



# Upper Lachlan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016



# Upper Lachlan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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**Council's Mission - To provide services and facilities to enhance the quality of life and economic viability within the Council area.**



# Upper Lachlan Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2016

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Upper Lachlan Shire Council.
- (ii) Upper Lachlan Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 07 October 2016. Council has the power to amend and reissue these financial statements.
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## Upper Lachlan Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

#### Understanding Council's financial statements

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##### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

##### Who uses the financial statements?

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

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

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

## Upper Lachlan Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

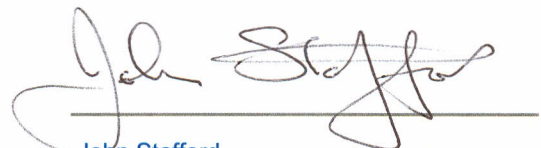
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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

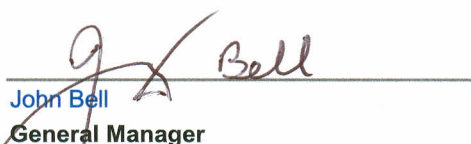
**Signed in accordance with a resolution of Council made on 22 September 2016.**



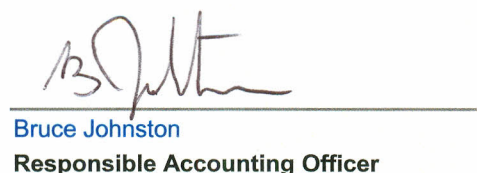
Brian McCormack  
Mayor



John Stafford  
Councillor



John Bell  
General Manager



Bruce Johnston  
Responsible Accounting Officer

## Upper Lachlan Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
10,047	Rates and annual charges	3a	9,680	9,357
6,125	User charges and fees	3b	9,039	7,216
566	Interest and investment revenue	3c	719	699
783	Other revenues	3d	892	563
8,164	Grants and contributions provided for operating purposes	3e,f	8,919	7,262
5,051	Grants and contributions provided for capital purposes	3e,f	1,895	2,002
<i>Other income:</i>				
50	Net gains from the disposal of assets	5	19	124
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>30,786</b>	<b>Total income from continuing operations</b>		<b>31,163</b>	<b>27,223</b>
<b>Expenses from continuing operations</b>				
9,446	Employee benefits and on-costs	4a	9,624	9,597
247	Borrowing costs	4b	206	230
5,740	Materials and contracts	4c	7,226	6,734
5,413	Depreciation and amortisation	4d	5,922	5,403
–	Impairment	4d	–	–
3,437	Other expenses	4e	2,465	2,399
<b>24,283</b>	<b>Total expenses from continuing operations</b>		<b>25,443</b>	<b>24,363</b>
<b>6,503</b>	<b>Operating result from continuing operations</b>		<b>5,720</b>	<b>2,860</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>6,503</b>	<b>Net operating result for the year</b>		<b>5,720</b>	<b>2,860</b>
6,503	Net operating result attributable to Council		5,720	2,860
–	Net operating result attributable to non-controlling interests		–	–
<b>1,452</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>3,825</b>	<b>858</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Upper Lachlan Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>5,720</b>	<b>2,860</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	586	(32,463)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>586</b>	<b>(32,463)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>586</b>	<b>(32,463)</b>
<b>Total comprehensive income for the year</b>		<b>6,306</b>	<b>(29,603)</b>
<b>Total comprehensive income attributable to Council</b>		<b>6,306</b>	<b>(29,603)</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Upper Lachlan Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	5,218	5,058
Investments	6b	20,100	15,700
Receivables	7	1,366	1,833
Inventories	8	771	1,052
Other	8	95	67
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>27,550</b>	<b>23,710</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	56	32
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	385,803	383,136
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>385,859</b>	<b>383,168</b>
<b>TOTAL ASSETS</b>		<b>413,409</b>	<b>406,878</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,837	1,644
Borrowings	10	240	238
Provisions	10	4,060	3,803
<b>Total current liabilities</b>		<b>6,137</b>	<b>5,685</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	2,107	2,347
Provisions	10	797	784
<b>Total non-current liabilities</b>		<b>2,904</b>	<b>3,131</b>
<b>TOTAL LIABILITIES</b>		<b>9,041</b>	<b>8,816</b>
<b>Net assets</b>		<b>404,368</b>	<b>398,062</b>
<b>EQUITY</b>			
Retained earnings	20	278,805	273,085
Revaluation reserves	20	125,563	124,977
Council equity interest		404,368	398,062
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>404,368</b>	<b>398,062</b>



## Upper Lachlan Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		273,085	124,977	398,062	–	398,062
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>273,085</b>	<b>124,977</b>	<b>398,062</b>	<b>–</b>	<b>398,062</b>
<b>c. Net operating result for the year</b>		<b>5,720</b>	<b>–</b>	<b>5,720</b>	<b>–</b>	<b>5,720</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	586	586	–	586
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>586</b>	<b>586</b>	<b>–</b>	<b>586</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>5,720</b>	<b>586</b>	<b>6,306</b>	<b>–</b>	<b>6,306</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>278,805</b>	<b>125,563</b>	<b>404,368</b>	<b>–</b>	<b>404,368</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		270,225	157,440	427,665	–	427,665
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>270,225</b>	<b>157,440</b>	<b>427,665</b>	<b>–</b>	<b>427,665</b>
<b>c. Net operating result for the year</b>		<b>2,860</b>	<b>–</b>	<b>2,860</b>	<b>–</b>	<b>2,860</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(32,463)	(32,463)	–	(32,463)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>(32,463)</b>	<b>(32,463)</b>	<b>–</b>	<b>(32,463)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>2,860</b>	<b>(32,463)</b>	<b>(29,603)</b>	<b>–</b>	<b>(29,603)</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>273,085</b>	<b>124,977</b>	<b>398,062</b>	<b>–</b>	<b>398,062</b>

This statement should be read in conjunction with the accompanying notes.

## Upper Lachlan Shire Council

## Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
10,047	Rates and annual charges		9,662	9,678
6,125	User charges and fees		9,465	6,870
566	Investment and interest revenue received		645	739
13,215	Grants and contributions		10,814	9,264
–	Bonds, deposits and retention amounts received		19	–
783	Other		1,001	473
<b>Payments:</b>				
(9,236)	Employee benefits and on-costs		(9,647)	(9,103)
(5,598)	Materials and contracts		(6,598)	(6,432)
(216)	Borrowing costs		(193)	(212)
–	Bonds, deposits and retention amounts refunded		–	(20)
(3,437)	Other		(2,386)	(2,323)
<b>12,249</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>12,782</b>	<b>8,934</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		15,700	10,100
322	Sale of infrastructure, property, plant and equipment		185	802
<b>Payments:</b>				
–	Purchase of investment securities		(20,100)	(15,700)
(12,505)	Purchase of infrastructure, property, plant and equipment		(8,169)	(7,124)
<b>(12,183)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(12,384)</b>	<b>(11,922)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,000	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(280)	Repayment of borrowings and advances		(238)	(220)
<b>720</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(238)</b>	<b>(220)</b>
<b>786</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>160</b>	<b>(3,208)</b>
5,058	Plus: cash and cash equivalents – beginning of year	11a	5,058	8,266
<b>5,844</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>5,218</b>	<b>5,058</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	20,100	15,700
<b>Total cash, cash equivalents and investments</b>			<b>25,318</b>	<b>20,758</b>

**Please refer to Note 11 for information on the following:**

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

## Upper Lachlan Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### (vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

- (i) Estimated fair values of water supply and sewerage infrastructure network assets.
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated remediation provisions.

##### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

A detailed note relating to developer contributions can be found at Note 17.

#### User charges, fees and other Income

User charges, fees and other income (including parking 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 first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Council does not currently have control of any entity.

#### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, 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.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- General Purpose Operations
- Water Supply
- Sewerage Service
- Domestic Waste Management

Due to their immaterial value and nature, the following Section 355 Committees of Council have been excluded from consolidation:

- Tuena Hall and Recreation Area Committee
- Binda Memorial Hall Committee
- Bigga Memorial Hall Committee
- Taralga War Memorial Hall Committee
- Crookwell Memorial Hall Committee
- Crookwell and District Arts Gallery
- Community Technology Centre (CTC) Committee
- Collector Pumpkin Festival Committee
- Collector Oval Committee
- Christmas in the Park Committee
- Crookwell Potato Festival Committee
- Crookwell Historical Society Committee
- Gunning Golf Club Management Committee
- Breadalbane Hall Committee

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that 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 statements.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

##### (iii) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

Council has no interest in any joint arrangements.

###### Joint ventures

Council has no interest in any joint ventures.

###### Associates

Council has no interest in any associates.

###### County councils

Council is not a member of any county councils.

###### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

##### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

###### Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of each leased asset's useful life and the lease term.

###### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

- 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

#### (f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### General accounting and measurement of financial instruments:

###### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

###### (ii) Subsequent measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables** and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

##### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

#### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

#### (g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### (i) Inventories

##### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### (ii) Inventory held for distribution

Council does not hold any inventory for distribution.

##### (iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, property, plant and equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (Valuer Generals valuation)
- **Land improvements**  
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures** (external valuation)
- **Roads assets including roads, bridges and footpaths** (external valuation)
- **Stormwater drainage** (external valuation)
- **Water and sewerage networks** (internal valuation)
- **Other assets**  
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

##### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Subsequent costs

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.

#### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

#### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

##### Land

- Council land	100% Capitalised
- Open space	100% Capitalised
- Land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant and Equipment

- Office Furniture	> \$2,000
- Office Equipment	> \$2,000
- Other Plant and Equipment	> \$5,000

##### Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
Buildings: construction/extensions/renovations	> \$2,000
- Other Structures	> \$2,000

##### Water Supply and Sewerage Assets

- Reticulation extensions	> \$2,000
- Other Assets	> \$2,000

##### Stormwater Assets

- Drains and Culverts	> \$5,000
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##### Transport Assets

- Road construction and reconstruction	> \$5,000
- Reseal/Re-sheet and major repairs	> \$5,000
- Bridge construction and reconstruction	> \$5,000
- Footpaths	> \$5,000

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method (or describe here any other methods Council uses) in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant and Equipment

- Office Equipment	5 to 10 years
- Office Furniture	10 to 20 years
- Computer Equipment	5 years
- Motor Vehicles	5 years
- Heavy Plant/Road Making Equip.	10 to 15 years
- Other Plant and Equipment	5 to 15 years

##### Other Structures

- Playground Equipment	15 years
- Public Memorials	100 years
- Other Structures	15 to 50 years
- Other Structures - Masonry	50 to 80 years

##### Buildings

- Buildings	50 to 100 years
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##### Stormwater Drainage

- Drains	100 years
- Culverts	100 years

##### Transportation Assets

- Sealed Roads: Surface	25 years
- Sealed Roads: Pavement Base	100 years
- Unsealed Roads: Pavement Base	30 years
- All Roads: Pavement Sub-base	infinite
- Bridge: Concrete	100 years
- Bridge: Timber	40 to 100 years
- Kerb and Gutter	80 years
- Footpaths	80 years

##### Water Supply and Sewerage Assets

- Dams	120 years
- Reservoirs	100 years
- Bores	25 to 50 years
- Reticulation Pipes: PVC	80 years
- Reticulation Pipes: Other	80 years
- Pump Stations	25 to 70 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

##### Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

##### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

##### (l) Land under roads

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

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

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### **(m) Intangible assets**

Council has not classified any assets as intangible.

##### **(n) 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### **(o) Rural fire service assets**

Under section 119 of the *Rural Fires Act 1997*, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils. Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years.

Council amended its accounting policy in 2007/2008 in relation to the NSW Rural Fire Service (RFS) plant, vehicles and equipment assets. The RFS plant, vehicles and equipment is not owned by Council and Council does not have effective control of the plant and equipment assets. Council Resolution No.104/08 stated Council will no longer carry the asset valuations in the Financial Statements for the RFS plant and equipment assets. Council has approved a Service Level Agreement

with the RFS which was signed under Council Seal with relevant amendments incorporated.

Council will recognise RFS asset classes for land and buildings only.

##### **(p) Investment property**

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that are not occupied by Council.

Council does not have any investment properties.

##### **(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries**

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the 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 that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

#### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### (s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (v) Borrowing costs

Borrowing costs are expensed.

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.

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

#### **(x) Employee benefits**

##### **(i) Short-term obligations**

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

##### **(ii) Other long-term obligations**

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### **(iii) Retirement benefit obligations**

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### **Defined Benefit Plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the “Local Government Superannuation Scheme – Pool B”.

This Scheme has been deemed to be a “multi employer fund” for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by the Actuary, Mr Martin Stevenson BSc, FIA, FIAA, on 20th February 2013 and covers the period ended 30 June 2012.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016 was \$ 479,811. This included 30 Council employee members of the LGSS Pool B.

The amount of additional contributions included in the total employer contribution advised above is \$183,516. Additional contributions will remain in place until 30 June 2021 and will total \$200,000 per annum for Council.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$550,548 as at 30 June 2015.

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 these Financial Statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

#### Defined contribution plans

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

#### (iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

#### (y) Self-insurance

Council does not self insure for various risks including public liability and professional indemnity. Therefore no provision for self-insurance has been made in Note10.

#### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e.

they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### (ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

#### AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

#### **AASB 15 – Revenue from Contracts with Customers and associated amending standards**

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

#### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e.

recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

#### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

#### **AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

## Upper Lachlan Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

#### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

#### **(ad) Comparative figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### **(ae) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	14	6	207	759	697	757	(745)	(691)	(550)	–	–	–	–
Social	523	530	549	2,515	2,598	2,471	(1,992)	(2,068)	(1,922)	447	427	22,484	16,471
Environmental	854	1,176	852	1,605	1,382	1,174	(751)	(206)	(322)	187	129	1,350	2,956
Economic	4,018	6,546	1,745	7,047	8,640	8,564	(3,029)	(2,094)	(6,819)	–	–	4,235	4,763
Infrastructure Access & Transport	14,295	11,692	13,041	12,357	12,126	11,397	1,938	(434)	1,644	4,782	3,833	385,340	382,688
<b>Total functions and activities</b>	<b>19,704</b>	<b>19,950</b>	<b>16,394</b>	<b>24,283</b>	<b>25,443</b>	<b>24,363</b>	<b>(4,579)</b>	<b>(5,493)</b>	<b>(7,969)</b>	<b>5,416</b>	<b>4,389</b>	<b>413,409</b>	<b>406,878</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	11,082	11,213	10,829	–	–	–	11,082	11,213	10,829	4,246	4,197	–	–
<b>Operating result from continuing operations</b>	<b>30,786</b>	<b>31,163</b>	<b>27,223</b>	<b>24,283</b>	<b>25,443</b>	<b>24,363</b>	<b>6,503</b>	<b>5,720</b>	<b>2,860</b>	<b>9,662</b>	<b>8,586</b>	<b>413,409</b>	<b>406,878</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### **SOCIAL:**

Health Services, Medical Centres, Aged, Disabled and Community Services, Emergency Services and Fire Public Halls, Cultural Services, Community Centres and Museums, Public Libraries, Swimming Pools, Animal Control, Sporting Grounds and Parks and Gardens.

##### **ENVIRONMENTAL:**

Town Planning and Development Control, Building Control, Food Control and Inspections, Noxious Weeds Housing, Environmental Systems and Protection.

##### **ECONOMIC:**

Financial Services, Administration and Corporate Support, Workforce (Human Resources and WH&S), Information Technology, Tourism Promotion and Business, Caravan Parks.

##### **INFRASTRUCTURE, ACCESS AND TRANSPORT:**

Roads - sealed and unsealed local and regional roads, Bridges - local and regional, Footpaths, Bus Shelters, Cycleways, Street Lighting, Drainage, Kerb and Guttering.

Water Supplies - Crookwell, Gunning, Dalton and Taralga.

Sewerage Services - Crookwell, Gunning and Taralga.

Domestic Waste Management - throughout the Shire.

Stormwater - Crookwell, Gunning, Taralga and Collector.

Waste Management Centres, Quarries and Gravel Pits, Public Cemeteries, Public Conveniences, Plant and Equipment Operations, Street Cleaning, Engineering, Purchasing and Works Supervision.

##### **GOVERNANCE:**

Costs relating to Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of Council and Committees, public disclosure and compliance.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,405	1,328
Farmland		4,626	4,528
Mining		3	3
Business		250	245
<b>Total ordinary rates</b>		<b>6,284</b>	<b>6,104</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		964	922
Stormwater management services		45	45
Water supply services		830	783
Sewerage services		1,062	1,031
Waste management services (non-domestic)		495	472
<b>Total annual charges</b>		<b>3,396</b>	<b>3,253</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>9,680</b>	<b>9,357</b>

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		1	1
Water supply services		940	644
Sewerage services		249	236
Waste management services (non-domestic)		115	97
<b>Total user charges</b>		<b>1,305</b>	<b>978</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Dwelling entitlement searches		16	13
Premises inspections		16	6
Private works – section 67		93	1,418
Section 149 certificates (EPA Act)		36	33
Section 603 certificates		31	25
Town planning / building		297	224
<b>Total fees and charges – statutory/regulatory</b>		<b>489</b>	<b>1,719</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park		49	38
Cemeteries		81	91
Public halls		10	8
Quarry revenues		1,237	749
RMS (formerly RTA) charges (state roads not controlled by Council)		5,765	3,546
Sporting grounds		28	21
Swimming pools		29	27
Truck wash facility		9	9
Water connection fees		13	7
Water meter readings		7	4
Other		17	19
<b>Total fees and charges – other</b>		<b>7,245</b>	<b>4,519</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>9,039</b>	<b>7,216</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		25	30
– Interest earned on investments (interest and coupon payment income)		694	669
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>719</b>	<b>699</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		16	30
General Council cash and investments		420	369
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		73	89
– Section 64		13	15
Water fund operations		60	52
Sewerage fund operations		89	97
Domestic waste management operations		48	47
<b>Total interest and investment revenue recognised</b>		<b>719</b>	<b>699</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		63	54
Ex gratia rates		29	28
Fines		1	–
Other Charges for Overdue Rates & Charges (Legal Fees)		4	13
Advertising income – Council newsletter		5	7
Australia post supplies / sales		20	20
Commissions and agency fees		141	122
Fuel tax credits		93	101
Internal charges		370	–
Miscellaneous / sundry sales		3	11
Share of sale of Montague Street ex Mulwaree Council offices		–	154
Southern phone		30	29
Tourist information centre sales & membership fees		56	–
Tourist information bank transfer		32	–
Windfarm Community Enhancement Program administration fee		10	–
Other		35	24
<b>TOTAL OTHER REVENUE</b>		<b>892</b>	<b>563</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	4,190	4,140	–	–
Pensioners' rates subsidies – general component	56	57	–	–
<b>Total general purpose</b>	<b>4,246</b>	<b>4,197</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	19	19	–	–
– Sewerage	17	18	–	–
– Domestic waste management	27	28	–	–
Water supplies	–	–	167	252
Bushfire and emergency services	–	–	–	28
Bushfire services	247	280	–	–
Community centres	–	–	25	25
Environment	61	–	–	–
Footpaths	–	–	–	43
Heritage and cultural	17	16	–	–
Noxious weeds	126	129	–	–
Public halls	–	–	–	15
Public libraries	45	58	–	–
Recreation and culture	–	–	15	–
Street lighting	27	26	–	–
Transport (roads to recovery)	2,399	840	–	–
Transport (other roads and bridges funding)	–	–	39	261
Transportation (3x3, block, repair, regional roads)	1,596	1,567	311	779
Youth week	1	5	–	–
Gunning skate park	–	–	97	–
Waste management centres	–	–	180	–
<b>Total specific purpose</b>	<b>4,582</b>	<b>2,986</b>	<b>834</b>	<b>1,403</b>
<b>Total grants</b>	<b>8,828</b>	<b>7,183</b>	<b>834</b>	<b>1,403</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,590	4,980	54	319
– State funding	1,991	1,923	658	1,031
– Other funding	247	280	122	53
	<b>8,828</b>	<b>7,183</b>	<b>834</b>	<b>1,403</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	650	442
S 64 – water supply contributions	–	–	89	42
S 64 – sewerage service contributions	–	–	46	35
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>785</b>	<b>519</b>
<b>Other contributions:</b>				
Recreation and culture	–	–	2	–
Roads and bridges	–	–	1	–
TV reception tower – Gullen range windfarm	–	–	–	80
Vehicle leaseback contributions	82	71	–	–
Gunning skate park (community contributions)	–	–	6	–
Waste management centres	9	–	–	–
TV reception tower - federal funding	–	–	267	–
Other	–	8	–	–
<b>Total other contributions</b>	<b>91</b>	<b>79</b>	<b>276</b>	<b>80</b>
<b>Total contributions</b>	<b>91</b>	<b>79</b>	<b>1,061</b>	<b>599</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>8,919</b>	<b>7,262</b>	<b>1,895</b>	<b>2,002</b>

\$ '000	Actual 2016	Actual 2015
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**(g) Restrictions relating to grants and contributions****Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	3,236	3,121
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	1,114	139
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(819)	(24)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>295</b>	<b>115</b>
<b>Unexpended and held as restricted assets</b>	<b>3,531</b>	<b>3,236</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	375	187
– Developer contributions	3,156	3,049
	<b>3,531</b>	<b>3,236</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		7,293	7,226
Travel expenses		279	232
Employee leave entitlements (ELE)		1,784	1,632
Superannuation		1,078	1,046
Workers' compensation insurance		138	109
Fringe benefit tax (FBT)		80	83
Training costs (other than salaries and wages)		65	118
Other		45	34
<b>Total employee costs</b>		<b>10,762</b>	<b>10,480</b>
Less: capitalised costs		(1,138)	(883)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>9,624</b>	<b>9,597</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>132</b>	<b>133</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		193	212
<b>Total interest bearing liability costs expensed</b>		<b>193</b>	<b>212</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	13	18
<b>Total other borrowing costs</b>		<b>13</b>	<b>18</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>206</b>	<b>230</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		3,193	3,122
Contractor and consultancy costs			
– Contractors		3,764	3,487
– Consultancy services		104	51
Auditors remuneration <sup>(1)</sup>		42	33
Legal expenses:			
– Legal expenses: planning and development		86	7
– Legal expenses: other		22	15
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		15	19
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>7,226</b>	<b>6,734</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		30	30
– Audit of regulatory returns		3	3
<b>Remuneration for audit and other assurance services</b>		<b>33</b>	<b>33</b>
<b>(ii) Other services</b>			
– Due diligence services: Council's internal auditor: Grant Thornton		9	–
<b>Remuneration for taxation services</b>		<b>9</b>	<b>–</b>
<b>Total Auditor remuneration</b>		<b>42</b>	<b>33</b>
<b>2. Operating lease payments are attributable to:</b>			
Other		15	19
		<b>15</b>	<b>19</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	1,137	1,063
Office equipment		–	–	150	158
Furniture and fittings		–	–	11	11
Land improvements (depreciable)		–	–	30	30
Infrastructure:					
– Buildings – non-specialised		–	–	48	50
– Buildings – specialised		–	–	529	523
– Other structures		–	–	139	131
– Roads		–	–	2,277	1,885
– Bridges		–	–	482	478
– Footpaths		–	–	22	21
– Stormwater drainage		–	–	23	24
– Water supply network		–	–	527	503
– Sewerage network		–	–	458	446
Other assets					
– Other		–	–	57	55
Asset reinstatement costs	9 & 26	–	–	32	25
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>5,922</b>	<b>5,403</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		39	22
Australia post stock / supplies		17	16
Bad and doubtful debts		17	7
Bank charges		39	37
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		13	11
– NSW Fire Brigade levy		29	28
– NSW Rural Fire Service levy		310	307
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		99	97
Councillors' expenses (incl. mayor) – other (excluding fees above)		45	46
Donations, contributions and assistance to other organisations (Section 356)		55	98
Electricity and heating		373	411
Fit for the future expenses		–	53
Food premises inspections		6	13
Four Villages Flood Risk Management Plan		52	–
Insurance		583	599
Postage		32	36
Printing and stationery		103	83
Street lighting		77	68
Subscriptions and publications		99	92
Telephone and communications		136	136
Tourism expenses (excluding employee costs)		16	16
Valuation fees		57	56
Water usage		143	96
Other		101	48
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,465</u></b>	<b><u>2,399</u></b>

## Note 5. Gains or losses from the disposal of assets

<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		185	802
Less: carrying amount of plant and equipment assets sold/written off		(166)	(678)
<b>Net gain/(loss) on disposal</b>		<b>19</b>	<b>124</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		15,700	10,100
Less: carrying amount of financial assets sold/redeemed/matured		(15,700)	(10,100)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>19</u></b>	<b><u>124</u></b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		718	–	458	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		700	–	300	–
– Short-term deposits		3,800	–	4,300	–
<b>Total cash and cash equivalents</b>		<b>5,218</b>	<b>–</b>	<b>5,058</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		20,100	–	15,700	–
<b>Total investments</b>		<b>20,100</b>	<b>–</b>	<b>15,700</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>25,318</b>	<b>–</b>	<b>20,758</b>	<b>–</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>5,218</b>	<b>–</b>	<b>5,058</b>	<b>–</b>
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**Investments**

b. 'Held to maturity'	6(b-ii)	20,100	–	15,700	–
Investments		<b>20,100</b>	<b>–</b>	<b>15,700</b>	<b>–</b>

**Note 6(b-i)**

**Reconciliation of investments classified as 'held to maturity'**

Balance at the beginning of the year		15,700	–	10,100	–
Additions		20,100	–	15,700	–
Disposals (sales and redemptions)		(15,700)	–	(10,100)	–
<b>Balance at end of year</b>		<b>20,100</b>	<b>–</b>	<b>15,700</b>	<b>–</b>

**Comprising:**

– Long term deposits		20,100	–	15,700	–
<b>Total</b>		<b>20,100</b>	<b>–</b>	<b>15,700</b>	<b>–</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	25,318	–	20,758	–
<b>attributable to:</b>				
External restrictions (refer below)	10,513	–	9,021	–
Internal restrictions (refer below)	9,393	–	7,345	–
Unrestricted	5,412	–	4,392	–
	<b>25,318</b>	<b>–</b>	<b>20,758</b>	<b>–</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general (D)	2,592	724	(607)	2,709
Developer contributions – water fund (D)	151	94	–	246
Developer contributions – sewer fund (D)	306	53	(158)	201
Specific purpose unexpended grants (F)	187	10,814	(10,627)	375
Water supplies (G)	1,554	525	–	2,079
Sewerage services (G)	2,929	232	–	3,161
Domestic waste management (G)	1,156	245	–	1,401
Stormwater management (G)	146	45	–	191
Gullen Range windfarm community fund (CEP) (H)	–	69	(5)	64
Taralga windfarm community fund (CEP) (H)	–	91	(5)	86
<b>External restrictions – other</b>	<b>9,021</b>	<b>12,892</b>	<b>(11,402)</b>	<b>10,513</b>
<b>Total external restrictions</b>	<b>9,021</b>	<b>12,892</b>	<b>(11,402)</b>	<b>10,513</b>

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

H Windfarm community enhancement program (CEP) funds unexpended as at 30 June.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Employees leave entitlement	1,559	120	–	1,679
Carry over works	2,015	1,707	(592)	3,130
Deposits, retentions and bonds	192	18	–	210
Plant and equipment replacement	795	292	–	1,087
Buildings and infrastructure improvements	1,588	400	–	1,988
Cullerin road – local road transfer funds	25	–	(21)	4
Information technology and equipment	176	100	–	276
Cemeteries	29	–	(29)	–
Community projects	12	–	–	12
Gravel pit restoration	381	7	–	388
Rubbish tips remediation	402	6	–	408
Garbage / waste disposal	37	–	–	37
Southern Tablelands Library cooperative	71	–	–	71
Public halls capital improvements	39	–	–	39
Council houses capital works	24	8	–	32
Upper Lachlan Tourist Association	–	32	–	32
<b>Total internal restrictions</b>	<b>7,345</b>	<b>2,690</b>	<b>(642)</b>	<b>9,393</b>
<b>TOTAL RESTRICTIONS</b>	<b>16,366</b>	<b>15,582</b>	<b>(12,044)</b>	<b>19,906</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		217	14	202	11
Interest and extra charges		6	3	6	3
User charges and fees		957	39	1,404	18
Accrued revenues					
– Interest on investments		218	–	144	–
– Other income accruals		–	–	65	–
Net GST receivable		–	–	46	–
Other debtors		4	–	2	–
<b>Total</b>		<b>1,402</b>	<b>56</b>	<b>1,869</b>	<b>32</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(6)	–	(6)	–
User charges and fees		(30)	–	(30)	–
<b>Total provision for impairment – receivables</b>		<b>(36)</b>	<b>–</b>	<b>(36)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>1,366</u></b>	<b><u>56</u></b>	<b><u>1,833</u></b>	<b><u>32</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		49	1	49	–
– User fees and charges		11	12	3	8
<b>Sewerage services</b>					
– Rates and availability charges		49	2	52	1
<b>Domestic waste management</b>		<b>56</b>	<b>1</b>	<b>40</b>	<b>–</b>
<b>Total external restrictions</b>		<b>165</b>	<b>16</b>	<b>144</b>	<b>9</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>1,201</b>	<b>40</b>	<b>1,689</b>	<b>23</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>1,366</u></b>	<b><u>56</u></b>	<b><u>1,833</u></b>	<b><u>32</u></b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		184	–	152	–
Stores and materials – gravel		356	–	690	–
Trading stock - Tourist Information Centre		16	–	–	–
Trading stock – Australia post agency		18	–	13	–
Loose tools		197	–	197	–
<b>Total inventories at cost</b>		<b>771</b>	<b>–</b>	<b>1,052</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>771</b>	<b>–</b>	<b>1,052</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		95	–	67	–
<b>TOTAL OTHER ASSETS</b>		<b>95</b>	<b>–</b>	<b>67</b>	<b>–</b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Other disclosures****(a) Current assets not anticipated to be settled within the next 12 months**

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

	2016	2015
Stores and materials – gravel	–	129
	<b>–</b>	<b>129</b>

**(b) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

## Upper Lachlan Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period						as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment										depreciation	impairment	
Plant and equipment	–	13,212	5,332	–	7,880	815	(166)	(1,137)	2	–	–	–	13,600	6,206	–	7,394
Office equipment	–	1,327	958	–	369	60	–	(150)	–	–	–	–	1,387	1,108	–	279
Furniture and fittings	–	205	111	–	94	–	–	(11)	–	–	–	–	205	122	–	83
<b>Land:</b>																
– Operational land	–	4,385	–	–	4,385	–	–	–	46	–	–	–	4,431	–	–	4,431
– Community land	–	888	–	–	888	304	–	–	(46)	–	2,085	–	3,231	–	–	3,231
Land improvements – depreciable	–	261	103	–	158	3	–	(30)	(2)	–	–	–	265	136	–	129
<b>Infrastructure:</b>																
– Buildings – non-specialised	–	3,953	2,052	–	1,901	6	–	(48)	–	–	–	–	3,958	2,099	–	1,859
– Buildings – specialised	–	39,609	18,857	–	20,752	140	–	(529)	(2)	–	–	–	39,749	19,388	–	20,361
– Other structures	–	4,915	2,603	–	2,312	445	–	(139)	–	–	–	–	5,360	2,742	–	2,618
– Roads	–	114,399	43,615	–	70,784	4,136	–	(2,277)	–	(1,499)	–	–	113,442	42,298	–	71,144
– Bridges	–	46,852	21,458	–	25,394	184	–	(482)	–	–	–	–	47,035	21,939	–	25,096
– Footpaths	–	1,631	480	–	1,151	181	–	(22)	–	–	–	–	1,812	502	–	1,310
– Bulk earthworks (non-depreciable)	–	210,689	–	–	210,689	918	–	–	4	–	–	–	211,611	–	–	211,611
– Stormwater drainage	–	2,277	1,067	–	1,210	218	–	(23)	–	–	–	–	2,494	1,089	–	1,405
– Water supply network	–	34,247	13,052	–	21,195	238	–	(527)	–	–	–	–	34,486	13,580	–	20,906
– Sewerage network	–	22,264	9,417	–	12,847	349	–	(458)	–	–	–	–	22,613	9,875	–	12,738
<b>Other assets:</b>																
– Other	–	912	335	–	577	2	–	(57)	–	–	–	–	913	391	–	522
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>																
– Tip assets	–	388	156	–	232	168	–	(22)	–	–	–	–	556	178	–	378
– Quarry assets	–	346	28	–	318	–	–	(10)	–	–	–	–	346	38	–	308
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>–</b>	<b>502,760</b>	<b>119,624</b>	<b>–</b>	<b>383,136</b>	<b>8,167</b>	<b>(166)</b>	<b>(5,922)</b>	<b>2</b>	<b>(1,499)</b>	<b>2,085</b>	<b>–</b>	<b>507,494</b>	<b>121,691</b>	<b>–</b>	<b>385,803</b>

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
Plant and equipment	–	61	42	19	–	61	37	24
Office equipment	–	11	9	2	–	11	8	3
Land								
– Operational land	–	400	–	400	–	400	–	400
– Community land	–	7	–	7	–	47	–	47
Buildings	–	963	734	229	–	963	723	240
Infrastructure	–	34,486	13,582	20,904	–	34,246	13,052	21,194
<b>Total water supply</b>	<b>–</b>	<b>35,928</b>	<b>14,367</b>	<b>21,561</b>	<b>–</b>	<b>35,728</b>	<b>13,820</b>	<b>21,908</b>
<b>Sewerage services</b>								
Plant and equipment	–	113	54	59	–	113	44	69
Office equipment	–	2	1	1	–	2	1	1
Land								
– Operational land	–	143	–	143	–	143	–	143
– Community land	–	110	–	110	–	4	–	4
Buildings	–	828	229	599	–	589	210	379
Infrastructure	–	22,613	9,875	12,738	–	22,264	9,417	12,847
<b>Total sewerage services</b>	<b>–</b>	<b>23,809</b>	<b>10,159</b>	<b>13,650</b>	<b>–</b>	<b>23,115</b>	<b>9,672</b>	<b>13,443</b>
<b>Domestic waste management</b>								
Plant and equipment	–	1,091	452	639	–	1,091	362	729
Land								
– Operational land	–	80	–	80	–	80	–	80
Other assets	–	125	52	73	–	125	45	80
<b>Total DWM</b>	<b>–</b>	<b>1,296</b>	<b>504</b>	<b>792</b>	<b>–</b>	<b>1,296</b>	<b>407</b>	<b>889</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>61,033</b>	<b>25,030</b>	<b>36,003</b>	<b>–</b>	<b>60,139</b>	<b>23,899</b>	<b>36,240</b>

## Note 9c. Infrastructure, property, plant and equipment – current year impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Upper Lachlan Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,204	–	857	–
Accrued expenses:					
– Salaries and wages		221	–	501	–
– Other expenditure accruals		43	–	92	–
Security bonds, deposits and retentions		211	–	192	–
Community Enhancement Programs		150	–	–	–
Other		8	–	2	–
<b>Total payables</b>		<b>1,837</b>	<b>–</b>	<b>1,644</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		240	2,107	238	2,347
<b>Total borrowings</b>		<b>240</b>	<b>2,107</b>	<b>238</b>	<b>2,347</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		746	–	733	–
Long service leave		3,302	–	3,056	–
Other leave – time in lieu		12	–	14	–
Sub-total – aggregate employee benefits		4,060	–	3,803	–
Asset remediation/restoration (future works)	26	–	797	–	784
<b>Total provisions</b>		<b>4,060</b>	<b>797</b>	<b>3,803</b>	<b>784</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>6,137</b>	<b>2,904</b>	<b>5,685</b>	<b>3,131</b>
<b>(i) Liabilities relating to restricted assets</b>		<b>2016</b>		<b>2015</b>	
		<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
<b>Externally restricted assets</b>					
Water		219	764	197	824
Sewer		169	301	152	334
Domestic waste management		95	–	97	39
Liabilities relating to externally restricted assets		483	1,065	446	1,197
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>483</b>	<b>1,065</b>	<b>446</b>	<b>1,197</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>5,654</b>	<b>1,839</b>	<b>5,239</b>	<b>1,934</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>6,137</b>	<b>2,904</b>	<b>5,685</b>	<b>3,131</b>

<sup>1</sup> 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 15.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2016	Actual 2015
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	3,019	2,693
	<b>3,019</b>	<b>2,693</b>

## Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	733	13	–	–	–	746
Long service leave	3,056	246	–	–	–	3,302
Other leave – time in lieu	14	(2)	–	–	–	12
Asset remediation	784	13	–	–	–	797
<b>TOTAL</b>	<b>4,587</b>	<b>270</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,857</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	5,218	5,058
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>5,218</b>	<b>5,058</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>5,720</b>	<b>2,860</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,922	5,403
Net losses/(gains) on disposal of assets		(19)	(124)
Unwinding of discount rates on reinstatement provisions		13	18
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		443	(75)
Decrease/(increase) in inventories		281	312
Decrease/(increase) in other assets		(28)	22
Increase/(decrease) in payables		347	(10)
Increase/(decrease) in other accrued expenses payable		(329)	336
Increase/(decrease) in other liabilities		175	(28)
Increase/(decrease) in employee leave entitlements		257	220
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>12,782</b>	<b>8,934</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		300	300
Credit cards/purchase cards		26	26
<b>Total financing arrangements</b>		<b>326</b>	<b>326</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years rate revenue only.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		68	16
Plant and equipment		547	71
Plant and equipment - water and sewer infrastructure		5,276	4
Operational Land		190	–
<b>Total commitments</b>		<b>6,081</b>	<b>91</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		6,081	91
<b>Total payable</b>		<b>6,081</b>	<b>91</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		777	72
Future grants and contributions		4,610	–
Unexpended grants		–	15
Externally restricted reserves		694	4
<b>Total sources of funding</b>		<b>6,081</b>	<b>91</b>

**(b) Finance lease commitments**

Nil

**(c) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	24	17
Later than one year and not later than 5 years	62	29
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>86</b>	<b>46</b>

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

Office equipment leases

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to operating leases:**

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

**(d) Investment property commitments**

Nil

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>3,806</u>	<b>13.01%</b>	2.92%	6.20%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>29,249</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>20,330</u>	<b>65.28%</b>	65.81%	57.03%
Total continuing operating revenue <sup>(1)</sup>	<u>31,144</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>16,872</u>	<b>6.40x</b>	5.66x	5.62x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>2,635</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>9,934</u>	<b>22.37x</b>	14.15x	15.03x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>444</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>234</u>	<b>2.36%</b>	2.23%	3.21%
Rates, annual and extra charges collectible	<u>9,925</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>25,318</u>	<b>15.94 mths</b>	13.6 mths	10.9 mths
Payments from cash flow of operating and financing activities	<u>1,589</u>			

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

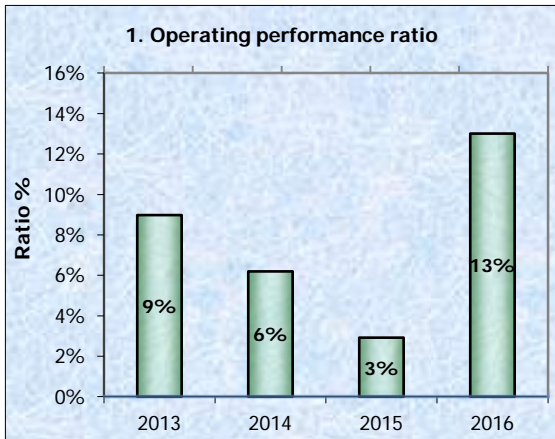
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# Upper Lachlan Shire Council

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

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



**Commentary on 2015/16 result**

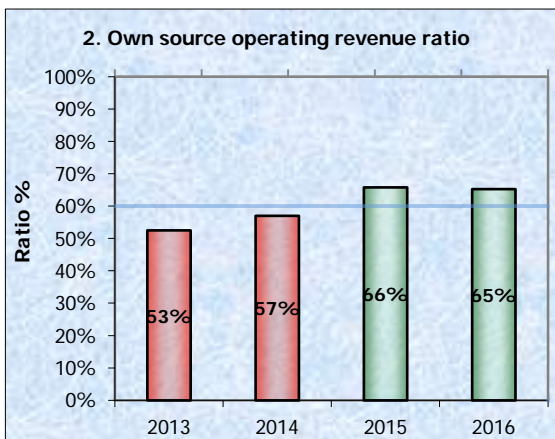
**2015/16 ratio 13.01%**

Council has successfully restrained cash outflows on operating expenses while supplementing operating revenues through profits generated by engaging in significant private works projects and NSW State road MR54 contract works. Additional Roads to Recovery funding (+\$1.56m) is the principal reason for increase in this ratio.

Benchmark: Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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



**Commentary on 2015/16 result**

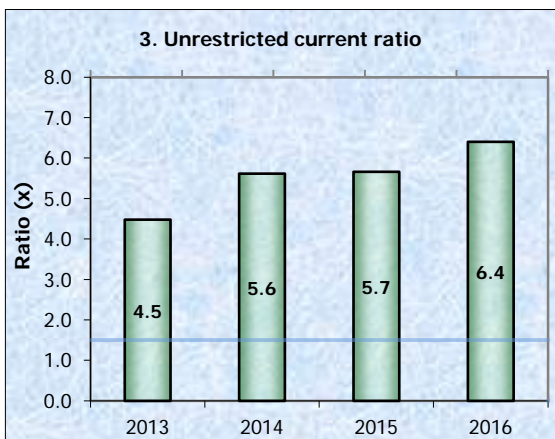
**2015/16 ratio 65.28%**

This ratio is dependant on the extent of external funding sources and the timing of payments to Council. Increases in water usage charges and State Road 54 income compensated for increased external funding (Roads to Recovery) which has allowed this ratio to be maintained.

Benchmark: Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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



**Commentary on 2015/16 result**

**2015/16 ratio 6.40x**

Council has been above benchmark for the past 4 years. Adequate working funds are retained to meet short term liabilities. Unrestricted cash levels have also increased significantly over this period.

Benchmark: Minimum  $\geq 1.50$

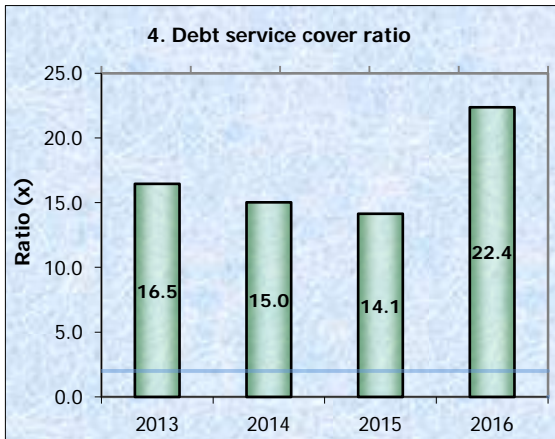
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Upper Lachlan Shire Council

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of debt service cover ratio**

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

**Commentary on 2015/16 result**

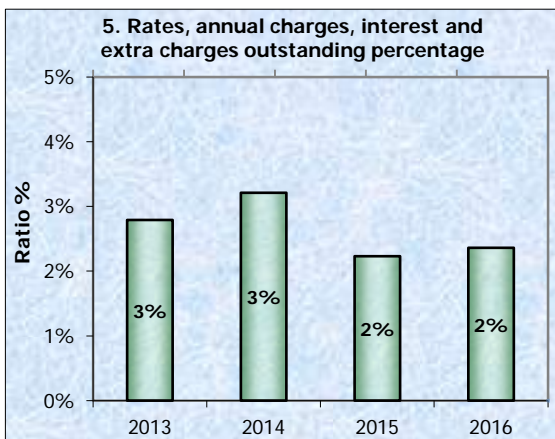
**2015/16 ratio 22.37x**

Council has maintained low debt/borrowing levels by successfully securing external funding to carry out substantial capital infrastructure projects. There is capacity for servicing greater levels of debt for scheduled future projects such as the replacement of timber bridges program.

Benchmark: Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2015/16 result**

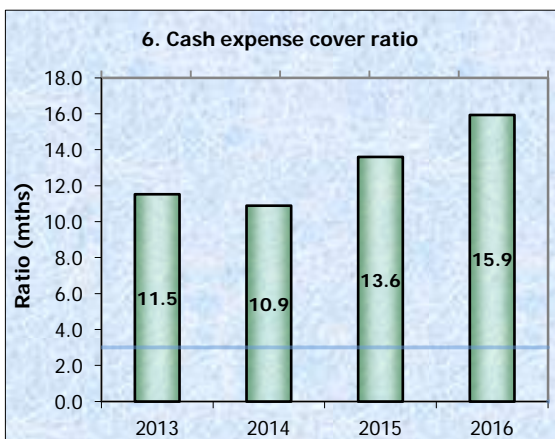
**2015/16 ratio 2.36%**

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

Benchmark: Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 15.94 mths**

Performance is above benchmark for the past 4 years and Council has sound liquidity capacity to meet unforeseen expenses.

Benchmark: Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>3.45%</b>	<b>13.58%</b>	<b>13.67%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: -16.49%	8.68%	3.90%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>87.14%</b>	<b>95.73%</b>	<b>61.95%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 82.76%	96.29%	62.70%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>9.77x</b>	<b>18.99x</b>	<b>6.40x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 8.15x	19.61x	5.66x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>5.85x</b>	<b>12.69x</b>	<b>31.16x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 2.88x	10.98x	19.43x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>6.01%</b>	<b>4.78%</b>	<b>1.66%</b>
Rates, annual and extra charges collectible	prior period: 6.22%	5.11%	1.45%
<b>6. Cash expense cover ratio</b>			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>20.99 mths</b>	<b>51.33 mths</b>	<b>13.90 mths</b>
Payments from cash flow of operating and financing activities	prior period: 15.67 mths	46.88 mths	11.73 mths

## Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	5,218	5,058	5,218	5,058
Investments				
– 'Held to maturity'	20,100	15,700	20,100	15,700
Receivables	1,422	1,865	1,422	1,865
<b>Total financial assets</b>	<b>26,740</b>	<b>22,623</b>	<b>26,740</b>	<b>22,623</b>
<b>Financial liabilities</b>				
Payables	1,837	1,644	1,837	1,644
Loans/advances	2,347	2,585	2,347	2,585
<b>Total financial liabilities</b>	<b>4,184</b>	<b>4,229</b>	<b>4,184</b>	<b>4,229</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 1% movement in interest rates	14	14	(14)	(14)
<b>2015</b>				
Possible impact of a 1% movement in interest rates	8	8	(8)	(8)



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

**(b) Credit risk**

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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

A profile of Council's receivables credit risk at balance date follows:

	2016	2016	2015	2015
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	88%	0%	84%
Overdue	100%	12%	100%	16%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2016	2016	2015	2015
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	
<b>(ii) Ageing of receivables – value</b>					
Rates and annual charges					
Other receivables					
Current	Current	–	1,187	–	1,418
< 1 year overdue	0 – 30 days overdue	217	2	202	5
1 – 2 years overdue	30 – 60 days overdue	14	–	11	68
2 – 5 years overdue	60 – 90 days overdue	–	–	–	181
> 5 years overdue	> 90 days overdue	–	38	–	16
		<b>231</b>	<b>1,227</b>	<b>213</b>	<b>1,688</b>

**(iii) Movement in provision for impairment of receivables**

	2016	2015
Balance at the beginning of the year	36	36
<b>Balance at the end of the year</b>	<b>36</b>	<b>36</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (i.e.. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	211	1,626	–	–	–	–	–	1,837	1,837
Loans and advances	–	417	376	376	376	376	1,542	3,463	2,347
<b>Total financial liabilities</b>	<b>211</b>	<b>2,043</b>	<b>376</b>	<b>376</b>	<b>376</b>	<b>376</b>	<b>1,542</b>	<b>5,300</b>	<b>4,184</b>
<b>2015</b>									
Trade/other payables	192	1,452	–	–	–	–	–	1,644	1,644
Loans and advances	–	433	417	376	376	376	1,922	3,900	2,585
<b>Total financial liabilities</b>	<b>192</b>	<b>1,885</b>	<b>417</b>	<b>376</b>	<b>376</b>	<b>376</b>	<b>1,922</b>	<b>5,544</b>	<b>4,229</b>

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

The following interest rates were applicable to Council's borrowings at balance date:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,837	0.00%	1,644	0.00%
Loans and advances – fixed interest rate	2,347	7.67%	2,585	7.70%
	<u>4,184</u>		<u>4,229</u>	

**Loan agreement breaches**

No loan agreement breaches have occurred during the reporting period or are anticipated to occur during the terms of the current borrowings

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 18 June 2015.

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

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

**Note that for variations\* of budget to actual :**

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

**F** = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>10,047</b>	<b>9,680</b>	<b>(367)</b>	<b>(4%) U</b>
<b>User charges and fees</b>	<b>6,125</b>	<b>9,039</b>	<b>2,914</b>	<b>48% F</b>
Actual User Charges and Fees received during the year were higher due to budgeted State Road works orders income being estimated at \$2.53m with the actual income received totalling \$5.77m. This was partially offset by private works income budgeted at \$887k with only \$93k being undertaken. Also, water user charges income was budgeted for \$809k with actual income totalling \$940k.				
<b>Interest and investment revenue</b>	<b>566</b>	<b>719</b>	<b>153</b>	<b>27% F</b>
Interest and Investment Revenue was above budget expectations due to increased levels of cash and investments on hand throughout the year including higher levels of Section 94 funds held accruing interest.				
<b>Other revenues</b>	<b>783</b>	<b>892</b>	<b>109</b>	<b>14% F</b>
Council assumed control of the Tourist Promotion financial operations in 2015/2016. Zero income was budgeted but actual income from the operation was \$88k.				
<b>Operating grants and contributions</b>	<b>8,164</b>	<b>8,919</b>	<b>755</b>	<b>9% F</b>
Roads to Recovery income estimated at \$1.6m was exceeded by increased Federal Government grant income with income received totalling \$2.4m due to increased fuel excise redistribution calculation.				
<b>Capital grants and contributions</b>	<b>5,051</b>	<b>1,895</b>	<b>(3,156)</b>	<b>(62%) U</b>
Council budgeted \$2.5m to be received from capital grants for the construction of a new water treatment plan in Crookwell however the project did not progress significantly in 2015/2016 and only \$167k in grant funds being received in 2015/2016. The project is now underway and it is anticipated that \$6.0m in grant funding will be received in 2016/2017. Grant funding of \$1.44m was budgeted for the replacement of the Abercrombie River bridge on Main Road 256 but the project did not proceed due to environmental and heritage study delays.				
<b>Net gains from disposal of assets</b>	<b>50</b>	<b>19</b>	<b>(31)</b>	<b>(62%) U</b>
Income from sale of surplus plant did not yield what was anticipated. While the percentage variation is high the dollar amount is not material or significant.				

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>9,446</b>	<b>9,624</b>	<b>(178)</b>	(2%) <b>U</b>
<b>Borrowing costs</b>	<b>247</b>	<b>206</b>	<b>41</b>	17% <b>F</b>
A loan of \$1m was proposed being Council's contribution towards the construction of a new Water Treatment Plant at Crookwell. Construction did not proceed in 2015/2016 and the loan was not required due to State Government commitment of \$6.0m for this construction project.				
<b>Materials and contracts</b>	<b>5,740</b>	<b>7,226</b>	<b>(1,486)</b>	(26%) <b>U</b>
Due to the increased level of State Road MR54 contract work orders the expenses for materials and contracts was correspondingly higher. MR54 costs and income exceeded budget commitments.				
<b>Depreciation and amortisation</b>	<b>5,413</b>	<b>5,922</b>	<b>(509)</b>	(9%) <b>U</b>
The asset class Roads, Bridges and Footpaths was revalued at fair value as at 30/06/2015. The depreciation expense increase for roads exceeded budget by \$495k. \$1.8m was budgeted and expense totalled \$2.3m for roads depreciation.				
<b>Other expenses</b>	<b>3,437</b>	<b>2,465</b>	<b>972</b>	28% <b>F</b>
The following items were below budget forecasts. Rural Residential Strategy \$100k Four Villages Flood Risk Management Plan \$119k Building Condition Assessment - Consultant \$48k Contribution to Tourism Management Committee \$39k Crookwell Water - Management Study \$15k Crookwell Water - Pumping Stations energy costs \$30k Internal charges of \$370k being excluded from other expenses. The remaining savings were made up of under expenditure on numerous small items.				

**Budget variations relating to Council's Cash Flow Statement include:**

<b>Cash flows from operating activities</b>	<b>12,249</b>	<b>12,782</b>	<b>533</b>	4.4% <b>F</b>
<b>Cash flows from investing activities</b>	<b>(12,183)</b>	<b>(12,384)</b>	<b>(201)</b>	1.6% <b>U</b>
<b>Cash flows from financing activities</b>	<b>720</b>	<b>(238)</b>	<b>(958)</b>	(133.1%) <b>U</b>
A loan of \$1.0m for the construction of the Crookwell water treatment plant was not taken out in 2015/2016.				

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Bushfire	174	35	–	5	(41)	–	173	–
Roads	1,605	472	–	45	(448)	–	1,674	–
Waste management	204	27	–	6	–	–	237	–
Open space	170	37	–	5	(8)	–	204	–
Community facilities	377	71	–	10	(109)	–	349	–
Other	62	8	–	2	–	–	72	–
<b>S94 contributions – under a plan</b>	<b>2,592</b>	<b>650</b>	<b>–</b>	<b>73</b>	<b>(606)</b>	<b>–</b>	<b>2,709</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>2,592</b>	<b>650</b>	<b>–</b>	<b>73</b>	<b>(606)</b>	<b>–</b>	<b>2,709</b>	<b>–</b>
S64 contributions	457	135	–	13	(158)	–	447	–
<b>Total contributions</b>	<b>3,049</b>	<b>785</b>	<b>–</b>	<b>86</b>	<b>(764)</b>	<b>–</b>	<b>3,156</b>	<b>–</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Bushfire	174	35	–	5	(41)	–	173	–
Roads	1,605	472	–	45	(448)	–	1,674	–
Waste management	204	27	–	6	–	–	237	–
Open space	170	37	–	5	(8)	–	204	–
Community facilities	377	71	–	10	(109)	–	349	–
Other	62	8	–	2	–	–	72	–
<b>Total</b>	<b>2,592</b>	<b>650</b>	<b>–</b>	<b>73</b>	<b>(606)</b>	<b>–</b>	<b>2,709</b>	<b>–</b>

## S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water supply	151	89	–	6	–	–	246	–
Sewerage services	306	46	–	7	(158)	–	201	–
<b>Total</b>	<b>457</b>	<b>135</b>	<b>–</b>	<b>13</b>	<b>(158)</b>	<b>–</b>	<b>447</b>	<b>–</b>

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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 participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

###### (ii) Statewide Limited

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

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

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

###### (iii) StateCover Limited

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

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

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

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

###### (iv) Other guarantees

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

##### 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.

##### CONTINGENT ASSETS

##### (i)

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

##### (ii)

Council has entered into a voluntary Planning Agreement with AGL Energy Ltd on 11 September 2012 in relation to Critical Infrastructure Project reference number MP10\_0035 for the project commonly known as the Dalton Gas Fired Power Station. As per section 5 of the voluntary Planning Agreement, AGL Energy Ltd has agreed to pay a monetary contribution of 0.833% of the total capital expenditure of stage one of the development into a Community Enhancement Fund, administered by Council. Payment shall be by instalments over a period of 40 years (indexed) as per clause 5.1 of the planning agreement. Should the development proceed to stage two, a further contribution payment shall be made under clause 5.2 of the voluntary Planning Agreement with the terms and conditions being the same as those applying to stage one.



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

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\$ '000

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##### CONTINGENT ASSETS (continued)

###### (iii)

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

###### (iv)

Council has entered into a Community Enhancement Planning Agreement with Taralga Windfarm Nominees Pty Ltd on 7 September 2014 in relation to the project commonly known as the Taralga Wind Farm. As per section 3 'The Community Enhancement Program' of the voluntary Planning Agreement, Taralga Windfarm Nominees Pty Ltd has agreed to pay a monetary contribution of \$2,500.00 per annum per completed turbine to be indexed by CPI annually commencing at the September 2015 quarter. A Community Fund Committee will be formed to govern the Community fund. Council will be responsible for the administration and governance of the Committee.

#### Note 19. Interests in other entities

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Council has no interest in any controlled entities, joint arrangements or associates.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		273,085	270,225
a. Net operating result for the year		5,720	2,860
<b>Balance at end of the reporting period</b>		<b><u>278,805</u></b>	<b><u>273,085</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		125,563	124,977
<b>Total</b>		<b><u>125,563</u></b>	<b><u>124,977</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		124,977	157,440
– Revaluations for the year	9(a)	586	(32,463)
<b>– Balance at end of year</b>		<b><u>125,563</u></b>	<b><u>124,977</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>125,563</u></b>	<b><u>124,977</u></b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

**(c) Correction of error/s relating to a previous reporting period**

Council made no correction of errors during the current reporting period.

**(d) Voluntary changes in accounting policies**

Council made no voluntary changes in any accounting policies during the year.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	832	1,066	7,782
User charges and fees	963	250	7,826
Interest and investment revenue	66	96	557
Other revenues	2	–	890
Grants and contributions provided for operating purposes	19	17	8,883
Grants and contributions provided for capital purposes	256	46	1,593
<b>Other income</b>			
Net gains from disposal of assets	–	–	19
Share of interests in joint ventures and associates using the equity method	–	–	–
<b>Total income from continuing operations</b>	<b>2,138</b>	<b>1,475</b>	<b>27,550</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	532	319	8,773
Borrowing costs	58	24	124
Materials and contracts	458	280	6,488
Depreciation and amortisation	544	480	4,898
Impairment	–	–	–
Other expenses	225	132	2,108
<b>Total expenses from continuing operations</b>	<b>1,817</b>	<b>1,235</b>	<b>22,391</b>
<b>Operating result from continuing operations</b>	<b>321</b>	<b>240</b>	<b>5,159</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>321</b>	<b>240</b>	<b>5,159</b>
<b>Net operating result attributable to each council fund</b>	<b>321</b>	<b>240</b>	<b>5,159</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>65</b>	<b>194</b>	<b>3,566</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

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

## Upper Lachlan Shire Council

## Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	–	–	5,218
Investments	2,325	3,362	14,413
Receivables	60	49	1,257
Inventories	–	–	771
Other	–	–	95
Non-current assets classified as 'held for sale'	–	–	–
<b>Total current assets</b>	<b>2,385</b>	<b>3,411</b>	<b>21,754</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	14	2	40
Inventories	–	–	–
Infrastructure, property, plant and equipment	21,561	13,650	350,592
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>21,575</b>	<b>13,652</b>	<b>350,632</b>
<b>TOTAL ASSETS</b>	<b>23,960</b>	<b>17,063</b>	<b>372,386</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	17	6	1,814
Borrowings	60	34	146
Provisions	142	129	3,789
<b>Total current liabilities</b>	<b>219</b>	<b>169</b>	<b>5,749</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	764	301	1,042
Provisions	–	–	797
<b>Total non-current liabilities</b>	<b>764</b>	<b>301</b>	<b>1,839</b>
<b>TOTAL LIABILITIES</b>	<b>983</b>	<b>470</b>	<b>7,588</b>
<b>Net assets</b>	<b>22,977</b>	<b>16,593</b>	<b>364,798</b>
<b>EQUITY</b>			
Retained earnings	19,485	14,602	244,718
Revaluation reserves	3,492	1,991	120,080
<b>Total equity</b>	<b>22,977</b>	<b>16,593</b>	<b>364,798</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 07/10/16.

Events that occur after the reporting period represent one of two types:

**(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

**Council is aware of the following 'non-adjusting events' that merit disclosure:**

Sale of Lot 19 DP 702495 Martyn Street Taralga.

The above vacant land was sold with settlement occurring on 8 July 2016. Net proceeds on sale amounted to \$66,307.39 and the transaction will be incorporated in the 2016/2017 financial statements.

Purchase of Lot 10 DP 228468 known as Heffernan's quarry.

Council has negotiated to purchase the above land for the amount of \$190,000 with settlement to occur in the near future.

#### Note 24. Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

## Upper Lachlan Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Waste management centres landfill remediation	Various	409	402
Gravel pits remediation	Various	388	382
<b>Balance at end of the reporting period</b>	10(a)	<b>797</b>	<b>784</b>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

**Reconciliation of movement in provision for year:**

Balance at beginning of year	784	766
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	13	18
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>797</b>	<b>784</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– Cash and cash equivalents	30/06/16	–	5,218	–	5,218
– Term deposits	30/06/16	–	20,100	–	20,100
<b>Total financial assets</b>		<b>–</b>	<b>25,318</b>	<b>–</b>	<b>25,318</b>
<b>Financial liabilities</b>					
Payables	30/06/16	–	1,837	–	1,837
Loans and borrowings	30/06/16	–	2,347	–	2,347
<b>Total financial liabilities</b>		<b>–</b>	<b>4,184</b>	<b>–</b>	<b>4,184</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/13	–	–	7,394	7,394
Office equipment	30/06/13	–	–	279	279
Furniture and fittings	30/06/13	–	–	83	83
Operational land	30/06/14	–	–	4,385	4,385
Community land	30/06/16	–	–	3,277	3,277
Land Improvements – depreciable	30/06/16	–	–	129	129
Buildings – non-specialised	30/06/14	–	–	1,859	1,859
Buildings – specialised	30/06/14	–	–	20,361	20,361
Other structures	30/06/14	–	–	2,618	2,618
Roads	30/06/15	–	–	282,755	282,755
Bridges	30/06/15	–	–	25,096	25,096
Footpaths	30/06/15	–	–	1,310	1,310
Stormwater drainage	30/06/15	–	–	1,405	1,405
Water supply network	30/06/12	–	–	20,906	20,906
Sewerage network	30/06/12	–	–	12,738	12,738
Other assets	30/06/16	–	–	522	522
Rehabilitation assets	30/06/16	–	–	686	686
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>385,803</b>	<b>385,803</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values (continued):

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– Cash and cash equivalents	30/06/15	–	5,058	–	5,058
– Term deposits	30/06/15	–	15,700	–	15,700
<b>Total financial assets</b>		<b>–</b>	<b>20,758</b>	<b>–</b>	<b>20,758</b>
<b>Financial liabilities</b>					
Payables	30/06/14	–	1,644	–	1,644
Loans and borrowings	30/06/14	–	2,585	–	2,585
<b>Total financial liabilities</b>		<b>–</b>	<b>4,229</b>	<b>–</b>	<b>4,229</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/13	–	–	7,880	7,880
Office equipment	30/06/13	–	–	369	369
Furniture and fittings	30/06/13	–	–	94	94
Operational land	30/06/14	–	–	4,385	4,385
Community land	30/06/11	–	–	888	888
Land Improvements – depreciable	30/06/11	–	–	158	158
Buildings – non-specialised	30/06/14	–	–	1,901	1,901
Buildings – specialised	30/06/14	–	–	20,752	20,752
Other structures	30/06/14	–	–	2,312	2,312
Roads	30/06/15	–	–	281,473	281,473
Bridges	30/06/15	–	–	25,394	25,394
Footpaths	30/06/15	–	–	1,151	1,151
Stormwater drainage	30/06/15	–	–	1,210	1,210
Water supply network	30/06/12	–	–	21,195	21,195
Sewerage network	30/06/12	–	–	12,847	12,847
Other assets	various	–	–	577	577
Rehabilitation assets	30/06/15	–	–	550	550
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>383,136</b>	<b>383,136</b>

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

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

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

– at the end of the reporting period.



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### **(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values**

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

##### **(i) Financial Assets**

Cash & cash equivalents and term deposits are valued at fair value using the cost approach as there are significant observable inputs, being the original investment value and its identifiable redemption value. These assets are classified as having been valued using Level 2 valuation inputs.

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

##### **(ii) Financial Liabilities**

Loans, borrowings and payables are valued at fair value using the cost approach as there are significant observable inputs, being the current loan liability or payable value. These assets are classified as having been valued using Level 2 valuation inputs.

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

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

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

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

##### **Revaluation at Fair Value**

All assets re-valued will be carried in the accounts at their re-valued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment costs. All new assets and asset acquisitions made after the respective dates of valuation are recorded at their initial cost of acquisition.

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

- 2015/2016 - Community Land, Land Improvements, Other Structures, and other assets.
- 2016/2017 - Water Supply and Sewerage network assets.
- 2017/2018 - Buildings, Operational Land, and Property, Plant and Equipment assets.
- 2019/2020 - Roads, Bridges, Footpaths, Stormwater, and Drainage assets.

To facilitate the valuation process Council has synchronised the valuation of Buildings, Operational Land and Other Structures to occur at the same time every five years.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

2015/2016 - Community Land, Land Improvements, and other assets.

2016/2017 - Water Supply and Sewerage network assets.

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

2019/2020 - Roads, Bridges, Footpaths, Stormwater, and Drainage assets.

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

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

#### Infrastructure, Property, Plant & Equipment

##### (iii) Plant and Equipment, Office Equipment and Furniture and Fittings – Fair Value

Plant and Equipment, Office Equipment and Furniture and Fittings are valued at Fair Value under AASB 116 from 30 June 2013, as per the Office of Local Government's directions, using the depreciated historical cost method:-

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

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

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

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

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

Major depreciation periods are:-

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

Asset capitalisation thresholds are:-

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### (iv) Operational Land

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

Operational Land was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2014. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value, which defines Fair Value as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". This involved establishing the nature of the asset, characteristics important to market participants, the appropriate market and valuation premise. Having maximised the level of valuation input, the adopted technique deemed appropriate is the Market Approach which requires the comparison or income approach to valuation. All new Operational Land acquired after the current valuation date is recorded at the initial cost of acquisition.

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

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

##### (v) Community Land

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

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

The valuation process has been changed from independent market value by a qualified valuer to using the Valuer General's land values during the reporting period.

##### (vi) Land Improvements - Depreciable

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

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

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

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

##### (vii) Buildings - Specialised & Non-Specialised

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

Buildings were re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2014. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value, which defines Fair Value as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". This involved establishing the nature of the asset, characteristics important to market participants, the appropriate market and valuation premise. Having maximised the level of valuation input, the adopted techniques deemed appropriate are:

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

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

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

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

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

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

Major depreciation periods and capitalisation thresholds remain unchanged.

Major depreciation periods are:-

Buildings	50 to 100 years
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Asset capitalisation thresholds include:-

Buildings - construction/extensions/renovations	\$2,000
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#### **(viii) Other Structures**

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

The Other Structures asset class was re-valued at Fair Value by external independent valuer Scott Fullarton Valuations Pty Ltd as at 30 June 2014. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value with the adopted technique deemed appropriate being the Cost Approach which requires the depreciated replacement cost approach to valuation. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

#### Other Structures - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Other Structures	15 to 50 years
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## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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Other Structures – Masonry	50 to 80 years
Playground Equipment	15 years

Asset capitalisation thresholds include:-

Park Furniture and Playground Equipment	\$1,000
Other Structures	\$2,000

#### (ix) Roads

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

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

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

There have been changes to the valuation process during the reporting period.

Road pavement was previously valued as one component with a depreciable component of 67% and a residual or non-depreciable amount of 33%. This approach acknowledged that the upper pavement can be replaced upon reconstruction while the lower level pavement is a permanent structure. In conjunction with external consultants Jeff Roorda & Associates it was decided to divide pavement into 2 separate components. The upper level (50mm) is described as Pavement Base which is depreciable over 30 years for unsealed roads and 100 years for sealed roads. The lower level road pavement which is described as Pavement Sub-base is not replaced and is non-depreciable.

This separation of the components was based on Council's current and previous road reconstruction practices which only replaces or supplements the top 50mm of the road pavement.

#### Roads - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

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

Asset capitalisation thresholds include:-

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### (x) Bridges

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

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

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

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

##### Bridges - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

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

Asset capitalisation thresholds include:-

Bridge construction and reconstruction	\$5,000
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##### (xi) Footpaths

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

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

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

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

##### Footpaths - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

Footpaths	80 years
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## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

Asset capitalisation thresholds include:-

Footpaths	\$5,000
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#### (xii) Stormwater Drainage Assets

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

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

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

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

#### Stormwater Drainage Assets – Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

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

All Stormwater assets	\$5,000
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#### (xiii) Water Supply and Sewerage Infrastructure Assets

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

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

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

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### Water Supply and Sewerage Infrastructure Assets - Depreciation

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

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

Asset capitalisation thresholds include: -

Reticulation extensions and new assets	\$2,000
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##### **(xiv) Other Assets (including Tips & Quarries Rehabilitation)**

Assets within this class comprise of all assets not classified elsewhere. Other Assets, other than tips and quarries rehabilitation, are valued at Fair Value under AASB 116 from 30 June 2012 using the depreciated historical cost method. A review of these assets was undertaken for 30 June 2016 and the same valuation methodology was retained. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	<b>Total</b>
<b>Opening balance – 1/7/14</b>	7,367	442	93	4,436	12,338
Purchases (GBV)	1,951	85	12	–	2,048
Disposals (WDV)	(375)	–	–	(51)	(426)
Depreciation and impairment	(1,063)	(158)	(11)	–	(1,232)
<b>Closing balance – 30/6/15</b>	<b>7,880</b>	<b>369</b>	<b>94</b>	<b>4,385</b>	<b>12,728</b>
Purchases (GBV)	815	60	–	–	875
Disposals (WDV)	(166)	–	–	–	(166)
Depreciation and impairment	(1,137)	(150)	(11)	–	(1,298)
Adjustments	2	–	–	–	2
<b>Closing balance – 30/6/16</b>	<b>7,394</b>	<b>279</b>	<b>83</b>	<b>4,385</b>	<b>12,141</b>

	Community land	Land improvements	Buildings non- specialised	Buildings specialised	<b>Total</b>
<b>Opening balance – 1/7/14</b>	888	188	2,167	21,118	24,361
Purchases (GBV)	–	–	36	157	193
Disposals (WDV)	–	–	(252)	–	(252)
Depreciation and impairment	–	(30)	(50)	(523)	(603)
<b>Closing balance – 30/6/15</b>	<b>888</b>	<b>158</b>	<b>1,901</b>	<b>20,752</b>	<b>23,699</b>
Purchases (GBV)	304	3	6	140	453
Depreciation and impairment	–	(30)	(48)	(529)	(607)
FV gains – other comprehensive income	2,085	(2)	–	(2)	2,081
<b>Closing balance – 30/6/16</b>	<b>3,277</b>	<b>129</b>	<b>1,859</b>	<b>20,361</b>	<b>25,626</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Other structures	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/14</b>	2,378	310,529	27,410	1,171	341,488
Purchases (GBV)	65	4,050	12	63	4,190
Depreciation and impairment	(131)	(1,885)	(478)	(21)	(2,515)
FV gains – other comprehensive income	–	(31,221)	(1,550)	(62)	(32,833)
<b>Closing balance – 30/6/15</b>	<b>2,312</b>	<b>281,473</b>	<b>25,394</b>	<b>1,151</b>	<b>310,330</b>
Purchases (GBV)	445	5,054	184	181	5,864
Depreciation and impairment	(139)	(2,277)	(482)	(22)	(2,920)
FV gains – other comprehensive income	–	(1,495)	–	–	(1,495)
<b>Closing balance – 30/6/16</b>	<b>2,618</b>	<b>282,755</b>	<b>25,096</b>	<b>1,310</b>	<b>311,779</b>

	Stormwater drainage	Water supply network	Sewerage network	Other assets	Total
<b>Opening balance – 1/7/14</b>	1,371	21,004	12,836	1,158	36,369
Purchases (GBV)	–	380	264	49	693
Depreciation and impairment	(24)	(503)	(446)	(80)	(1,053)
FV gains – other comprehensive income	(137)	314	193	–	370
<b>Closing balance – 30/6/15</b>	<b>1,210</b>	<b>21,195</b>	<b>12,847</b>	<b>1,127</b>	<b>36,379</b>
Purchases (GBV)	218	238	349	170	975
Depreciation and impairment	(23)	(527)	(458)	(89)	(1,097)
<b>Closing balance – 30/6/16</b>	<b>1,405</b>	<b>20,906</b>	<b>12,738</b>	<b>1,208</b>	<b>36,257</b>

**(5). Highest and best use**

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

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL  
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF  
UPPER LACHLAN SHIRE COUNCIL**

**Report on the Financial Statements**

We have audited the accompanying general purpose financial statements of Upper Lachlan Shire Council (Council) for the financial year ended 30 June 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

**Council's Responsibility for the Financial Statements**

The Council are responsible for the preparation and fair presentation of the financial statements in accordance with the *Local Government Act 1993* (NSW). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, nor the original budget disclosures in Notes 2(a) and 16, and accordingly, we express no opinion on them. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

## Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Upper Lachlan Shire Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### Audit Opinion

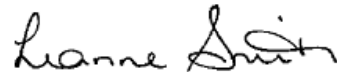
In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993* (NSW), Chapter 13, Part 3, Office 2;
- (b) the Council's financial statements:
  - (i) have been prepared in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) are in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations).
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



intentus

291 Stewart Street  
Bathurst  
Dated: 7 October 2016



LR Smith  
Director

7 October 2016

The Mayor  
Upper Lachlan Shire Council  
PO Box 42  
GUNNING NSW 2581

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – Section 417 (3)  
UPPER LACHLAN SHIRE COUNCIL**

We advise having completed our audit of the financial statements of Upper Lachlan Shire Council (Council) for the financial year ended 30 June 2016. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the *Local Government Act 1993* (NSW) we submit our report on the conduct of the audit of Upper Lachlan Shire Council for the year ended 30 June 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

**Council's Responsibility for the Financial Report**

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the *Local Government Act 1993* (NSW). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant technical and ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

The following comments are provided in accordance with Section 415 (3) of the *Local Government Act 1993* (NSW) and Regulation 227 of the *Local Government (General) Regulation 2005* (NSW) to assist in the understanding of the financial statements and our reports.

## **Review of the Financial Statements**

### **(a) Operating Result**

As disclosed in Council's Income Statement, the year's operations resulted in a surplus from continuing operations after capital amounts of \$5,720,000 (2015 – \$2,860,000). Some items of note in the Income Statement include:

#### **Revenue**

- The operating surplus from continuing operations *before* capital amounts was \$3,825,000 (2015 – \$858,000).
- Rates and annual charges increased by \$323,000 (3.45%) to \$9,680,000 (2015 – \$9,357,000). This is a combination of the approved variation increase for general rates of 2.4% coupled with Council determined increases in annual charges.
- User charges and fees rose from \$7,216,000 in 2015 to \$9,039,000 (increase of \$1,823,000). The value of works undertaken at the request of the RMS during the year totalled \$5,765,000, which was \$2,219,000 higher than in the 2014-'15 financial year. The nature and timing of this work is at the discretion of the RMS and outside of Council's control. This was partially offset by a reduction in private works undertaken by Council during the year. Over the last few years, this line item has been impacted by changes in the volume of works required by wind farms within the Council area.
- Grants and contributions provided for operating purposes increased by \$1,657,000 to \$8,919,000 (2015 - \$7,262,000). Council's allocation under the Roads to Recovery program was \$1,559,000 higher than the prior year and was the main contributor to the increase in this revenue category.

#### **Expenditure**

- Council's total employee costs for the year increased by \$282,000 or 2.69% to \$10,762,000 (2015 - \$10,480,000). An increase in the level of capitalised employee costs of \$255,000 saw total employee costs expended by Council increase by just \$27,000 compared to the prior year.
- Materials and contracts expense increased from \$6,734,000 in 2014-'15 to \$7,226,000 in the 2015-'16 financial year (increase of \$492,000). This increase in expenditure was primarily driven by the increased level of works undertaken for the RMS on State Roads, as outlined above in relation to income from user charges and fees.
- Depreciation expense rose by \$519,000 to \$5,922,000 (2015 - \$5,403,000). This was due to the infrastructure revaluations undertaken by Council at 30 June 2015 resulting in higher depreciation charges in the current year, particularly in relation to Council's road network, for which depreciation expense increased by \$392,000.

### **(b) Financial Position**

The Statement of Financial Position disclosed that for the year ended 30 June 2016 Council's net assets stood at \$404,368,000 (2015 – \$398,062,000), which is an increase of \$6,306,000.

This is the combined effect of the operating surplus from continuing operations of \$5,720,000 and a net upward movement of \$586,000 in relation to the current year's infrastructure, property, plant and equipment revaluations.

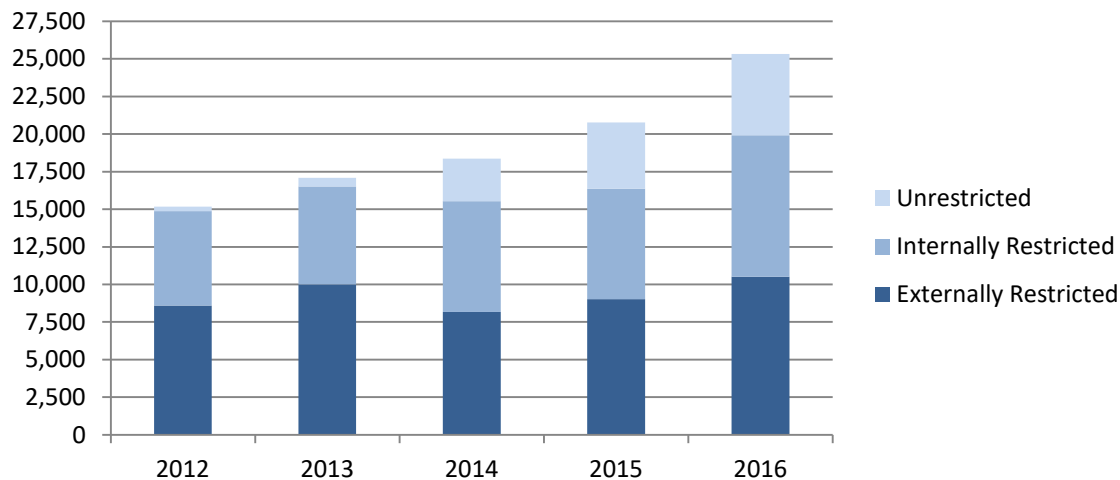
To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	<b>2016</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>
Net current assets	21,413	18,025
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(10,678)	(9,165)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(9,393)	(7,345)
Add: Applicable current liabilities (refer Note 10)		
- Water	219	197
- Sewerage	169	152
- Domestic Waste Management	95	97
Less: Inventories classified as current but not expected to be settled within 12 months	-	(129)
Add: Employee leave entitlements classified as current but not expected to be settled within 12 months	3,019	2,693
Unrestricted net current asset surplus/(deficit)	<u>4,844</u>	<u>4,525</u>
Unrestricted net current assets comprise:		
<i>Unrestricted Current Assets</i>		
Cash and Investments	5,412	4,392
Receivables	1,201	1,689
Inventories	771	1,052
Other assets	95	67
	<u>7,479</u>	<u>7,200</u>
<i>Unrestricted Current Liabilities</i>		
Payables	(1,814)	(1,619)
Provisions	(107)	(99)
Interest Bearing Liabilities	(3,733)	(3,521)
	<u>(5,654)</u>	<u>(5,239)</u>
Unrestricted net current asset surplus/(deficit)	(5,654)	(5,239)
Less: Inventories classified as current but not expected to be settled within 12 months	-	(129)
Add: Employee leave entitlements classified as current but not expected to be settled within 12 months	3,019	2,693
	<u>4,844</u>	<u>4,525</u>

The positive unrestricted net current asset position of Council has improved since the prior year, however will require continued management to ensure it remains positive in subsequent financial years.

Whilst the analysis of the net current asset position is a succinct review of Council's short-term position, the strength of that position is determined by the liquidity of those assets, hence Council's ability to operate effectively is largely governed by the amount of available cash.

### Cash, Cash Equivalents and Investments



### Liquidity

Note 6 to the accounts discloses total cash and investments of \$25,318,000 (2015 – \$20,758,000). Of this amount \$10,513,000 (2015 – \$9,021,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$9,393,000 (2015 – \$7,345,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their operational plan.

The unrestricted balance of \$5,412,000 (2015 – \$4,392,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

### (c) Performance Indicators

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows:

#### Operating Performance

This indicator is intended to measure whether Council has contained its operating expenditure within its operating revenue.

The current year result of 13.01% (2015- 2.92%) indicates that Council has successfully contained its operating expenditure for the year within the constraints of its operating revenue.

The significant improvement in this indicator is primarily the result of Council's increased level of revenue for the year, rather than a reduction in operating expenditure.

#### Own Source Operating Revenue

This indicator is intended to measure Council's fiscal flexibility by showing its degree of reliance on external funding sources such as grants and contributions. The higher the ratio, the more financially flexible Council is considered to be.

At 65.28% (2015 – 65.81%), Upper Lachlan Shire Council's result indicates a degree of financial flexibility which is above the benchmark of greater than 60% determined by the Office of Local Government.



### Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates its ability to satisfy obligations out of short-term and immediate asset balances. Council's ratio of 6.40:1 (2015 – 5.66:1) indicates that it is comfortably able to settle its debts as and when they fall due.

### Debt Service Cover Ratio

This ratio measures the ability of council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation / impairment, over the principal and interest costs.

At 22.37 times (2015 – 14.15 times) Upper Lachlan Shire Council's ratio indicates that Council can comfortably meet its current levels of debt.

### Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio

The ratio is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Upper Lachlan Shire Council's rates and annual charges outstanding percentage of 2.36% (2015 – 2.23%) has increased slightly since the prior year but continues at a level which indicates effective rates debtor management and reflects the continuing efforts of Council staff to actively managing outstanding rates and annual charges.

### Cash Expense Cover Ratio

The purpose of this ratio is to indicate the number of months a Council can continue paying for its immediate expenses without additional cash inflow. The benchmark is greater than three (3) months.

We suspect that this is a ratio that may vary considerably from year-to-year depending on the timing of payments for materials and contracts which is the component in the denominator most susceptible to fluctuation on a yearly basis. Upper Lachlan Shire Council's ratio for the year ended 30 June 2016 was 15.94 months (2015 – 13.60 months) and is above the benchmark recommended by the Office of Local Government.

### (d) Statement of Cash Flows

The Statement of Cash Flows reports a net increase in cash assets held of \$160,000 (2015 decrease - \$3,208,000) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	12,782	8,934	3,848
Investing activities	(12,384)	(11,922)	(462)
Financing activities	(238)	(220)	(18)
Net increase / (decrease) in cash held during the year	160	(3,208)	3,368

### **Cash Flows from Operating Activities**

The net cash flow provided by operating activities totalled \$12,782,000 (2015 – \$8,934,000). Council has continued to generate a positive cash flow from operating activities.

The increased level of revenue from the RMS in the form of both user charges and fees and Roads to Recovery funding was a major contributor to the increase in Council's operating cash flows for the year.

### **Cash Flows from Investing Activities**

The net cash flow used in investing activities totalled \$12,384,000 (2015 – \$11,922,000).

Cash outflows for the purchase of infrastructure, property, plant and equipment totalled \$8,169,000 (2015 – \$7,124,000). The outflows in 2015-'16 included \$6,224,000 for works completed on Council's infrastructure assets.

Council also invested a further \$4,400,000 (2015 - \$5,600,000) in term deposits with maturities of up to twelve months which attract higher rates of return than Council's short term operating funds.

### **Cash Flows from Financing Activities**

The net cash outflows used in financing activities was \$238,000 compared to net cash outflows in 2015 of \$220,000. No borrowings were drawn during the current financial year.

### **(e) Comparison of Actual and Budgeted Performance**

Council's net operating result for the year was a surplus of \$5,720,000 compared to a budgeted surplus of \$6,503,000.

The nature of this report does not lend itself to detailed analysis of individual budget variations. Council has provided a commentary on these variations in Note 16.

### **(f) Other Matters**

#### **National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Upper Lachlan Shire Council has prepared a special purpose financial report on its business units for the year ended 30 June 2016. Council has determined that it has three (3) business units within its operations being Water, Sewerage and Domestic Waste Management.

The Department of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unqualified audit report on the special purpose financial reports for the year ended 30 June 2016 has been issued.

#### **Management Letters**

An interim management letter was issued on 17 May 2016 whilst a final letter will be prepared upon completion of our year end review.

### **(g) Legislative Compliance**

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial reports that have come to our attention during the conduct of the audit and that Upper Lachlan Shire Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993* (NSW) and regulations.

**(h) Matters Relating to the Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of Upper Lachlan Shire Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on Council's web site.

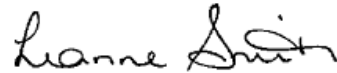
**Conclusion**

- (a) Upper Lachlan Shire Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of these statements;
- (b) Upper Lachlan Shire Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of these statements; and
- (c) all information relevant to the conduct of the audit has been obtained.



**intentus**

291 Stewart Street  
Bathurst  
Dated: 7 October 2016



**LR Smith**  
**Director**

# Upper Lachlan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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**Council's Mission - To provide services and facilities to enhance the quality of life and economic viability within the Council area.**



# Upper Lachlan Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Upper Lachlan Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2016

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


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

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

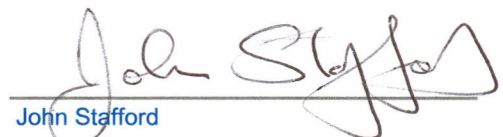
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

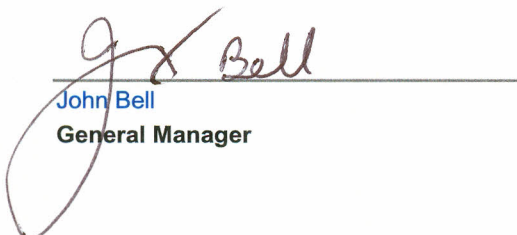
**Signed in accordance with a resolution of Council made on 22 September 2016.**



Brian McCormack  
Mayor



John Stafford  
Councillor



John Bell  
General Manager



Bruce Johnston  
Responsible Accounting Officer

## Upper Lachlan Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	832	785
User charges	963	653
Fees	–	–
Interest	66	57
Grants and contributions provided for non-capital purposes	19	19
Profit from the sale of assets	–	–
Other income	2	8
<b>Total income from continuing operations</b>	<b>1,882</b>	<b>1,522</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	532	506
Borrowing costs	58	63
Materials and contracts	458	443
Depreciation and impairment	544	519
Water purchase charges	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	225	242
<b>Total expenses from continuing operations</b>	<b>1,817</b>	<b>1,773</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>65</b>	<b>(251)</b>
Grants and contributions provided for capital purposes	256	294
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>321</b>	<b>43</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>321</b>	<b>43</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(20)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>302</b>	<b>43</b>
<b>Plus opening retained profits</b>	19,165	19,122
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	20	–
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>19,485</b>	<b>19,165</b>
<b>Return on capital %</b>	<b>0.6%</b>	<b>-0.9%</b>
<b>Subsidy from Council</b>	<b>306</b>	<b>850</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	302	43
Less: capital grants and contributions (excluding developer contributions)	(167)	(252)
<b>Surplus for dividend calculation purposes</b>	<b>135</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>67</b>	<b>–</b>

## Upper Lachlan Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	1,066	1,034
User charges	250	233
Liquid trade waste charges	–	–
Fees	–	–
Interest	96	107
Grants and contributions provided for non-capital purposes	17	18
Profit from the sale of assets	–	–
Other income	–	2
<b>Total income from continuing operations</b>	<b>1,429</b>	<b>1,394</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	319	325
Borrowing costs	24	27
Materials and contracts	280	302
Depreciation and impairment	480	467
Loss on sale of assets	–	7
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	132	145
<b>Total expenses from continuing operations</b>	<b>1,235</b>	<b>1,273</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>194</b>	<b>121</b>
Grants and contributions provided for capital purposes	46	35
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>240</b>	<b>156</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>240</b>	<b>156</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(58)	(36)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>182</b>	<b>120</b>
<b>Plus opening retained profits</b>	<b>14,362</b>	<b>14,206</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	58	36
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>14,602</b>	<b>14,362</b>
<b>Return on capital %</b>	<b>1.6%</b>	<b>1.1%</b>
<b>Subsidy from Council</b>	<b>54</b>	<b>258</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	182	120
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>182</b>	<b>120</b>
<b>Potential dividend calculated from surplus</b>	<b>91</b>	<b>60</b>



## Upper Lachlan Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Domestic Waste  
Management

## Category 2

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	963	922
User charges	1	1
Fees	–	–
Interest	48	47
Grants and contributions provided for non-capital purposes	27	28
Profit from the sale of assets	–	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>1,039</b>	<b>998</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	166	164
Borrowing costs	6	9
Materials and contracts	557	422
Depreciation and impairment	97	94
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	1	1
<b>Total expenses from continuing operations</b>	<b>827</b>	<b>690</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>212</b>	<b>308</b>
Grants and contributions provided for capital purposes	27	16
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>239</b>	<b>324</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>239</b>	<b>324</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(64)	(92)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>175</b>	<b>232</b>
<b>Plus opening retained profits</b>	2,290	1,966
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	64	92
<b>Add:</b>		
– Subsidy paid/contribution to operations	–	–
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	–	–
<b>Closing retained profits</b>	<b>2,529</b>	<b>2,290</b>
<b>Return on capital %</b>	<b>27.5%</b>	<b>35.7%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>

## Upper Lachlan Shire Council

## Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	2,325	1,705
Receivables	60	52
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>2,385</b>	<b>1,757</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	14	8
Inventories	–	–
Infrastructure, property, plant and equipment	21,561	21,908
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>21,575</b>	<b>21,916</b>
<b>TOTAL ASSETS</b>	<b>23,960</b>	<b>23,673</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	17	18
Borrowings	60	56
Provisions	142	123
<b>Total current liabilities</b>	<b>219</b>	<b>197</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	764	824
Provisions	–	–
<b>Total non-current liabilities</b>	<b>764</b>	<b>824</b>
<b>TOTAL LIABILITIES</b>	<b>983</b>	<b>1,021</b>
<b>NET ASSETS</b>	<b>22,977</b>	<b>22,652</b>
<b>EQUITY</b>		
Retained earnings	19,485	19,165
Revaluation reserves	3,492	3,487
Council equity interest	22,977	22,652
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>22,977</b>	<b>22,652</b>

## Upper Lachlan Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	3,362	3,235
Receivables	49	52
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>3,411</b>	<b>3,287</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	2	1
Inventories	–	–
Infrastructure, property, plant and equipment	13,650	13,443
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>13,652</b>	<b>13,444</b>
<b>TOTAL ASSETS</b>	<b>17,063</b>	<b>16,731</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	6	7
Borrowings	34	31
Provisions	129	114
<b>Total current liabilities</b>	<b>169</b>	<b>152</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	301	334
Provisions	–	–
<b>Total non-current liabilities</b>	<b>301</b>	<b>334</b>
<b>TOTAL LIABILITIES</b>	<b>470</b>	<b>486</b>
<b>NET ASSETS</b>	<b>16,593</b>	<b>16,245</b>
<b>EQUITY</b>		
Retained earnings	14,602	14,362
Revaluation reserves	1,991	1,883
Council equity interest	16,593	16,245
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>16,593</b>	<b>16,245</b>

## Upper Lachlan Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Domestic Waste Management Category 2	
	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	1,639	1,360
Receivables	56	40
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>1,695</b>	<b>1,400</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	1	1
Inventories	–	–
Infrastructure, property, plant and equipment	792	889
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
<b>Total non-current assets</b>	<b>793</b>	<b>890</b>
<b>TOTAL ASSETS</b>	<b>2,488</b>	<b>2,290</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Borrowings	39	52
Provisions	56	45
<b>Total current liabilities</b>	<b>95</b>	<b>97</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	39
Provisions	–	–
Other Liabilities	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>39</b>
<b>TOTAL LIABILITIES</b>	<b>95</b>	<b>136</b>
<b>NET ASSETS</b>	<b>2,393</b>	<b>2,154</b>
<b>EQUITY</b>		
Retained earnings	2,529	2,290
Revaluation reserves	(136)	(136)
Council equity interest	2,393	2,154
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>2,393</b>	<b>2,154</b>

## Upper Lachlan Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

## Upper Lachlan Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to 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 government policy statement, *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 standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

**Council has no Category 1 businesses.**

##### Category 2

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

##### a. Water Supply

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

##### b. Sewerage Services

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

##### c. Domestic Waste Management

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

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

## Upper Lachlan Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While 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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

## Upper Lachlan Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

##### (ii) Subsidies

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

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

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

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

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

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

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

The rate of return on capital is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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

##### (iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.



## Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,036
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	67,250
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	60,360
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	89,700

2016 Surplus	134,500	2015 Surplus	(209,000)	2014 Surplus	164,200
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	60,360
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,905
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	53.65%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	21,541
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,215
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	239
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.68%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	167

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,277
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	90,900
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	52,770
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	552,900

2016 Surplus	181,800	2015 Surplus	119,700	2014 Surplus	251,400
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	52,770
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,379
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	13,590
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	728
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	349
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.25%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

---

**National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)**

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	3,284
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.10%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	588
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.90%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-11.44%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <span style="border: 1px solid black; padding: 2px;">317</span> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: <span style="border: 1px solid black; padding: 2px;">- 80</span> Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	394
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	36

- Notes:
- References to w (e.g. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

**INDEPENDENT AUDITOR'S REPORT  
ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF  
UPPER LACHLAN SHIRE COUNCIL**

**Report on the Financial Statements**

We have audited the special purpose financial statements of Upper Lachlan Shire Council (Council) for the year ended 30 June 2016, comprising the Statement by Councillors and Management, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

**Council's Responsibility for the Financial Statements**

The Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

## **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the special purpose financial statements of Upper Lachlan Shire Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

## **Audit Opinion**

In our opinion, the special purpose financial statements of Upper Lachlan Shire Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the *Local Government Act 1993* (NSW) and the Local Government Code of Accounting Practice and Financial Reporting.

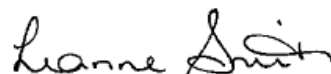
## **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.



**intentus**

291 Stewart Street  
Bathurst  
Dated: 7 October 2016



**LR Smith**  
**Director**

# Upper Lachlan Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

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**Council's Mission - To provide services and facilities to enhance the quality of life and economic viability within the Council area.**





# Upper Lachlan Shire Council

## Special Schedules

for the year ended 30 June 2016

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Upper Lachlan Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>697</b>	<b>6</b>	<b>–</b>	<b>(691)</b>
<b>Administration</b>	<b>2,702</b>	<b>724</b>	<b>2</b>	<b>(1,976)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	639	237	–	(402)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	111	5	–	(106)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>750</b>	<b>242</b>	<b>–</b>	<b>(508)</b>
<b>Health</b>	<b>205</b>	<b>64</b>	<b>–</b>	<b>(141)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	372	133	–	(239)
Other environmental protection	70	–	–	(70)
Solid waste management	1,140	1,659	207	726
Street cleaning	77	–	–	(77)
Drainage	–	–	–	–
Stormwater management	23	45	–	22
<b>Total environment</b>	<b>1,682</b>	<b>1,837</b>	<b>207</b>	<b>362</b>
<b>Community services and education</b>				
Administration and education	122	9	25	(88)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	14	–	–	(14)
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>136</b>	<b>9</b>	<b>25</b>	<b>(102)</b>
<b>Housing and community amenities</b>				
Public cemeteries	114	81	–	(33)
Public conveniences	187	–	–	(187)
Street lighting	77	27	–	(50)
Town planning	685	274	623	212
Other community amenities	31	12	–	(19)
<b>Total housing and community amenities</b>	<b>1,094</b>	<b>394</b>	<b>623</b>	<b>(77)</b>
<b>Water supplies</b>	<b>1,804</b>	<b>1,869</b>	<b>256</b>	<b>321</b>
<b>Sewerage services</b>	<b>1,214</b>	<b>1,410</b>	<b>46</b>	<b>242</b>

## Upper Lachlan Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	370	53	–	(317)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	272	7	–	(265)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	299	28	–	(271)
Swimming pools	214	29	15	(170)
Parks and gardens (lakes)	351	–	104	(247)
Other sport and recreation	1	–	–	(1)
<b>Total recreation and culture</b>	<b>1,507</b>	<b>117</b>	<b>119</b>	<b>(1,271)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	224	131	–	(93)
Other mining, manufacturing and construction	1,126	1,189	–	63
<b>Total mining, manufacturing and const.</b>	<b>1,350</b>	<b>1,320</b>	<b>–</b>	<b>(30)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	538	–	–	(538)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,376	–	–	(1,376)
Sealed rural roads (SRR) – regional	1,059	1,596	194	731
Unsealed rural roads (URR) – local	2,632	2,400	156	(76)
Unsealed rural roads (URR) – regional	232	–	–	(232)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	326	–	–	(326)
Bridges on regional roads	186	–	–	(186)
Parking areas	–	–	–	–
Footpaths	40	–	–	(40)
Aerodromes	2	–	–	(2)
TV transmission tower	–	–	267	267
<b>Total transport and communication</b>	<b>6,391</b>	<b>3,996</b>	<b>617</b>	<b>(1,778)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	44	46	–	2
Other economic affairs	5,867	6,021	–	154
<b>Total economic affairs</b>	<b>5,911</b>	<b>6,067</b>	<b>–</b>	<b>156</b>
<b>Totals – functions</b>	<b>25,443</b>	<b>18,055</b>	<b>1,895</b>	<b>(5,493)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>11,213</b>		<b>11,213</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>25,443</b>	<b>29,268</b>	<b>1,895</b>	<b>5,720</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Upper Lachlan Shire Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–							–	–
Treasury corporation	–	–	–							–	–
Other state government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	238	2,347	<b>2,585</b>	–	238	–	–	193	240	2,107	<b>2,347</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>238</b>	<b>2,347</b>	<b>2,585</b>	<b>–</b>	<b>238</b>	<b>–</b>	<b>–</b>	<b>193</b>	<b>240</b>	<b>2,107</b>	<b>2,347</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>238</b>	<b>2,347</b>	<b>2,585</b>	<b>–</b>	<b>238</b>	<b>–</b>	<b>–</b>	<b>193</b>	<b>240</b>	<b>2,107</b>	<b>2,347</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Upper Lachlan Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	157	132
b. Engineering and supervision	151	134
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	23	17
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	131	167
d. Maintenance expenses	18	27
– <b>Reservoirs</b>		
e. Operation expenses	19	26
f. Maintenance expenses	5	3
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	118	97
h. Energy costs	124	144
i. Maintenance expenses	26	26
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	249	233
k. Chemical costs	82	57
l. Maintenance expenses	39	24
– <b>Other</b>		
m. Operation expenses	33	24
n. Maintenance expenses	40	41
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	544	519
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	58	63
b. Revaluation decrements	–	–
c. Other expenses	–	39
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,817</b>	<b>1,773</b>

## Upper Lachlan Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	832	785
b. Usage charges	963	653
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	–	–
<b>8. Extra charges</b>	–	3
<b>9. Interest income</b>	66	54
<b>10. Other income</b>	2	8
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	167	252
b. Grants for pensioner rebates	19	19
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	89	42
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>2,138</b>	<b>1,816</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>321</b>	<b>43</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	154	(209)

## Upper Lachlan Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	142	163
c. Renewals	97	220
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	56	52
<b>18. Totals</b>	<b>295</b>	<b>435</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,693	1,669
b. Residential (unoccupied, ie. vacant lot)	79	79
c. Non-residential (occupied)	200	198
d. Non-residential (unoccupied, ie. vacant lot)	40	40
<b>23. Number of ETs for which developer charges were received</b>	24 ET	11 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 34,000	\$ 34,000

## Upper Lachlan Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	245	–	245
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,080	–	2,080
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	49	1	50
c. User charges	11	12	23
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	21,541	21,541
b. Plant and equipment	–	21	21
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>2,385</b>	<b>21,575</b>	<b>23,960</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	17	–	17
<b>33. Borrowings</b>	60	764	824
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	142	–	142
<b>35. Total liabilities</b>	<b>219</b>	<b>764</b>	<b>983</b>
<b>36. NET ASSETS COMMITTED</b>	<b>2,166</b>	<b>20,811</b>	<b>22,977</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			19,483
<b>38. Asset revaluation reserve</b>			3,494
<b>39. TOTAL EQUITY</b>			<b>22,977</b>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			35,856
<b>41. Accumulated current cost</b> depreciation of system assets			(14,315)
<b>42. Written down current cost</b> of system assets			21,541



## Upper Lachlan Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	130	107
b. Engineering and supervision	129	123
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	17	28
b. Maintenance expenses	7	20
– Pumping stations		
c. Operation expenses (excluding energy costs)	44	39
d. Energy costs	65	77
e. Maintenance expenses	14	13
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	193	187
g. Chemical costs	22	11
h. Energy costs	9	11
i. Effluent management	18	13
j. Biosolids management	–	–
k. Maintenance expenses	76	89
– Other		
l. Operation expenses	4	7
m. Maintenance expenses	–	4
<b>3. Depreciation expenses</b>		
a. System assets	480	467
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	24	27
b. Revaluation decrements	–	–
c. Other expenses	3	43
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,235</b>	<b>1,266</b>

## Upper Lachlan Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,066	1,034
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	250	233
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	4
<b>10. Interest income</b>	96	103
<b>11. Other income</b>	–	2
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	17	18
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	46	35
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>1,475</u>	<u>1,429</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	(7)
<b>16. Operating result</b>	<u>240</u>	<u>156</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	240	156

## Upper Lachlan Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	349	240
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	31	29
<b>19. Totals</b>	<b>380</b>	<b>269</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,355	1,338
b. Residential (unoccupied, ie. vacant lot)	169	174
c. Non-residential (occupied)	196	197
d. Non-residential (unoccupied, ie. vacant lot)	39	38
<b>24. Number of ETs for which developer charges were received</b>	12 ET	9 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 31,000	\$ 31,000

## Upper Lachlan Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	201	–	201
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,161	–	3,161
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	49	2	51
c. User charges	–	–	–
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	13,590	13,590
b. Plant and equipment	–	60	60
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>3,411</b>	<b>13,652</b>	<b>17,063</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	6	–	6
<b>34. Borrowings</b>	34	301	335
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	129	–	129
<b>36. Total liabilities</b>	<b>169</b>	<b>301</b>	<b>470</b>
<b>37. NET ASSETS COMMITTED</b>	<b>3,242</b>	<b>13,351</b>	<b>16,593</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			14,603
<b>39. Asset revaluation reserve</b>			1,990
<b>40. TOTAL EQUITY</b>			<b>16,593</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			23,694
<b>42. Accumulated current cost</b> depreciation of system assets			(10,104)
<b>43. Written down current cost</b> of system assets			13,590

## Upper Lachlan Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Upper Lachlan Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	32	32	45	16	1,859	3,958	0%	76%	12%	11%	1%
	Buildings – specialised	801	801	310	213	20,361	39,749	15%	36%	33%	12%	4%
	<b>Sub-total</b>	<b>833</b>	<b>833</b>	<b>355</b>	<b>229</b>	<b>22,220</b>	<b>43,707</b>	<b>13.6%</b>	<b>39.6%</b>	<b>31.1%</b>	<b>11.9%</b>	<b>3.7%</b>
<b>Other structures</b>	Other structures	392	392	96	60	2,618	5,360	30%	24%	14%	19%	13%
	<b>Sub-total</b>	<b>392</b>	<b>392</b>	<b>96</b>	<b>60</b>	<b>2,618</b>	<b>5,360</b>	<b>30.0%</b>	<b>24.0%</b>	<b>14.0%</b>	<b>19.0%</b>	<b>13.0%</b>
<b>Roads</b>	Sealed roads	819	819	1,416	1,448	47,488	71,458	26%	29%	25%	16%	5%
	Unsealed roads	–	–	1,390	2,135	20,926	38,123	14%	15%	51%	18%	2%
	Bridges	401	401	184	32	25,096	47,035	4%	40%	45%	8%	3%
	Footpaths	–	–	14	18	1,310	1,812	14%	45%	26%	15%	0%
	Kerb & Gutter	–	–	30	1	2,730	3,861	2%	64%	19%	15%	0%
	<b>Sub-total</b>	<b>1,220</b>	<b>1,220</b>	<b>3,034</b>	<b>3,634</b>	<b>97,550</b>	<b>162,289</b>	<b>16.1%</b>	<b>29.7%</b>	<b>36.6%</b>	<b>14.1%</b>	<b>3.5%</b>

## Upper Lachlan Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network		–	463	426	20,906	34,486	72%	16%	11%	1%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>463</b>	<b>426</b>	<b>20,906</b>	<b>34,486</b>	<b>71.9%</b>	<b>16.0%</b>	<b>10.7%</b>	<b>1.4%</b>	<b>0.0%</b>
Sewerage network	Sewerage network	–	–	349	224	12,738	22,613	56%	22%	18%	4%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>349</b>	<b>224</b>	<b>12,738</b>	<b>22,613</b>	<b>56.4%</b>	<b>21.8%</b>	<b>17.6%</b>	<b>4.2%</b>	<b>0.0%</b>
Stormwater drainage	Stormwater drainage	–	–	16	–	1,405	2,494	13%	36%	29%	22%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>16</b>	<b>–</b>	<b>1,405</b>	<b>2,494</b>	<b>13.0%</b>	<b>36.0%</b>	<b>29.0%</b>	<b>22.0%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>2,445</b>	<b>2,445</b>	<b>4,313</b>	<b>4,573</b>	<b>157,437</b>	<b>270,949</b>	<b>26.4%</b>	<b>28.8%</b>	<b>30.3%</b>	<b>11.5%</b>	<b>3.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Upper Lachlan Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>6,669</u>	<b>148.04%</b>	122.19%	105.29%
Depreciation, amortisation and impairment	<u>4,505</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>2,445</u>	<b>1.55%</b>	1.98%	5.11%
Carrying value of infrastructure assets	<u>157,566</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>4,573</u>	<b>1.06</b>	1.06	0.90
Required asset maintenance	<u>4,313</u>			

## Notes

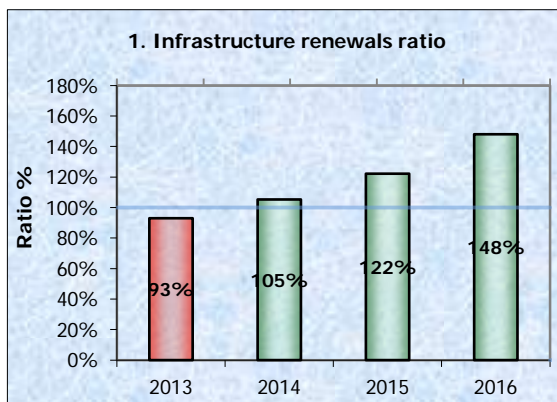
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

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



# Upper Lachlan Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



### Purpose of asset renewals ratio

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

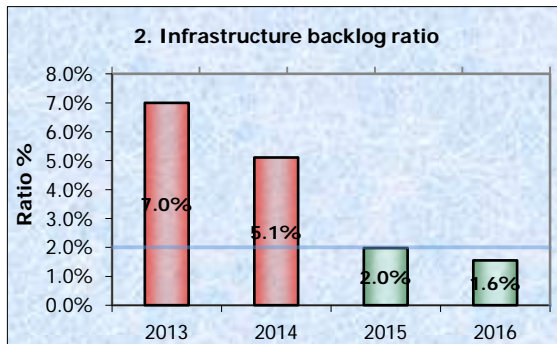
### Commentary on 2015/16 result

**2015/16 Ratio 148.04%**

Council has exceeded the Building and Infrastructure Renewals Ratio benchmark of 100% in 2015/2016. This shows a commitment to maintain existing assets and also demonstrates a strategy to maintain financial sustainability by showing restraint in not making excessive or unaffordable upgrades to existing assets.

Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

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

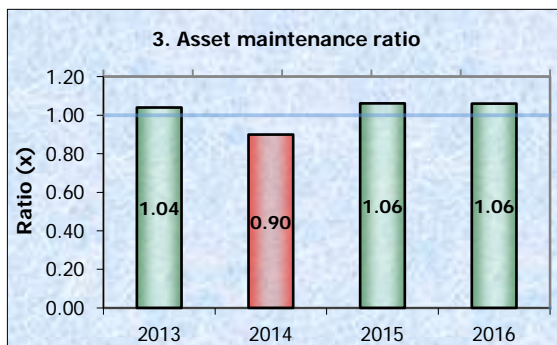
### Commentary on 2015/16 result

**2015/16 Ratio 1.55%**

The infrastructure backlog ratio 1.55% meets the benchmark of a maximum 2% infrastructure backlog.

Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of 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 2015/16 result

**2015/16 Ratio 1.06 x**

Council's asset maintenance ratio for 2015/2016 meets the benchmark rate of 1.0.

Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

## Upper Lachlan Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>45.16%</b>	<b>76.20%</b>	<b>172.78%</b>
Depreciation, amortisation and impairment			
prior period:	75.55%	59.19%	138.75%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>0.00%</b>	<b>0.00%</b>	<b>1.97%</b>
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	2.52%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>0.92</b>	<b>0.64</b>	<b>1.12</b>
Required asset maintenance			
prior period:	1.03	0.95	1.07

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Upper Lachlan Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	6,364	6,551
Plus or minus adjustments <sup>(2)</sup>	b	33	64
<b>Notional general income</b>	c = (a + b)	<b>6,397</b>	<b>6,615</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	154	119
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,551</b>	<b>6,734</b>
Plus (or minus) last year's carry forward total	l	3	3
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>3</b>	<b>3</b>
<b>Total permissible income</b>	o = k + n	<b>6,554</b>	<b>6,737</b>
Less notional general income yield	p	6,551	6,734
<b>Catch-up or (excess) result</b>	q = o – p	<b>3</b>	<b>3</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	(3)
<b>Carry forward to next year</b>	t = q + r – s	<b>3</b>	<b>(0)</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*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

## Upper Lachlan Shire Council

### Special Schedule 8 – Independent Auditors Report for the year ended 30 June 2017

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#### **Report on Special Schedule 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule 8) of Upper Lachlan Shire Council for the year ending 30 June 2017.

#### **Responsibility of Council for Special Schedule 8**

The Council is responsible for the preparation and fair presentation of Special Schedule 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on Special Schedule 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

**Audit opinion**

In our opinion, Special Schedule 8 of Upper Lachlan Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

FIRM NAME

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Partner Name here...

**Partner**

**Dated at Sydney this XXth day of XXXXXXXX, 2015**

**AUDITOR'S REPORT  
PERMISSIBLE GENERAL INCOME (SPECIAL SCHEDULE No. 8)  
OF UPPER LACHLAN SHIRE COUNCIL**

**Scope**

We have audited the special purpose financial report comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Upper Lachlan Shire Council for the 2016-'17 financial year.

**Responsibility of Council for Special Schedule No. 8**

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor**

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion**

In our opinion, the reconciliation of Council's total permissible general income (Special Schedule 8) which shows a carry forward catch up total for 2016-'17 of **three thousand one hundred and twenty three dollars (\$3,123)** is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

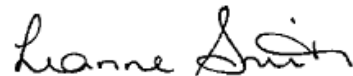
## **Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to the fact that Special Schedule 8 - the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the financial report may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the financial report was prepared.



**intentus**

291 Stewart Street  
Bathurst  
Dated: 7 October 2016



**LR Smith**  
**Director**