>	<b>32,482</b>	<b>5,645</b>	<b>2,276</b>
<b>Operating result from continuing operations</b>	<b>30,807</b>	<b>1,803</b>	<b>2</b>
<b>Net operating result for the year</b>	<b>30,807</b>	<b>1,803</b>	<b>2</b>
<b>Net operating result attributable to each council fund</b>	<b>30,807</b>	<b>1,803</b>	<b>2</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>13,059</b>	<b>(875)</b>	<b>(52)</b>

## D1-2 Statement of Financial Position by fund

\$ '000	General 2023	Water 2023	Sewer 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13,704	1,681	1,560
Investments	30,416	3,722	3,462
Receivables	2,264	2,031	464
Inventories	2,313	–	–
Contract assets and contract cost assets	3,197	–	–
Other	74	–	–
<b>Total current assets</b>	<b>51,968</b>	<b>7,434</b>	<b>5,486</b>
<b>Non-current assets</b>			
Investments	15,492	1,895	1,763
Receivables	393	–	–
Inventories	215	–	–
Infrastructure, property, plant and equipment	529,301	75,264	21,577
Intangible assets	160	–	–
<b>Total non-current assets</b>	<b>545,561</b>	<b>77,159</b>	<b>23,340</b>
<b>Total assets</b>	<b>597,529</b>	<b>84,593</b>	<b>28,826</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	4,022	–	–
Contract liabilities	2,727	1,172	–
Borrowings	469	–	–
Employee benefit provision	3,385	–	–
Provisions	101	–	–
<b>Total current liabilities</b>	<b>10,704</b>	<b>1,172</b>	<b>–</b>
<b>Non-current liabilities</b>			
Borrowings	5,878	–	–
Employee benefit provision	135	–	–
Provisions	822	–	–
<b>Total non-current liabilities</b>	<b>6,835</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>17,539</b>	<b>1,172</b>	<b>–</b>
<b>Net assets</b>	<b>579,990</b>	<b>83,421</b>	<b>28,826</b>
<b>EQUITY</b>			
Accumulated surplus	230,702	48,680	10,401
Revaluation reserves	349,288	34,741	18,425
<b>Council equity interest</b>	<b>579,990</b>	<b>83,421</b>	<b>28,826</b>
<b>Total equity</b>	<b>579,990</b>	<b>83,421</b>	<b>28,826</b>

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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.

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

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

The risks associated with the investments held are:

- **price risk** - the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers, or factors affecting similar instruments traded in a market
- **interest rate risk** - the risk that movements in interest rates could affect returns
- **liquidity risk** - the risk that council will not be able to pay its debts as and when they fall due
- **credit risk** - the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and purchasing investments within policy credit rating allowances. Council also seeks advice from independent advisors before placing funds in cash and investments.

#### (a) Market risk – interest rate

\$ '000	2023	2022
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The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Impact of a 1% movement in interest rates

– Equity / Income Statement	700	611
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## E1-1 Risks relating to financial instruments held (continued)

### (b) Credit risk

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

#### Credit risk profile

##### Receivables – rates and annual charges

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

\$ '000	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
<b>2023</b>				
Gross carrying amount	–	1,356	290	1,646
2022				
Gross carrying amount	–	814	636	1,450

##### Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
<b>2023</b>						
Gross carrying amount	6,230	8	73	13	1,248	7,572
Expected loss rate (%)	0.47%	0.00%	2.74%	0.00%	12.20%	2.42%
<b>ECL provision</b>	<b>29</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>152</b>	<b>183</b>
2022						
Gross carrying amount	1,434	2,229	368	14	260	4,305
Expected loss rate (%)	0.47%	0.40%	2.50%	0.00%	40.00%	2.99%
<b>ECL provision</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>–</b>	<b>104</b>	<b>129</b>

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

### (c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2023</b>							
Payables	0.00%	111	3,911	–	–	4,022	4,022
Borrowings	4.31%	–	813	3,152	4,833	8,798	6,347
<b>Total financial liabilities</b>		<b>111</b>	<b>4,724</b>	<b>3,152</b>	<b>4,833</b>	<b>12,820</b>	<b>10,369</b>
<b>2022</b>							
Payables	0.00%	109	3,161	–	–	3,270	3,270
Borrowings	4.31%	–	813	3,060	5,720	9,593	6,812
<b>Total financial liabilities</b>		<b>109</b>	<b>3,974</b>	<b>3,060</b>	<b>5,720</b>	<b>12,863</b>	<b>10,082</b>

### Loan agreement breaches

There were no breaches to the loan agreements during the reporting year.

## E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment
- Non-current assets classified as ‘held for sale’

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).

\$ '000	Notes	Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2023	2022	2023	2022	2023	2022	2023	2022
<b>Recurring fair value measurements</b>									
<b>Infrastructure, property, plant and equipment</b> <span style="float: right;">C1-7</span>									
Plant and equipment		30/06/2019	30/06/2019	–	–	11,797	10,706	11,797	10,706
Office equipment		30/06/2019	30/06/2019	–	–	262	484	262	484
Furniture and Fittings		30/06/2019	30/06/2019	–	–	450	520	450	520
Operational land		30/06/2021	30/06/2021	7,231	5,128	1,805	1,281	9,036	6,409
Community Land		30/06/2021	30/06/2021	–	–	5,330	3,484	5,330	3,484
Land Improvements – non depreciable		30/06/2021	30/06/2021	–	–	655	655	655	655
Land Improvements – depreciable		30/06/2021	30/06/2021	–	–	716	752	716	752
Buildings – Non Specialised		30/06/2023	30/06/2018	2,690	1,162	1,252	1,431	3,942	2,593
Buildings Specialised		30/06/2023	30/06/2018	1,790	234	36,266	34,988	38,056	35,222
Other Structures		30/06/2023	30/06/2018	–	–	18,390	16,529	18,390	16,529
Roads		01/07/2019	01/07/2019	–	–	372,232	401,951	372,232	401,951
Bridges		01/07/2019	01/07/2019	–	–	26,491	25,370	26,491	25,370
Footpaths		01/07/2019	01/07/2019	–	–	4,538	4,168	4,538	4,168
Water Supply network		30/06/2022	30/06/2022	–	–	59,067	56,383	59,067	56,383
Sewer Supply Network		30/06/2022	30/06/2022	–	–	19,621	18,850	19,621	18,850
Library Books		30/06/2021	30/06/2015	–	–	75	57	75	57
Tip restoration assets		20/06/2023	30/06/2018	–	–	711	2,299	711	2,299
Stormwater Drainage		01/07/2019	01/07/2019	–	–	10,565	8,386	10,565	8,386
<b>Total infrastructure, property, plant and equipment</b>				<b>11,711</b>	<b>6,524</b>	<b>570,223</b>	<b>588,294</b>	<b>581,934</b>	<b>594,818</b>

### Non-recurring fair value measurements

### Transfers between level 1 and level 2 fair value hierarchies

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

- at the end of the reporting period.

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

## E2-1 Fair value measurement (continued)

### Valuation techniques

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

#### Infrastructure, property, plant and equipment (IPPE)

##### Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. A stocktake on Plant & Equipment was undertaken by AssetVal as at 30 June 2019. As part of the stocktake and verification they assessed the current carrying value against the potential Fair Value of the asset. Fair Value assessments were done on a sample of the higher value assets with the current carrying values all within 10% of the estimated Fair Value.

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

##### Operational Land

Operational land was revalued as at 30 June 2021 by Australis Asset Advisory Group.

Where a lack of directly comparable sales evidence was available, or a significant level of adjustment was required between sales evidence and the asset, a Level 3 has been assigned to the asset. In other cases, where there was active and liquid sales evidence available and significant adjustments have not been applied, a Level 2 has been assigned to the asset.

At 30 June 2023, Council undertook a fair value assessment to index this asset class using market value for land in the Shire as supplied by PP&E Valuations (NSW) Pty Ltd, to ensure that the carrying value approximates fair value.

##### Community Land

Community land was revalued as at 30 June 2021. The carrying amount of these assets as advised by the NSW Valuer General is assumed to approximate fair value due to the nature of the items.

At 30 June 2023, Council undertook a fair value assessment to index this asset class using land values changes in the Shire as supplied by the NSW Valuer General, to ensure that the carrying value approximates fair value.

##### Land improvements – depreciable

Land improvements – depreciable were revalued by Australis Asset Advisory Group as at 30 June 2021.

As land improvements – depreciable are considered of a specialist nature and no active market for the assets can be observed, fair value has been measured on the basis of a Cost approach (Level 3). Under this methodology the gross replacement cost was assessed on the basis that it reflected a modern equivalent asset with similar service potential.

Under the cost approach, the asset's Fair Value is calculated as the gross current value less accumulated depreciation, to reflect the consumed or expired service potential of the asset. The most significant input into this valuation approach is the rate per square metre based on a square metre of floor area, length or unit (to arrive at the Gross Replacement Cost), the economic useful life of the asset and a condition score reflecting the remaining useful life of the Asset.

While the inputs to the Gross Replacement Cost (GRC), being a rate per square metre, length or unit, can be supported by market evidence (Level 2), the estimates of useful life, pattern of consumption, condition score and residual value, which are used to calculate the accumulated depreciation, comprise unobservable inputs (Level 3). As these other inputs are significant to the valuation, the overall Fair Value has been classified at Level 3.

##### Land improvements – non depreciable

Land improvements – non depreciable are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

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

##### Buildings – Non Specialised and Specialised

Non-specialised and Specialised Buildings were revalued as at 30 June 2023 by PP&E Valuations (NSW) Pty Ltd.

## E2-1 Fair value measurement (continued)

Where an observable market for Council assets could be identified, fair value was measured by way of a Market Approach (Level 2), utilising sales prices of comparable properties after adjusting for differences in key attributes of the property. For the Lachlan Shire Council area, 12 assets were assessed under this approach.

For assets that were considered of a specialist nature and did not meet the criteria for a market approach, fair value was measured on the basis of a Replacement Cost approach (Level 3). Under this methodology the gross replacement cost was assessed on the basis that it reflected a modern equivalent asset with similar service potential.

Under the cost approach, the asset's Fair Value is calculated as the gross current value less accumulated depreciation, to reflect the consumed or expired service potential of the asset. The most significant input into this valuation approach is the rate per square metre based on the main and secondary building areas (to arrive at the Gross Replacement Cost), the useful life of the asset and a condition score reflecting the remaining useful life of the Asset. For the Lachlan Shire Council area, 256 assets were assessed under this approach.

### Other Structures

Other Structures were revalued as at 30 June 2023 by PP&E Valuations (NSW) Pty Ltd.

50% of Council's other structures were physically inspected, measured and relevant detail noted during the process of valuation.

The Other Structure Assets have been valued on a current replacement cost basis, whereby we have either physically inspected the asset and noted the construction details and condition or relied on information provided to us by Council. We have then applied a suitable unit rate to establish the replacement cost or indexed previous values with reference to construction cost guides, the Australian Bureau of Statistics, and inflation factors. The rates applied include all materials, labour, and overheads to replace the existing asset with a modern equivalent asset.

Having maximised the level of observable valuation inputs, it was deemed appropriate to use a Cost Approach utilising Level 3 inputs.

### Roads

Roads were revalued as at 1 July 2019 by AssetVal.

Due to the predominantly specialised nature of Local Government assets, the valuations have been undertaken on a Cost Approach, an accepted valuation method under AASB 13. The cost approach is deemed a Level 3 input.

While the replacement cost of assets can be supported by market supplied evidence (Level 2), other unobservable inputs such as estimates of useful life and asset condition were also required (Level 3).

Roads comprise road carriageway, roadside shoulders and road furniture. Assets are componentised into four elements/components: Formation, pavement (base & sub-base) as well as seal, where applicable.

At 30 June 2023, Council undertook a fair value assessment to index this asset class using relevant publicly available indices, to ensure that the carrying value approximates fair value.

### Bridges

Bridges were revalued as at 1 July 2019 by AssetVal.

Due to the predominantly specialised nature of Local Government assets, the valuations have been undertaken on a Cost Approach, an accepted valuation method under AASB 13. The cost approach is deemed a Level 3 input.

While the replacement cost of assets can be supported by market supplied evidence (Level 2), other unobservable inputs such as estimates of useful life and asset condition were also required (Level 3).

At 30 June 2023, Council undertook a fair value assessment to index this asset class using relevant publicly available indices, to ensure that the carrying value approximates fair value.

### Footpaths

Footpaths were revalued as at 1 July 2019 by AssetVal. Cycle Paths are included in the footpath valuation.

Due to the predominantly specialised nature of Local Government assets, the valuations have been undertaken on a Cost Approach, an accepted valuation method under AASB 13. The cost approach is deemed a Level 3 input.



## E2-1 Fair value measurement (continued)

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While the replacement cost of assets can be supported by market supplied evidence (Level 2), other unobservable inputs such as estimates of useful life and asset condition were also required (Level 3).

At 30 June 2023, Council undertook a fair value assessment to index this asset class using relevant publicly available indices, to ensure that the carrying value approximates fair value.

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

### **Kerb and Gutter**

Kerb and Gutter were revalued as at 1 July 2019 by AssetVal.

Due to the predominantly specialised nature of Local Government assets, the valuations have been undertaken on a Cost Approach, and accepted valuation method under AASB 13. The cost approach is deemed a Level 3 input.

While the replacement cost of assets can be supported by market supplied evidence (Level 2), other unobservable inputs such as estimates of useful life and asset condition were also required (Level 3).

At 30 June 2023, Council undertook a fair value assessment to index this asset class using relevant publicly available indices, to ensure that the carrying value approximates fair value.

### **Water Supply Network**

Assets within this asset class comprise reservoirs, pumping stations and water pipelines.

The Water Supply network was revalued as at 30 June 2022, by Australis Asset Advisory Group.

The 'cost approach' (level 3) estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other unobservable inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impact significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long-lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets were indexed in 2023 at 7.71%, in line with the NSW Reference Rates Manual issued by Department of Primary Industries - Office of Water.

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

### **Sewer Network**

Assets within this asset class comprise reservoirs, pumping stations and sewer pipelines.

The Sewer Supply network was revalued as at 30 June 2022, by Australis Asset Advisory Group.

The 'cost approach' (level 3) estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other unobservable inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impact significantly on the final determination of fair value. Additionally, due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets were indexed in 2023 at 7.71%, in line with the NSW Reference Rates Manual issued by Department of Primary Industries - Office of Water.

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

### **Stormwater**

Stormwater was revalued as at 1 July 2019 by Rapid Map Services Pty Ltd, in conjunction with Asset & Facilities Management Consulting Pty Ltd.

Assets within this class comprise stormwater pit structures including end pipe, endwall and channel points and stormwater pipe assets including culverts and channels.

## E2-1 Fair value measurement (continued)

Due to the predominantly specialised nature of Local Government assets, the valuations have been undertaken on a Cost Approach, an accepted valuation method under AASB 13. The cost approach is deemed a Level 3 input.

The 'cost approach' (level 3) estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other unobservable inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and impact significantly on the final determination of fair value.

At 30 June 2023, Council undertook a fair value assessment to index this asset class using relevant publicly available indices, to ensure that the carrying value approximates fair value.

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

### Tip Assets

Assets in this class represent the expected cost of reinstatement, rehabilitation and restoration of Tip Sites within the Shire.

A review of the costings and how the landfill sites will be rehabilitated was undertaken by Councils' Environmental and Waste Officer in April 2022 for Condobolin and Lake Cargelligo after receiving a landfill engineered design by Robert H. Amaral. Fair Value determined by "Cost Approach" Level 3.

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

### The valuation process for level 3 fair value measurements

Valuation process for level 3 fair valuation measurement is determined by Council in conjunction with independent valuers prior to the valuation being undertaken.

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

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

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Plant and equipment	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Office equipment	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Furniture and fittings	Historical cost	Pattern of consumption Asset condition Remaining useful life Residual value
Community land	Valuer-General valuations	Market value
Non-depreciable land improvements	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Depreciable land improvements	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Buildings	Industry cost indexes	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost

## E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Other structures	Industry cost indexes	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Roads	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Bridges	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Footpaths	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Stormwater drainage	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other open space/recreational assets	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Other infrastructure	Unit rates	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Library books	Cost approach	Pattern of consumption Asset condition Remaining useful life Residual value Gross replacement cost
Remediation asset	Cost approach	Discount rate Remaining useful life
<b>Investment Properties</b>		
Commercial land, office and retail	Market value	Investment yields Improved rate per square metre Site rate per square metre

## E2-1 Fair value measurement (continued)

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

\$ '000	Total IPP&E	
	2023	2022
<b>Opening balance</b>	<b>588,294</b>	531,098
<b>Total gains or losses for the period</b>		
Recognised in profit or loss – realised (refer to Note B4-1)	<b>(368)</b>	(463)
Recognised in other comprehensive income – revaluation surplus	<b>38,643</b>	50,557
<b>Other movements</b>		
Transfers from/(to) level 2 FV hierarchy	<b>(2,440)</b>	–
Purchases (GBV)	<b>13,050</b>	19,384
Disposals (WDV)	<b>(1,506)</b>	(1,536)
Depreciation and impairment	<b>(65,450)</b>	(10,746)
<b>Closing balance</b>	<b>570,223</b>	588,294

Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

In 2023 Buildings - Specialised and Buildings - Non Specialised were revalued which resulted in 5 assets being transferred from Level 3 to Level 2.

## E3-1 Contingencies

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

### LIABILITIES NOT RECOGNISED

#### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

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

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

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

##### *Description of the funding arrangements.*

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

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

## E3-1 Contingencies (continued)

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

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

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

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2023 was \$47,142.77. The last valuation of the Scheme was performed by Richard Boyfield FIAA as at 30 June 2022.

The amount of additional contributions included in the total employer contribution advised above is \$21,303. Council's expected contribution to the plan for the next annual reporting period is \$42,780.36

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

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

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

The share of any funding surplus or deficit that can be attributed to Council is 0.11%.

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

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

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

\* Plus promotional increases

## E3-1 Contingencies (continued)

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

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

### (ii) Statewide 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 June 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

Council has a contingent liability resulting from a contractual dispute relating to the Condobolin Works Depot. In accordance with the contract, the dispute was referred to arbitration, where Council received an adverse determination. An appeal has been lodged in the Supreme Court of NSW. A direction hearing set for the 29 September 2023 has been vacated, with the Court approval for both parties to enter into mediation in October 2023 with a hearing to be held on the 16 November for a directions listing. At this time it is impractical to make an estimation of Council's potential liability, if any.

### (i) Third party claims and other matters

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

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

### (ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

## E3-1 Contingencies (continued)

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### 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

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

#### (iii) Rural Fire Services

The Local Government Code of Accounting Practice and Financial Reporting 22/23 issued by the Office of Local Government at page 54 states "Councils need to assess whether they control any Rural Fire Service assets and recognise in their financial statements any material assets under their control."

In addition, AASB116 requires that an asset can only be recognised if it is probable that future economic benefits associated with the items will flow to the entity. Control is defined in the "AASB Conceptual Framework".

In response to the Code's assessment requirements and based on Council's review of:

1. effective control and
2. what entity receives the future economic benefits

of the rural fire fighting assets, Council has adopted an accounting position statement on the recognition of Rural Fire Service assets.

## F People and relationships

### F1 Related party disclosures

#### F1-1 Key management personnel (KMP)

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

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

\$ '000	2023	2022
<b>Compensation:</b>		
Short-term benefits	993	917
Post-employment benefits	79	79
Other long-term benefits	179	138
<b>Total</b>	<b>1,251</b>	<b>1,134</b>

#### Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Transactions	Outstanding		Impairment	
\$ '000	Ref	during the year	balances	Terms and conditions	provision on	Impairment
			including		outstanding	expense
			commitments		balances	
<b>2023</b>						
Newspaper Advertising	1	19	-		-	-
Building Certifications	2	9	-		-	-
Supply of Hardware	3	43	-		-	-
Erection of Buildings and Structures	4	9	-		-	-
RMS E-Safety Reports inc RFS vehicles, Vehicle Windscreen Replacements	5	5	-		-	-
Plumbing Services	6	4	-		-	-
Rental of Residential property	7	15	-		-	-
Lease Rental Income	8	14	-		-	-
Waste Collection and Private Works	9	9	-		-	-



## F1-1 Key management personnel (KMP) (continued)

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2022						
Newspaper Advertising	1	17	–		–	–
Building Certifications	2	1	–		–	–
Supply of Hardware	3	48	–		–	–
Erection of Buildings and Structures	4	27	–		–	–
RMS E-Safety Reports inc RFS vehicles, Vehicle Windscreen Replacements	5	6	–		–	–
Plumbing Services	6	18	–		–	–
Rental of Residential property	7	18	–		–	–
Lease Rental Income	8	14	–		–	–
Waste Collection and Private Works	9	–	–		–	–

- 1 KMP is employed by local newspaper in which Council advertises
- 2 Council approved a DA for alterations to building
- 3 Council purchases hardware from a KMP-owned business
- 4 Council engages a KMP to erect buildings in accordance with its Procurement & Disposal Policy
- 5 Council engages a KMP to provide automotive services
- 6 Council engages plumbing services from a close relative of a KMP
- 7 Council pays rent to a KMP
- 8 Council receives rental income from a KMP
- 9 Council provides waste collection services and conducts private works to a Community Housing provider that a KMP manages

## F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2023	2022
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	28	27
Councillors' fees	132	121
Other Councillors' expenses (including Mayor)	56	40
<b>Total</b>	<b>216</b>	<b>188</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2023	2022
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	59	61
<b>Remuneration for audit and other assurance services</b>	<b>59</b>	<b>61</b>
<b>Total Auditor-General remuneration</b>	<b>59</b>	<b>61</b>
<b>(i) Audit and other assurance services</b>		
Other audit and assurance services – Internal Audits	6	9
<b>Remuneration for audit and other assurance services</b>	<b>6</b>	<b>9</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>6</b>	<b>9</b>
<b>Total audit fees</b>	<b>65</b>	<b>70</b>

## G Other matters

### G1-1 Statement of Cash Flows information

#### Reconciliation of net operating result to cash provided from operating activities

\$ '000	2023	2022
<b>Net operating result from Income Statement</b>	<b>32,612</b>	23,802
<b>Add / (less) non-cash items:</b>		
Depreciation and amortisation	12,256	10,839
(Gain) / loss on disposal of assets	368	283
Unwinding of discount rates on reinstatement provisions	89	32
<b>Movements in operating assets and liabilities and other cash items:</b>		
(Increase) / decrease of receivables	(1,611)	2,466
Increase / (decrease) in provision for impairment of receivables	178	114
(Increase) / decrease of inventories	227	(156)
(Increase) / decrease of other current assets	86	(86)
(Increase) / decrease of contract asset	(1,863)	(439)
Increase / (decrease) in payables	515	273
Increase / (decrease) in accrued interest payable	(3)	16
Increase / (decrease) in other accrued expenses payable	41	13
Increase / (decrease) in other liabilities	54	50
Increase / (decrease) in contract liabilities	(8,130)	6,442
Increase / (decrease) in employee benefit provision	187	(249)
Increase / (decrease) in other provisions	(1,578)	(305)
<b>Net cash flows from operating activities</b>	<b>33,428</b>	<b>43,095</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2023	2022
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Sewerage and water infrastructure	218	76
Buildings	4,725	7,629
Plant and equipment	1,021	1,284
Other	1,037	115
Road infrastructure	2,656	3,816
<b>Total commitments</b>	<b>9,657</b>	<b>12,920</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	5,124	10,285
Later than one year and not later than 5 years	4,533	2,635
<b>Total payable</b>	<b>9,657</b>	<b>12,920</b>
<b>Sources for funding of capital commitments:</b>		
Future grants and contributions	3,885	6,700
Internally restricted reserves	5,772	6,220
<b>Total sources of funding</b>	<b>9,657</b>	<b>12,920</b>

### Details of capital commitments

Council entered into contracts in 2023 for the following capital projects:

- Light Plant and Fleet
- Bulk Metering
- Line Marking
- Gum Bend Lake Walkway
- Footpaths

Additionally:

- Council commenced a tender process for the management of 3 pools in the Shire
- Council was notified of grant funding for:
  - Boona Road upgrade
  - Stronger Country Communities program round 5
  - Local Roads and Infrastructure Grant Phase 4

## G3 Statement of developer contributions as at 30 June 2023

### G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
Community facilities	334	98	–	–	13	(100)	–	345	–
<b>S7.11 contributions – under a plan</b>	334	98	–	–	13	(100)	–	345	–
<b>Total S7.11 and S7.12 revenue under plans</b>	334	98	–	–	13	(100)	–	345	–
S64 contributions	17	15	–	–	1	–	–	33	–
<b>Total contributions</b>	<b>351</b>	<b>113</b>	<b>–</b>	<b>–</b>	<b>14</b>	<b>(100)</b>	<b>–</b>	<b>378</b>	<b>–</b>

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

### G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2022	Contributions received during the year			Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2023	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash Land	Non-cash Other					
<b>CONTRIBUTION PLAN NUMBER 2021</b>									
Community facilities	334	98	–	–	13	(100)	–	345	–
<b>Total</b>	<b>334</b>	<b>98</b>	<b>–</b>	<b>–</b>	<b>13</b>	<b>(100)</b>	<b>–</b>	<b>345</b>	<b>–</b>

### G3-3 S64 contributions

#### S64 Water

Other	13	12	–	–	1	–	–	26	–
<b>Total</b>	<b>13</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>26</b>	<b>–</b>

#### S64 Sewer

Other	4	4	–	–	–	–	–	8	–
<b>Total</b>	<b>4</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>–</b>

## G4 Statement of performance measures

### G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022      2021		Benchmark
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>12,710</b>	<b>24.19%</b>	11.13%	11.00%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>52,535</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>19,415</b>	<b>26.59%</b>	32.02%	38.63%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>73,015</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>47,317</b>	<b>7.04x</b>	5.52x	6.03x	> 1.50x
Current liabilities less specific purpose liabilities	<b>6,725</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>25,402</b>	<b>28.19x</b>	23.29x	35.20x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>901</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates and annual charges outstanding	<b>1,372</b>	<b>10.35%</b>	9.32%	8.93%	< 10.00%
Rates and annual charges collectable	<b>13,259</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>73,695</b>	<b>27.06 months</b>	28.56 months	29.00 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities	<b>2,724</b>				

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

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

## G4-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2023	2022	2023	2022	2023	2022	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>29.97%</b>	17.78%	<b>(18.64)%</b>	(31.91)%	<b>(2.48)%</b>	(12.37)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>19.76%</b>	29.52%	<b>63.32%</b>	31.04%	<b>96.40%</b>	97.85%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>7.04x</b>	5.52x	<b>1.73x</b>	5.16x	∞	∞	> 1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>26.17x</b>	22.10x	∞	∞	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>14.22%</b>	12.47%	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>25.98 months</b>	27.34 months	<b>23.72 months</b>	26.08 months	<b>55.84 months</b>	55.71 months	> 3.00 months
Monthly payments from cash flow of operating and financing activities							

(1) - (2) Refer to Notes at Note 24a above.

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

**End of the audited financial statements**



## H Additional Council disclosures (unaudited)

### H1-1 Council information and contact details

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#### Principal place of business:

58-64 Molong Street  
Condobolin NSW 2877

#### Contact details

##### Mailing Address:

PO Box 216  
Condobolin NSW 2877

Telephone: 02 6895 1900

Facsimile: 02 6895 3478

##### Opening hours:

8:30am - 4.30pm Monday to Friday

Internet: [www.lachlan.nsw.gov.au](http://www.lachlan.nsw.gov.au)

Email: [council@lachlan.nsw.gov.au](mailto:council@lachlan.nsw.gov.au)

#### Officers

**General Manager**  
Greg Tory

**Responsible Accounting Officer**  
Karen Pegler

**Public Officer**  
Karen Pegler

#### Auditors

Audit Office of NSW  
GPO Box 12  
SYDNEY NSW 2001

#### Elected members

**Mayor**  
Paul Phillips

#### Councillors

P Phillips  
J Bartholomew  
M Mortimer  
M Blewitt  
M Rees  
D Carter  
P Harris  
D Brady  
R Turner

#### Other information

ABN: 82 815 250 829



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Lachlan Shire Council

To the Councillors of Lachlan Shire Council

### Qualified Opinion

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

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

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

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

### Basis for Qualified Opinion

#### Non recognition of rural fire-fighting equipment

As disclosed in Notes C1-7 'Infrastructure, property, plant and equipment' and E3-1 'Contingencies' to the financial statements, the Council has not recognised rural fire-fighting equipment as assets in the Statement of Financial Position at 30 June 2023. In my opinion, these assets are controlled by the Council and should be recognised as assets in accordance with AASB 116 'Property, Plant and Equipment'.

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed on 19 May 2010
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

- support the carrying values of rural fire-fighting equipment assets that should be recorded in the Statement of Financial Position and related notes as at 30 June 2023
- determine the impact on the 'Accumulated surplus' in the Statement of Changes in Equity and Statement of Financial Position
- determine the amount of 'Grants and contributions provided for capital purposes' income from any rural fire-fighting equipment assets vested as an asset received free of charge during the year and/or 'Depreciation, amortisation and impairment of non-financial assets' expense that should be recognised in the Income Statement for the year ended 30 June 2023
- determine the impact on the 'Operating performance' and 'Own source operating revenue' ratios in Note G4-1 'Statement of performance measures – consolidated results' and Note G4-2 'Statement of performance measures by fund'.

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

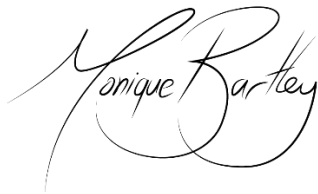
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

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

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

A handwritten signature in black ink that reads "Monique Bartley". The signature is written in a cursive, flowing style with large loops and a long tail on the letter 'y'.

Monique Bartley  
Delegate of the Auditor-General for New South Wales

31 October 2023  
SYDNEY



Cr Paul Phillips  
Mayor  
Lachlan Shire Council  
58–64 Molong Street  
CONDOBOLIN NSW 2877

Contact: Monique Bartley  
Phone no: 02 9275 7204  
Our ref: R008-16585809-47094

31 October 2023

Dear Mayor

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

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

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

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

## **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

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

### **Modification to the opinion in the Independent Auditor's Report**

#### **Non-recognition of rural fire-fighting equipment**

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

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

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

- these assets are vested in the Council under section 119(2) of the *Rural Fires Act 1997* (Rural Fires Act), giving the Council legal ownership
- the Council has the ability, outside of emergency events as defined in section 44 of the Rural Fires Act, to prevent the NSW Rural Fire Service from directing the use of the rural fire-fighting equipment by either not entering into a service agreement, or cancelling the existing service agreement that was signed 19 May 2010.
- the Council has specific responsibilities for fire mitigation and safety works and bush fire hazard reduction under Part 4 of the Rural Fires Act. The Council obtains economic benefits from the rural fire-fighting equipment as these assets are used to fulfil Council's responsibilities
- in the event of the loss of an asset, the insurance proceeds must be paid into the New South Wales Rural Fire Fighting Fund (section 119(4) of the Rural Fires Act) and be used to reacquire or build a similar asset, which is again vested in the Council as an asset provided free of charge.

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

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

This has resulted in the audit opinion on the Council's 30 June 2023 general purpose financial statements (GPFS) to be modified.

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

## INCOME STATEMENT

### Operating result

	2023	2022	Variance
	\$m	\$m	%
Rates and annual charges revenue	11.9	11.5	↑ 3.5
Grants and contributions revenue	53.6	40.1	↑ 33.7
Operating result from continuing operations	32.6	23.8	↑ 37.0
Net operating result before capital grants and contributions	12.1	3.9	↑ 210.3

Rates and annual charges revenue (\$11.9 million) increased by \$0.4 million (3.5%) in 2022–23, primarily due to rate peg increase of 1.8%.

Grants and contributions revenue (\$53.6 million) increased by \$13.5 million (33.7%) in 2022–23 due to:

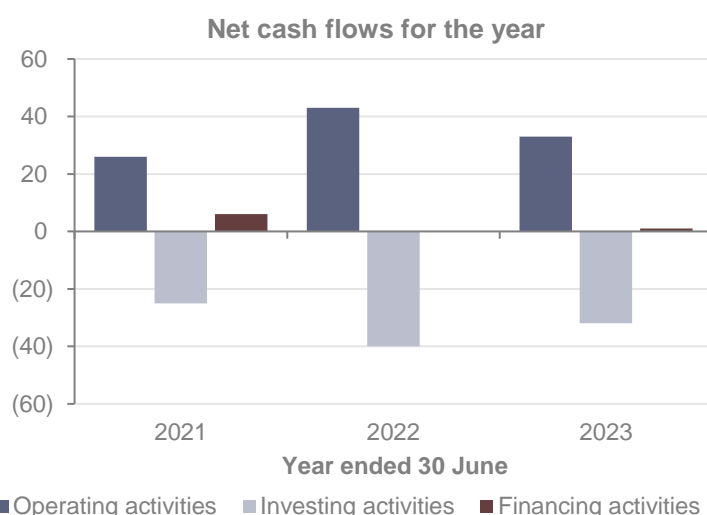
- receiving \$8.4 million in operating grants for other roads and bridges works (\$7.1 million from Regional and Local Road Repair Program and \$1.3 million for Pothole Repairs under the Fixing Local Roads programme)
- increase of \$2.9 million in grants recognised received for storm and flood damage due to the major flood event which occurred in the Council area during the year
- receiving 95% of the financial assistance grants for 2023–24 in advance (73% in 2021–22).

The Council's operating result from continuing operations (\$32.6 million including depreciation, amortisation and impairment expense of \$12.3 million) was \$8.8 million higher than the 2021–22 result.

The net operating result before capital grants and contributions (\$12.1 million) was \$8.2 million higher than the 2021–22 result. Council recognised significant revenues in relation to funding to remediate flood damage. Despite this, materials and services costs did not increase proportionately as resources were diverted from budgeted operational works to complete flood related works.

## STATEMENT OF CASH FLOWS

Despite the higher levels of revenue recognised from grants and contributions, a large amount of this was due to the release of contract liabilities from 2022, meaning actual cash received for this revenue stream in 2022–23 was lower than in the prior year. In addition, cash flows for materials and service increased due to the need for flood remediation works.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>73.7</b>	<b>68.7</b>	Externally restricted balances comprise mainly of contract liabilities, unexpended grant funds developer contributions, water and sewer funds.
Restricted and allocated cash, cash equivalents and investments:			
• External restrictions	28.5	29.0	



## Debt

At 30 June 2023, Council had:

- \$6.3 million in secured loans (\$6.8 million in 2022–23)
- \$500,000 in approved overdraft facility with nil drawn down
- \$50,000 in credit card facility with \$16,000 used.

## PERFORMANCE

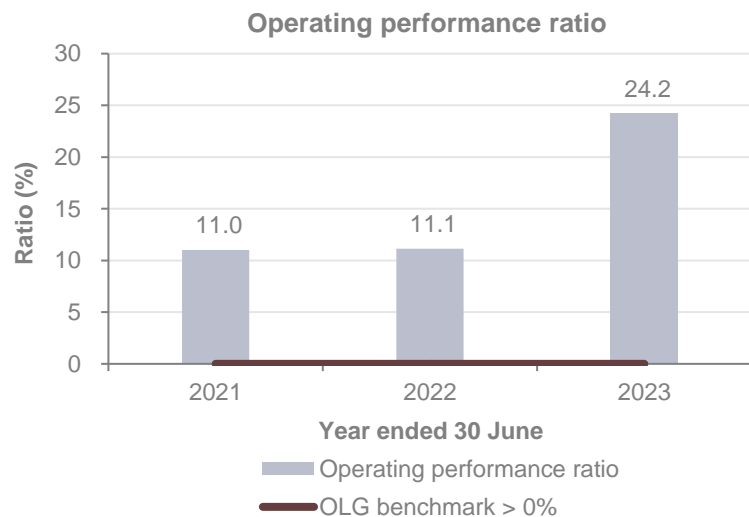
### Performance measures

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

#### Operating performance ratio

The Council continues to exceed the benchmark set by the OLG.

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



#### Own source operating revenue ratio

The high level of grants and contributions received by Council resulted in this ratio continuing to remain below the benchmark.

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



### Unrestricted current ratio

The Council continues to exceed the benchmark for this ratio.

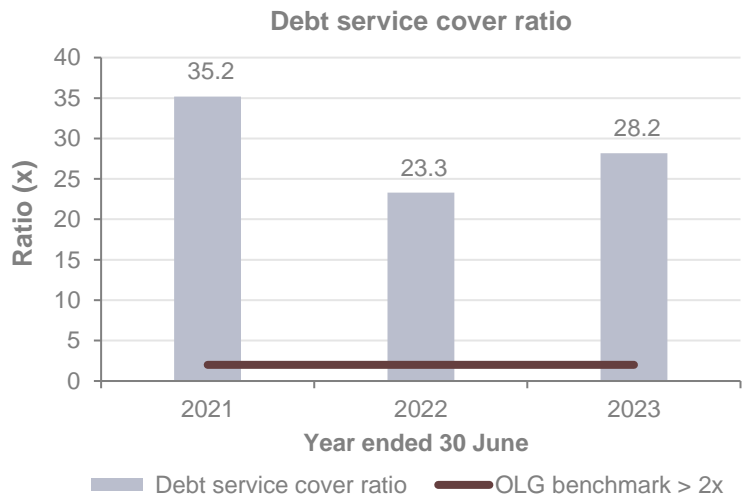
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

The Council continues to exceed the benchmark.

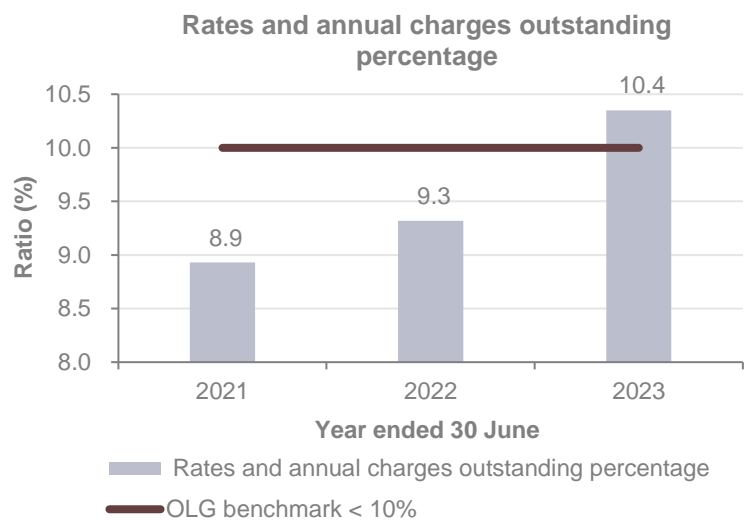
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding percentage was slightly higher than the benchmark for the current reporting period.

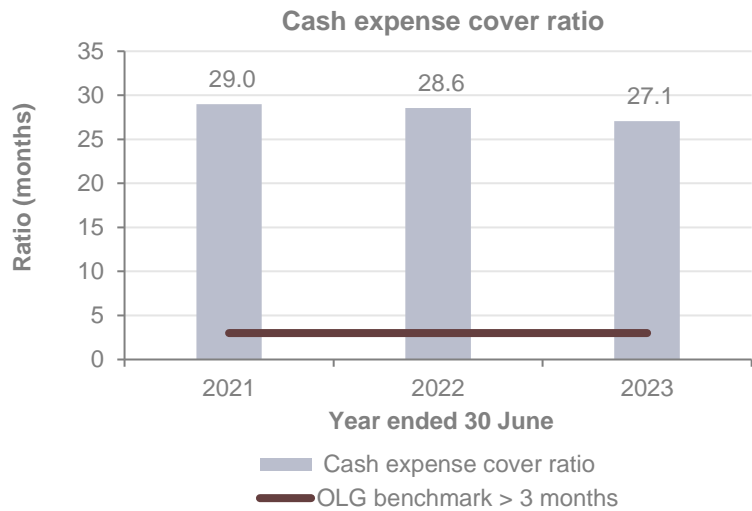
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than ten per cent for regional and rural councils.



## Cash expense cover ratio

The Council continues to exceed the benchmark.

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



## Infrastructure, property, plant and equipment renewals

Council renewed \$7.4 million of infrastructure, property, plant and equipment during the 2022–23 financial year. This was mainly spent on capital work in progress at \$4.7 million and roads at \$2.1 million. A further \$23.4 million was spent on new assets, of which \$17.5 million remained in work in progress at year end.

## OTHER MATTERS

### Legislative compliance

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

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

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

Monique Bartley  
Audit Leader, Financial Audit

Delegate of the Auditor-General for New South Wales

# Lachlan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2023

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### Background

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

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

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

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

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

## Lachlan Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2023

### Statement by Councillors and Management

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

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

- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial Reporting*,
- Sections 3 and 4 of the NSW Department of Planning and Environment, *Water's Regulatory and assurance framework for local water utilities*.

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

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


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

Signed in accordance with a resolution of Council made on 27 September 2023.



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Paul Phillips  
Mayor  
27 September 2023




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John Medcalf OAM  
Councillor  
27 September 2023



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Greg Tory  
General Manager  
27 September 2023



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Colleen Staines  
Acting Responsible Accounting Officer  
27 September 2023

## Lachlan Shire Council

### Income Statement of water supply business activity

for the year ended 30 June 2023

\$ '000	2023	2022
<b>Income from continuing operations</b>		
Access charges	1,747	1,559
User charges	2,662	2,321
Interest and investment income	306	134
Grants and contributions provided for operating purposes	54	19
Other income	1	91
<b>Total income from continuing operations</b>	<b>4,770</b>	<b>4,124</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	740	866
Materials and services	2,399	2,344
Depreciation, amortisation and impairment	1,953	1,683
Water purchase charges	157	190
Other expenses	396	357
<b>Total expenses from continuing operations</b>	<b>5,645</b>	<b>5,440</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(875)</b>	<b>(1,316)</b>
Grants and contributions provided for capital purposes	2,678	9,100
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,803</b>	<b>7,784</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,803</b>	<b>7,784</b>
<b>Surplus (deficit) after tax</b>	<b>1,803</b>	<b>7,784</b>
<b>Plus accumulated surplus</b>	<b>46,877</b>	<b>39,093</b>
<b>Closing accumulated surplus</b>	<b>48,680</b>	<b>46,877</b>
<b>Return on capital %</b>	<b>(1.2)%</b>	<b>(1.9)%</b>
<b>Subsidy from Council</b>	<b>3,901</b>	<b>3,848</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,803	7,784
Less: capital grants and contributions (excluding developer contributions)	(2,652)	(9,100)

## Lachlan Shire Council

### Income Statement of sewerage business activity

for the year ended 30 June 2023

\$ '000	2023	2022
<b>Income from continuing operations</b>		
Access charges	1,865	1,690
User charges	32	28
Interest and investment income	293	94
Grants and contributions provided for operating purposes	28	17
Other income	6	6
<b>Total income from continuing operations</b>	<b>2,224</b>	<b>1,835</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	460	417
Materials and services	812	750
Depreciation, amortisation and impairment	799	648
Other expenses	205	247
<b>Total expenses from continuing operations</b>	<b>2,276</b>	<b>2,062</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(52)</b>	<b>(227)</b>
Grants and contributions provided for capital purposes	54	23
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2</b>	<b>(204)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>2</b>	<b>(204)</b>
<b>Surplus (deficit) after tax</b>	<b>2</b>	<b>(204)</b>
<b>Plus accumulated surplus</b>	<b>10,399</b>	<b>10,603</b>
<b>Closing accumulated surplus</b>	<b>10,401</b>	<b>10,399</b>
<b>Return on capital %</b>	<b>(0.2)%</b>	<b>(1.1)%</b>
<b>Subsidy from Council</b>	<b>919</b>	<b>971</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2	(204)
Less: capital grants and contributions (excluding developer contributions)	(46)	(23)



## Lachlan Shire Council

### Statement of Financial Position of water supply business activity

as at 30 June 2023

\$ '000	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,681	692
Investments	3,722	5,801
Receivables	2,031	1,219
<b>Total current assets</b>	<b>7,434</b>	<b>7,712</b>
<b>Non-current assets</b>		
Investments	1,895	1,673
Infrastructure, property, plant and equipment	75,264	69,179
<b>Total non-current assets</b>	<b>77,159</b>	<b>70,852</b>
<b>Total assets</b>	<b>84,593</b>	<b>78,564</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Contract liabilities	1,172	1,495
<b>Total current liabilities</b>	<b>1,172</b>	<b>1,495</b>
<b>Total liabilities</b>	<b>1,172</b>	<b>1,495</b>
<b>Net assets</b>	<b>83,421</b>	<b>77,069</b>
<b>EQUITY</b>		
Accumulated surplus	48,680	46,877
Revaluation reserves	34,741	30,192
<b>Total equity</b>	<b>83,421</b>	<b>77,069</b>

## Lachlan Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2023

\$ '000	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,560	1,547
Investments	3,462	3,894
Receivables	464	384
<b>Total current assets</b>	<b>5,486</b>	<b>5,825</b>
<b>Non-current assets</b>		
Investments	1,763	1,123
Infrastructure, property, plant and equipment	21,577	20,318
<b>Total non-current assets</b>	<b>23,340</b>	<b>21,441</b>
<b>Total assets</b>	<b>28,826</b>	<b>27,266</b>
<b>Net assets</b>	<b>28,826</b>	<b>27,266</b>
<b>EQUITY</b>		
Accumulated surplus	10,401	10,399
Revaluation reserves	18,425	16,867
<b>Total equity</b>	<b>28,826</b>	<b>27,266</b>

## Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2021 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

### Declared business activities

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

#### Category 1

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

##### Water Supplies

Comprising the whole of the operations and assets of the water supply systems servicing the towns of Condobolin, Lake Cargelligo, Tottenham, Tullibigeal, Burcher and Fifield.

#### Category 2

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

##### Sewerage Services

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the towns of Condobolin, Lake Cargelligo and Tottenham.

### Taxation equivalent charges

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

#### Notional rate applied (%)

## Note – Significant Accounting Policies (continued)

Corporate income tax rate – **25%** (21/22 25%)

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

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

In accordance with section 4 of Department of Planning, Industry & Environment (DPE) – Water's regulatory and assurance framework, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the regulatory and assurance framework as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to sections 3 and 4 of DPE – Water's regulatory and assurance framework is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

### Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the relevant corporate income tax rate, currently 25% (21/22 25%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 25% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

#### (ii) Return on investments (rate of return)

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

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

## Note – Significant Accounting Policies (continued)

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As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 4.02% at 30/6/23.

### (iii) Dividends

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

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

Each dividend must be calculated and approved in accordance with section 4 of DPE - Water's regulatory and assurance framework and must not exceed:

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

In accordance with section 4 of DPE - Water's regulatory and assurance framework, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to DPE – Water.

## Lachlan Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2023

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

To the Councillors of Lachlan Shire Council

## Opinion

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

The Declared Business Activities of the Council are:

- water supply
- sewerage.

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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


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

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



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

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

A handwritten signature in black ink that reads "Monique Bartley". The signature is written in a cursive style with large, overlapping loops.

Monique Bartley  
Delegate of the Auditor-General for New South Wales

31 October 2023  
SYDNEY

# Lachlan Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2023

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# Lachlan Shire Council

## Special Schedules

for the year ended 30 June 2023

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## Lachlan Shire Council

## Permissible income for general rates

\$ '000	Notes	Calculation 2022/23	Calculation 2023/24
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	7,870	7,037
Plus or minus adjustments <sup>2</sup>	b	11	4
<b>Notional general income</b>	c = a + b	<b>7,881</b>	<b>7,041</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	1.80%	3.70%
Or plus rate peg amount	i = e x (c + g)	142	261
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>8,023</b>	<b>7,302</b>
Plus (or minus) last year's carry forward total	l	-	986
<b>Sub-total</b>	n = (l + m)	<b>-</b>	<b>986</b>
<b>Total permissible income</b>	o = k + n	<b>8,023</b>	<b>8,288</b>
Less notional general income yield	p	7,037	8,284
<b>Catch-up or (excess) result</b>	q = o - p	<b>985</b>	<b>3</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>985</b>	<b>3</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule – Permissible income for general rates

#### Lachlan Shire Council

To the Councillors of Lachlan Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

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

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

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



Monique Bartley  
Delegate of the Auditor-General for New South Wales

31 October 2023  
SYDNEY

## Lachlan Shire Council

## Report on infrastructure assets as at 30 June 2023

Asset Class	Asset Category	Estimated cost		2022/23 Required maintenance <sup>a</sup>	2022/23 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>Buildings</b>	Buildings	573	573	716	488	41,998	74,888	17.4%	6.8%	66.0%	7.9%	1.9%
	<b>Sub-total</b>	<b>573</b>	<b>573</b>	<b>716</b>	<b>488</b>	<b>41,998</b>	<b>74,888</b>	<b>17.4%</b>	<b>6.8%</b>	<b>66.0%</b>	<b>7.9%</b>	<b>1.9%</b>
<b>Other structures</b>	Other structures	–	–	71	59	18,390	28,401	19.0%	21.6%	53.8%	4.6%	1.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>71</b>	<b>59</b>	<b>18,390</b>	<b>28,401</b>	<b>19.0%</b>	<b>21.6%</b>	<b>53.8%</b>	<b>4.6%</b>	<b>1.0%</b>
<b>Roads</b>	Roads	8,071	8,071	6,138	7,259	372,232	510,711	34.3%	39.5%	20.5%	4.9%	0.8%
	Sealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Unsealed roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bridges	–	–	–	–	26,491	38,703	57.6%	35.7%	4.0%	2.2%	0.5%
	Footpaths	77	77	100	65	4,538	6,591	40.3%	43.0%	16.4%	0.1%	0.2%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>8,148</b>	<b>8,148</b>	<b>6,238</b>	<b>7,324</b>	<b>403,261</b>	<b>556,005</b>	<b>36.0%</b>	<b>39.3%</b>	<b>19.3%</b>	<b>4.7%</b>	<b>0.7%</b>
<b>Water supply network</b>	Water supply network	9,823	9,823	2,341	2,066	59,067	117,310	19.5%	28.4%	29.5%	9.9%	12.7%
	<b>Sub-total</b>	<b>9,823</b>	<b>9,823</b>	<b>2,341</b>	<b>2,066</b>	<b>59,067</b>	<b>117,310</b>	<b>19.5%</b>	<b>28.4%</b>	<b>29.5%</b>	<b>9.9%</b>	<b>12.7%</b>
<b>Sewerage network</b>	Sewerage network	6,718	6,718	1,165	835	19,621	44,179	9.7%	20.9%	28.5%	19.7%	21.2%
	<b>Sub-total</b>	<b>6,718</b>	<b>6,718</b>	<b>1,165</b>	<b>835</b>	<b>19,621</b>	<b>44,179</b>	<b>9.7%</b>	<b>20.9%</b>	<b>28.5%</b>	<b>19.7%</b>	<b>21.2%</b>
<b>Stormwater drainage</b>	Stormwater drainage	60	60	59	51	10,565	14,241	29.1%	51.6%	16.7%	1.6%	1.0%
	<b>Sub-total</b>	<b>60</b>	<b>60</b>	<b>59</b>	<b>51</b>	<b>10,565</b>	<b>14,241</b>	<b>29.1%</b>	<b>51.6%</b>	<b>16.7%</b>	<b>1.6%</b>	<b>1.0%</b>
<b>Total – all assets</b>		<b>25,322</b>	<b>25,322</b>	<b>10,590</b>	<b>10,823</b>	<b>552,902</b>	<b>835,024</b>	<b>29.9%</b>	<b>33.5%</b>	<b>26.5%</b>	<b>6.4%</b>	<b>3.7%</b>

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

#### Infrastructure asset condition assessment 'key'

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required
4	<b>Poor</b>	Renewal required

## Lachlan Shire Council

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

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5 **Very poor** Urgent renewal/upgrading required



## Lachlan Shire Council

## Report on infrastructure assets as at 30 June 2023

## Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2023	Indicator 2023	Indicators		Benchmark
			2022	2021	
<b>Buildings and infrastructure renewals ratio</b>					
Asset renewals <sup>1</sup>	<b>7,427</b>	<b>11.74%</b>	57.25%	104.07%	> 100.00%
Depreciation, amortisation and impairment	<b>63,286</b>				
<b>Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<b>25,322</b>	<b>4.24%</b>	2.86%	3.23%	< 2.00%
Net carrying amount of infrastructure assets	<b>597,110</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>10,823</b>	<b>102.20%</b>	116.83%	97.47%	> 100.00%
Required asset maintenance	<b>10,590</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>25,322</b>	<b>3.03%</b>	2.18%	2.60%	
Gross replacement cost	<b>835,024</b>				

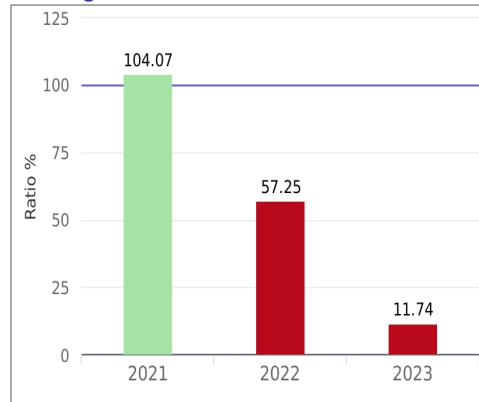
(\*) All asset performance indicators are calculated using classes identified in the previous table.

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

# Lachlan Shire Council

## Report on infrastructure assets as at 30 June 2023

### Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

**Commentary on result**

22/23 ratio 11.74%

The impairment of the roads, due to the flood event, has had a significant negative impact on this ratio for 2023. Adjusting for impairment, this ratio, although still under benchmark, would be 74.67%, which is an improvement on 2022.

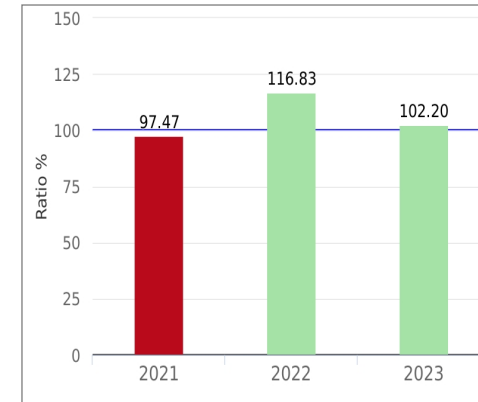
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Asset maintenance ratio



**Asset maintenance ratio**

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

**Commentary on result**

22/23 ratio 102.20%

The ratio shows Council is allocating sufficient resources to maintain its assets, which is a positive result.

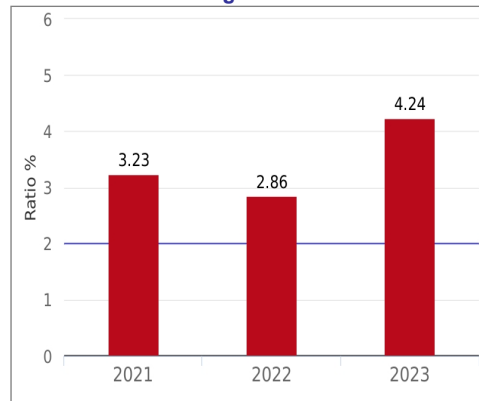
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Infrastructure backlog ratio



**Infrastructure backlog ratio**

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

**Commentary on result**

22/23 ratio 4.24%

Council had a significant flood event this year which adversely affected this ratio. Priority was given to enable access to, from and within the Local Government area.

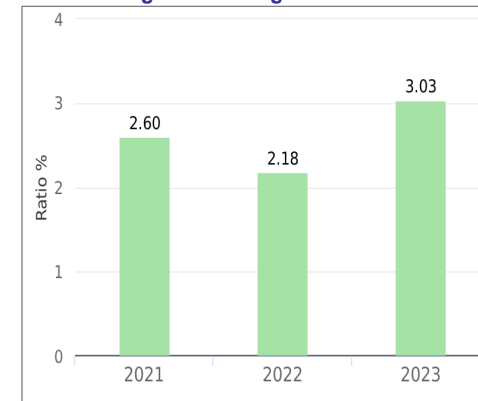
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

### Cost to bring assets to agreed service level



**Cost to bring assets to agreed service level**

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

**Commentary on result**

22/23 ratio 3.03%

This ratio continues to improve but was influenced by the significant works carried out on reopening the Local Government area following the major flood event that occurred this year.

## Lachlan Shire Council

## Report on infrastructure assets as at 30 June 2023

## Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2023	2022	2023	2022	2023	2022	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>11.16%</b>	69.10%	<b>28.60%</b>	18.91%	<b>20.98%</b>	16.61%	> 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>1.71%</b>	0.38%	<b>15.76%</b>	15.84%	<b>33.45%</b>	32.40%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>111.83%</b>	138.27%	<b>88.25%</b>	88.35%	<b>71.67%</b>	95.64%	> 100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>1.30%</b>	0.32%	<b>8.37%</b>	8.19%	<b>15.21%</b>	14.89%	

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