



# Upper Lachlan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2017





# Upper Lachlan Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2017

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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 21 September 2017. 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 2017

#### 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 2017.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

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

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

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

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

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

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

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

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

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

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

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

##### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

##### Who uses the financial statements?

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

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

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

## Upper Lachlan Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2017

### 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 21 September 2017.**



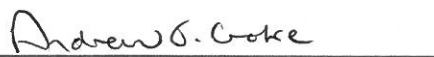
Brian McCormack OAM

Mayor



John Stafford

Councillor



Andrew Croke

Acting General Manager



Bruce Johnston

Responsible accounting officer

## Upper Lachlan Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup>			Actual	Actual
2017	\$ '000	Notes	2017	2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
10,124	Rates and annual charges	3a	9,933	9,680
8,506	User charges and fees	3b	8,312	9,039
603	Interest and investment revenue	3c	731	719
513	Other revenues	3d	540	892
9,390	Grants and contributions provided for operating purposes	3e,f	11,375	8,919
6,396	Grants and contributions provided for capital purposes	3e,f	6,547	1,895
<b>Other income:</b>				
47	Net gains from the disposal of assets	5	133	19
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>35,579</b>	<b>Total income from continuing operations</b>		<b>37,571</b>	<b>31,163</b>
<b>Expenses from continuing operations</b>				
10,351	Employee benefits and on-costs	4a	10,032	9,624
207	Borrowing costs	4b	194	206
7,776	Materials and contracts	4c	7,123	7,226
5,751	Depreciation and amortisation	4d	5,793	5,922
–	Impairment	4d	–	–
2,843	Other expenses	4e	2,661	2,465
154	Net losses from the disposal of assets	5	–	–
<b>27,082</b>	<b>Total expenses from continuing operations</b>		<b>25,803</b>	<b>25,443</b>
<b>8,497</b>	<b>Operating result from continuing operations</b>		<b>11,768</b>	<b>5,720</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>8,497</b>	<b>Net operating result for the year</b>		<b>11,768</b>	<b>5,720</b>
8,497	Net operating result attributable to Council		11,768	5,720
–	Net operating result attributable to non-controlling interests		–	–
<b>2,101</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>5,221</b>	<b>3,825</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 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>11,768</b>	<b>5,720</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)	(500)	586
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(500)</b>	<b>586</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>(500)</b>	<b>586</b>
<b>Total comprehensive income for the year</b>		<b>11,268</b>	<b>6,306</b>
<b>Total comprehensive income attributable to Council</b>		<b>11,268</b>	<b>6,306</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 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	9,421	5,218
Investments	6b	20,900	20,100
Receivables	7	2,216	1,366
Inventories	8	1,019	771
Other	8	86	95
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>33,642</b>	<b>27,550</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	131	56
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	392,291	385,803
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>392,422</b>	<b>385,859</b>
<b>TOTAL ASSETS</b>		<b>426,064</b>	<b>413,409</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	3,374	1,837
Income received in advance	10	–	–
Borrowings	10	217	240
Provisions	10	4,130	4,060
<b>Total current liabilities</b>		<b>7,721</b>	<b>6,137</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	1,890	2,107
Provisions	10	817	797
<b>Total non-current liabilities</b>		<b>2,707</b>	<b>2,904</b>
<b>TOTAL LIABILITIES</b>		<b>10,428</b>	<b>9,041</b>
<b>Net assets</b>		<b>415,636</b>	<b>404,368</b>
<b>EQUITY</b>			
Retained earnings	20	290,573	278,805
Revaluation reserves	20	125,063	125,563
Other reserves	20	–	–
<b>Council equity interest</b>		<b>415,636</b>	<b>404,368</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>415,636</b>	<b>404,368</b>

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

## Upper Lachlan Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		278,805	125,563	–	<b>404,368</b>	–	<b>404,368</b>	273,085	124,977	–	<b>398,062</b>	–	<b>398,062</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>278,805</b>	<b>125,563</b>	<b>–</b>	<b>404,368</b>	<b>–</b>	<b>404,368</b>	<b>273,085</b>	<b>124,977</b>	<b>–</b>	<b>398,062</b>	<b>–</b>	<b>398,062</b>
<b>c. Net operating result for the year</b>		<b>11,768</b>	<b>–</b>	<b>–</b>	<b>11,768</b>	<b>–</b>	<b>11,768</b>	5,720	–	–	<b>5,720</b>	–	<b>5,720</b>
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(500)	–	<b>(500)</b>	–	<b>(500)</b>	–	586	–	<b>586</b>	–	<b>586</b>
– 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>(500)</b>	<b>–</b>	<b>(500)</b>	<b>–</b>	<b>(500)</b>	<b>–</b>	<b>586</b>	<b>–</b>	<b>586</b>	<b>–</b>	<b>586</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>11,768</b>	<b>(500)</b>	<b>–</b>	<b>11,268</b>	<b>–</b>	<b>11,268</b>	<b>5,720</b>	<b>586</b>	<b>–</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>290,573</b>	<b>125,063</b>	<b>–</b>	<b>415,636</b>	<b>–</b>	<b>415,636</b>	<b>278,805</b>	<b>125,563</b>	<b>–</b>	<b>404,368</b>	<b>–</b>	<b>404,368</b>



## Upper Lachlan Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
10,124	Rates and annual charges		9,832	9,662
8,506	User charges and fees		7,805	9,465
603	Investment and interest revenue received		717	645
15,786	Grants and contributions		17,922	10,814
–	Bonds, deposits and retention amounts received		–	19
513	Other		237	1,001
<b>Payments:</b>				
(10,137)	Employee benefits and on-costs		(9,984)	(9,647)
(7,585)	Materials and contracts		(5,830)	(6,598)
(177)	Borrowing costs		(174)	(193)
–	Bonds, deposits and retention amounts refunded		(23)	–
(2,891)	Other		(2,611)	(2,386)
<b>14,742</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>17,891</b>	<b>12,782</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		20,000	15,700
–	Sale of infrastructure, property, plant and equipment		428	185
<b>Payments:</b>				
–	Purchase of investment securities		(20,800)	(20,100)
(14,564)	Purchase of infrastructure, property, plant and equipment		(13,076)	(8,169)
<b>(14,564)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(13,448)</b>	<b>(12,384)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(255)	Repayment of borrowings and advances		(240)	(238)
<b>(255)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(240)</b>	<b>(238)</b>
<b>(77)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,203</b>	<b>160</b>
5,218	Plus: cash and cash equivalents – beginning of year	11a	5,218	5,058
<b>5,141</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>9,421</b>	<b>5,218</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	20,900	20,100
<b>Total cash, cash equivalents and investments</b>			<b>30,321</b>	<b>25,318</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 2017

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n/a – not applicable

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

During the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

This included the first time application during the year of AASB 124 Related Party Disclosures. As a result Council has disclosed information about related parties and transactions with those related parties. This information is presented in Note 28.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] was adopted however this standard has not had any impact on Council.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies, financial position, financial performance or cash flows.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes.

##### (ii) Early adoption of standards

Council did not early adopt any accounting standards.

##### (iii) Historical cost convention

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

##### (iv) Significant accounting estimates and judgements

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

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

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

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Estimated fair values of infrastructure, property, plant and equipment,
- (ii) Estimated remediation provisions.

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

No significant judgements were made by Council in applying its accounting policies.

##### (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 the Council and specific criteria have been met for each of the Council's activities as described below.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

Council bases its 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:

##### **(i) Rates, annual charges, grants and contributions**

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

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.

Control over granted assets/contributed 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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

##### **(ii) User charges and fees**

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

##### **(iii) 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.

##### **(iv) Interest**

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

##### **(v) Rent**

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

##### **(vi) Dividend income**

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

##### **(vii) 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 Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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
- Pye Cottage Committee
- Tony Foley Memorial Gunning District Community Centre Committee

#### (ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Joint operations

Council has no interest in any joint operations.

##### Joint ventures/associates

Council has no interest in any joint ventures/associates

##### (d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

##### (e) Impairment of assets

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

#### (f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### (g) Inventories

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

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

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

Council does not hold any inventory held for distribution.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

###### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less

than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

##### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

##### **Subsequent measurement**

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

##### (i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the

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

The amount of the impairment loss is 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. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

##### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

##### (j) 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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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.

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets

##### Internally valued:

- Water and sewerage networks

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

#### Capitalisation thresholds

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

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

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

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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##### Water Supply and Sewerage Assets

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

- Bridge: Timber	40 to 100 years
- Kerb and Gutter	80 years
- Footpaths	80 years

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##### Stormwater Assets

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

##### Transport Assets

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

- Bridge construction and reconstruction	> \$5,000
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- Footpaths	> \$5,000
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##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant and Equipment

- 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

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##### Other Structures

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

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##### Buildings

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

- Drains	100 years
- Culverts	100 years

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

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

#### (I) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### (m) Payables

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

##### (n) Borrowings

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

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

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

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

##### (o) Borrowing costs

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

##### (p) Provisions

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

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

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

##### (q) Employee benefits

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

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

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

###### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

#### (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.

The present value of the defined benefit obligation is based on expected future payments that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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 by Mr Richard Boyfield, FIAA, on 2 December 2016, relating to the period ending 30 June 2016.

The financial position is monitored annually and the Actuary has estimated that as at 30 June 2017 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 2017 was \$ 461,275. This included 28 Council employee members of the LGSS Pool B.

Additional contributions will remain in place until 30 June 2020 and will total estimated at \$200,000 per annum for Council. The share of the deficit that can be broadly attributed to Council is 0.49%. The expected contributions to the scheme by Council for the next annual reporting period is \$410,721.

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.



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### **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.

##### **(r) Land under roads**

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

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

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

##### **(s) Self-insurance**

Council does not self-insure.

##### **(t) Intangible assets**

Council has not classified any assets as intangible.

##### **(u) 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.

##### **(v) 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.

##### **(w) Goods and Services Tax (GST)**

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

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

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### **(x) New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

##### **Effective for annual reporting periods beginning on or after 1 January 2017**

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*

AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

##### **Effective for annual reporting periods beginning on or after 13 February 2017**

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

##### **Effective for annual reporting periods beginning on or after 13 December 2017**

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

##### **Effective for annual reporting periods beginning on or after 1 January 2018**

AASB 9 *Financial Instruments (December 2009)*

AASB 15 *Revenue from Contracts with Customers*

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*  
AASB 1057 *Application of Australian Accounting Standards*

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

##### **Effective for annual reporting periods beginning on or after 1 January 2019**

AASB 16 *Leases*

AASB 16 *Leases (Appendix D)*

AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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##### **(y) Rounding of amounts**

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

##### **(z) 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.

##### **(aa) Disclaimer**

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

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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 and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	2	69	6	841	886	697	(839)	(817)	(691)	–	–	–	–
Administration	556	612	726	3,559	2,261	2,702	(3,003)	(1,649)	(1,976)	82	–	35,318	24,328
Public order and safety	257	292	242	622	835	750	(365)	(543)	(508)	275	247	5,462	5,519
Health	63	57	64	229	208	205	(166)	(151)	(141)	–	–	983	997
Environment	2,008	1,883	2,044	1,936	1,696	1,682	72	187	362	212	394	4,536	2,207
Community services and education	9	16	34	130	125	136	(121)	(109)	(102)	–	1	1,011	10,041
Housing and community amenities	772	995	1,017	1,248	999	1,094	(476)	(4)	(77)	644	–	4,051	4,742
Water supplies	6,031	6,330	2,125	1,659	1,751	1,804	4,372	4,579	321	4,436	186	25,889	23,963
Sewerage services	1,479	1,468	1,456	1,281	1,220	1,214	198	248	242	34	17	19,083	17,063
Recreation and culture	228	411	236	1,642	1,698	1,507	(1,414)	(1,287)	(1,271)	318	199	16,005	7,026
Mining, manufacturing and construction	1,140	939	1,320	1,261	863	1,350	(121)	76	(30)	–	–	818	1,078
Transport and communication	11,343	5,097	4,613	6,381	7,325	6,391	4,962	(2,228)	(1,778)	3,729	4,372	312,641	316,197
Economic affairs	538	5,677	6,067	6,293	5,936	5,911	(5,755)	(259)	156	–	–	267	248
<b>Total functions and activities</b>	<b>24,426</b>	<b>23,846</b>	<b>19,950</b>	<b>27,082</b>	<b>25,803</b>	<b>25,443</b>	<b>(2,656)</b>	<b>(1,957)</b>	<b>(5,493)</b>	<b>9,730</b>	<b>5,416</b>	<b>426,064</b>	<b>413,409</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	11,153	13,725	11,213	–	–	–	11,153	13,725	11,213	6,518	4,246	–	–
<b>Operating result from continuing operations</b>	<b>35,579</b>	<b>37,571</b>	<b>31,163</b>	<b>27,082</b>	<b>25,803</b>	<b>25,443</b>	<b>8,497</b>	<b>11,768</b>	<b>5,720</b>	<b>16,248</b>	<b>9,662</b>	<b>426,064</b>	<b>413,409</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 2017

#### 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:**

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Upper Lachlan Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,481	1,405
Farmland		4,719	4,626
Mining		3	3
Business		285	250
<b>Total ordinary rates</b>		<b>6,488</b>	<b>6,284</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		997	964
Stormwater management services		45	45
Water supply services		818	830
Sewerage services		1,072	1,062
Waste management services (non-domestic)		513	495
<b>Total annual charges</b>		<b>3,445</b>	<b>3,396</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>9,933</b>	<b>9,680</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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<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		992	940
Sewerage services		250	249
Waste management services (non-domestic)		131	115
<b>Total user charges</b>		<b>1,374</b>	<b>1,305</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Dwelling entitlement searches		15	16
Premises inspections		1	16
Private works – section 67		82	93
Section 149 certificates (EPA Act)		35	36
Section 603 certificates		30	31
Town planning / building		244	297
<b>Total fees and charges – statutory/regulatory</b>		<b>407</b>	<b>489</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park		58	49
Cemeteries		100	81
Fire and emergency services levy (FESL) implementation		50	–
Public halls		9	10
Quarry revenues		826	1,237
RMS (formerly RTA) charges (state roads not controlled by Council)		5,396	5,765
Sporting grounds		31	28
Swimming pools		33	29
Truck wash facility		8	9
Water connection fees		9	13
Water meter readings		6	7
Other		5	17
<b>Total fees and charges – other</b>		<b>6,531</b>	<b>7,245</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>8,312</b>	<b>9,039</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		34	25
– Interest earned on investments (interest and coupon payment income)		697	694
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>731</b>	<b>719</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		34	16
General Council cash and investments		418	420
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		90	73
– Section 64		15	13
Water fund operations		48	60
Sewerage fund operations		85	89
Domestic waste management operations		41	48
<b>Total interest and investment revenue recognised</b>		<b>731</b>	<b>719</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		75	63
Ex gratia rates		29	29
Fines		–	1
Other charges for overdue rates and charges (legal fees)		3	4
Advertising income – council newsletter		5	5
Australia post supplies / sales		29	20
Commissions and agency fees		142	141
Fuel tax credits		119	93
Internal charges		–	370
Miscellaneous / sundry sales		10	3
Southern phone		24	30
Tourist information bank transfer		–	32
Tourist information centre sales and membership fees		61	56
Sale of old/surplus material		9	–
Windfarm Community Enhancement Program administration fee		15	10
Other		19	35
<b>TOTAL OTHER REVENUE</b>		<b>540</b>	<b>892</b>



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	6,463	4,190	–	–
Pensioners' rates subsidies – general component	55	56	–	–
<b>Total general purpose</b>	<b>6,518</b>	<b>4,246</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	19	19	–	–
– Sewerage	17	17	–	–
– Domestic waste management	27	27	–	–
Water supplies	–	–	4,405	167
Bushfire services	257	247	–	–
Bushfire and emergency services	–	–	17	–
Community centres	–	–	–	25
Crookwell skate park	–	–	125	–
Environment	31	61	–	–
Footpaths	–	–	68	–
Gunning skate park	–	–	20	97
Heritage and cultural	15	17	–	–
Noxious weeds	117	126	–	–
Public libraries	52	45	34	–
Recreation and culture	–	–	7	15
Street lighting	27	27	–	–
Transport (roads to recovery)	1,753	2,399	–	–
Transport (other roads and bridges funding)	–	–	613	39
Transportation (3x3, block, repair, regional roads)	1,625	1,596	451	311
Youth week	1	1	–	–
Waste management centres	–	–	–	180
Other	–	–	49	–
<b>Total specific purpose</b>	<b>3,941</b>	<b>4,582</b>	<b>5,789</b>	<b>834</b>
<b>Total grants</b>	<b>10,459</b>	<b>8,828</b>	<b>5,789</b>	<b>834</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,216	6,590	19	54
– State funding	1,985	1,991	5,588	658
– Other funding	258	247	182	122
	<b>10,459</b>	<b>8,828</b>	<b>5,789</b>	<b>834</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 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	–	–	402	650
S 94A – fixed development consent levies	–	–	250	–
S 64 – water supply contributions	–	–	31	89
S 64 – sewerage service contributions	–	–	34	46
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>717</b>	<b>785</b>
<b>Other contributions:</b>				
Bushfire services	–	–	11	–
Gunning skate park (community contributions)	–	–	–	6
Natural disaster funding – roads	764	–	–	–
Other councils – joint works/services	–	–	6	–
Recreation and culture	1	–	2	2
Roads and bridges	–	–	–	1
Transferred employee leave entitlements	62	–	–	–
TV reception tower – federal funding	–	–	–	267
Vehicle leaseback contributions	84	82	–	–
Waste management centres	–	9	–	–
Crookwell skate park	–	–	22	–
Other	5	–	–	–
<b>Total other contributions</b>	<b>916</b>	<b>91</b>	<b>41</b>	<b>276</b>
<b>Total contributions</b>	<b>916</b>	<b>91</b>	<b>758</b>	<b>1,061</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>11,375</b>	<b>8,919</b>	<b>6,547</b>	<b>1,895</b>

\$ '000	Actual 2017	Actual 2016
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**(g) Unspent grants and contributions****Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	3,531	3,236
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	1,295	1,114
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(631)	(819)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>664</b>	<b>295</b>
<b>Unexpended and held as restricted assets</b>	<b>4,195</b>	<b>3,531</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	627	375
– Developer contributions	3,568	3,156
	<b>4,195</b>	<b>3,531</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		7,861	7,293
Travel expenses		194	279
Employee leave entitlements (ELE)		1,667	1,784
Superannuation		1,093	1,078
Workers' compensation insurance		127	138
Fringe benefit tax (FBT)		45	80
Training costs (other than salaries and wages)		120	65
Other		55	45
<b>Total employee costs</b>		<b>11,162</b>	<b>10,762</b>
Less: capitalised costs		(1,130)	(1,138)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>10,032</b>	<b>9,624</b>
Number of 'full-time equivalent' employees (FTE) at year end		136	132
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		174	193
<b>Total interest bearing liability costs expensed</b>		<b>174</b>	<b>193</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	20	13
<b>Total other borrowing costs</b>		<b>20</b>	<b>13</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>194</b>	<b>206</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		1,590	3,193
Contractor and consultancy costs			
– Contractors		5,179	3,764
– Consultancy services		230	104
Auditors remuneration <sup>(1)</sup>		71	42
Legal expenses:			
– Legal expenses: planning and development		12	86
– Legal expenses: other		17	22
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		24	15
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>7,123</b>	<b>7,226</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		42	–
<b>Remuneration for audit and other assurance services</b>		<b>42</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>42</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		0	30
– Audit of regulatory returns		8	3
– Due diligence services: internal audit: Grant Thornton		21	9
<b>Remuneration for audit and other assurance services</b>		<b>29</b>	<b>42</b>
<b>Total remuneration of other Council's Auditors</b>		<b>29</b>	<b>42</b>
<b>Total Auditor remuneration</b>		<b>71</b>	<b>42</b>
<b>2. Operating lease payments are attributable to:</b>			
Other		24	15
		<b>24</b>	<b>15</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		1,032	1,137
Office equipment		109	150
Furniture and fittings		10	11
Land improvements (depreciable)		28	30
Infrastructure:			
– Buildings – non-specialised		48	48
– Buildings – specialised		532	529
– Other structures		26	139
– Roads		2,278	2,277
– Bridges		481	482
– Footpaths		23	22
– Stormwater drainage		23	23
– Water supply network		522	527
– Sewerage network		461	458
– Swimming pools		19	–
– Other open space/recreational assets		100	–
Other assets			
– Other		57	57
Asset reinstatement costs	9 & 26	44	32
<b>Total depreciation and amortisation costs</b>		<b>5,793</b>	<b>5,922</b>
<b>Impairment</b>			
Nil			
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>5,793</b>	<b>5,922</b>



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		44	39
Australia post stock / supplies		27	17
Bad and doubtful debts		18	17
Bank charges		38	39
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		14	13
– NSW fire brigade levy		29	29
– NSW rural fire service levy		406	310
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		102	99
Councillors' expenses (incl. mayor) – other (excluding fees above)		59	45
Donations, contributions and assistance to other organisations (Section 356)		58	55
Election expenses		57	–
Electricity and heating		367	373
Fire and emergency services levy (FESL) (excluding employee costs)		12	–
Food premises inspections		–	6
Four villages flood risk management plan		–	52
Insurance		613	583
Postage		45	32
Printing and stationery		118	103
Street lighting		76	77
Subscriptions and publications		103	99
Tablelands Regional Community Strategic Plan		22	–
Telephone and communications		144	136
Tourism expenses (excluding employee costs)		15	16
Valuation fees		59	57
Water usage		165	143
Other		45	101
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,661</u></b>	<b><u>2,465</u></b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		66	–
Less: carrying amount of property assets sold/written off		(46)	–
<b>Net gain/(loss) on disposal</b>		<b>20</b>	<b>–</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		362	185
Less: carrying amount of plant and equipment assets sold/written off		(249)	(166)
<b>Net gain/(loss) on disposal</b>		<b>113</b>	<b>19</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		20,000	15,700
Less: carrying amount of financial assets sold/redeemed/matured		(20,000)	(15,700)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>133</b>	<b>19</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		921	–	718	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		1,800	–	700	–
– Short-term deposits		6,700	–	3,800	–
<b>Total cash and cash equivalents</b>		<b>9,421</b>	<b>–</b>	<b>5,218</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		20,900	–	20,100	–
<b>Total investments</b>		<b>20,900</b>	<b>–</b>	<b>20,100</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>30,321</b>	<b>–</b>	<b>25,318</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:**

<b>Cash and cash equivalents</b>					
a. 'At fair value through the profit and loss'		<u>9,421</u>	<u>–</u>	<u>5,218</u>	<u>–</u>
<b>Investments</b>					
a. 'Held to maturity'		<u>20,900</u>	<u>–</u>	<u>20,100</u>	<u>–</u>
<b>Investments</b>		<u>20,900</u>	<u>–</u>	<u>20,100</u>	<u>–</u>

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	30,321	–	25,318	–
<b>attributable to:</b>				
External restrictions (refer below)	11,617	–	10,513	–
Internal restrictions (refer below)	13,036	–	9,393	–
Unrestricted	5,668	–	5,412	–
	<b>30,321</b>	<b>–</b>	<b>25,318</b>	<b>–</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general	(A)	2,709	742	(160)	3,291
Developer contributions – water fund	(A)	246	36	(168)	114
Developer contributions – sewer fund	(A)	201	44	(82)	163
Specific purpose unexpended grants	(B)	375	17,922	(17,670)	627
Water supplies	(C)	2,079	–	(79)	2,000
Sewerage services	(C)	3,161	473	–	3,634
Domestic waste management	(C)	1,401	–	(66)	1,335
Stormwater management	(C)	191	45	–	236
Gullen Range wind farm community fund	(H)	64	–	–	64
Taralga wind farm community fund	(H)	86	29	–	115
Cullerin Range wind farm community fund	(H)	–	31	–	31
Trust fund		–	7	–	7
<b>External restrictions – other</b>		<b>10,513</b>	<b>19,329</b>	<b>(18,225)</b>	<b>11,617</b>
<b>Total external restrictions</b>		<b>10,513</b>	<b>19,329</b>	<b>(18,225)</b>	<b>11,617</b>

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

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

**C** 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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Employees leave entitlement	1,679	187	–	1,866
Carry over works	2,422	1,178	(413)	3,187
Deposits, retentions and bonds	210	5	(27)	188
Buildings and infrastructure improvements	1,988	196	–	2,184
Community projects	12	–	–	12
Council houses capital works	32	14	–	46
Cullerin Road – local road transfer funds	4	–	(4)	–
Financial Assistance Grant prepayment Q1 & Q2 17/18	–	2,198	–	2,198
Garbage / waste disposal	37	–	–	37
Gravel pit restoration	388	20	–	408
Information technology and equipment	276	128	(30)	374
Plant and equipment replacement	1,087	466	(396)	1,157
Public halls capital improvements	39	–	–	39
Rubbish tips remediation	408	–	–	408
Library cooperative	71	–	–	71
State Road works contingencies	708	121	–	829
Upper Lachlan Tourist Association	32	–	–	32
<b>Total internal restrictions</b>	<b>9,393</b>	<b>4,513</b>	<b>(870)</b>	<b>13,036</b>
<b>TOTAL RESTRICTIONS</b>	<b>19,906</b>	<b>23,842</b>	<b>(19,095)</b>	<b>24,653</b>



## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		296	36	217	14
Interest and extra charges		13	3	6	3
User charges and fees		1,411	92	957	39
Accrued revenues					
– Interest on investments		225	–	218	–
– Other income accruals		17	–	–	–
Net GST receivable		288	–	–	–
Other debtors		2	–	4	–
<b>Total</b>		<b>2,252</b>	<b>131</b>	<b>1,402</b>	<b>56</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>TOTAL NET RECEIVABLES</b>		<b>2,216</b>	<b>131</b>	<b>1,366</b>	<b>56</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		57	3	49	1
– Other		45	14	11	12
<b>Sewerage services</b>					
– Rates and availability charges		65	6	49	2
<b>Domestic waste management</b>		<b>67</b>	<b>4</b>	<b>56</b>	<b>1</b>
<b>Total external restrictions</b>		<b>234</b>	<b>27</b>	<b>165</b>	<b>16</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>1,982</b>	<b>104</b>	<b>1,201</b>	<b>40</b>
<b>TOTAL NET RECEIVABLES</b>		<b>2,216</b>	<b>131</b>	<b>1,366</b>	<b>56</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 8.00% (2016 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 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		298	–	184	–
Stores and materials – gravel		490	–	356	–
Trading stock – Australia post agency		22	–	18	–
Trading stock – tourist information centres		12	–	16	–
Loose tools		197	–	197	–
<b>Total inventories at cost</b>		<b>1,019</b>	<b>–</b>	<b>771</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>1,019</b>	<b>–</b>	<b>771</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		86	–	95	–
<b>TOTAL OTHER ASSETS</b>		<b>86</b>	<b>–</b>	<b>95</b>	<b>–</b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Other disclosures****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 2017

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

Asset class	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Plant and equipment	13,600	6,206	7,394	1,430	(249)	(1,032)	1	–	–	13,808	6,264	7,544
Office equipment	1,387	1,108	279	360	–	(109)	–	–	–	1,747	1,217	530
Furniture and fittings	205	122	83	–	–	(10)	(1)	–	–	205	133	72
<b>Land:</b>												
– Operational land	4,431	–	4,431	31	(46)	–	–	–	–	4,416	–	4,416
– Community land	3,231	–	3,231	–	–	–	–	–	–	3,231	–	3,231
Land improvements – depreciable	265	136	129	18	–	(28)	–	–	–	281	162	119
<b>Infrastructure:</b>												
– Buildings – non-specialised	3,958	2,099	1,859	18	–	(48)	–	–	–	3,976	2,147	1,829
– Buildings – specialised	39,749	19,388	20,361	188	–	(532)	2	–	–	39,938	19,919	20,019
– Other structures	5,360	2,742	2,618	6	–	(26)	(1,689)	–	–	1,455	546	909
– Roads	113,442	42,298	71,144	3,662	–	(2,278)	–	–	275	116,985	44,182	72,803
– Bridges	47,035	21,939	25,096	562	–	(481)	–	–	–	47,598	22,421	25,177
– Footpaths	1,812	502	1,310	205	–	(23)	–	–	–	2,017	525	1,492
– Bulk earthworks (non-depreciable)	211,611	–	211,611	669	–	–	(4)	–	–	212,276	–	212,276
– Stormwater drainage	2,494	1,089	1,405	63	–	(23)	–	–	–	2,557	1,112	1,445
– Water supply network	34,486	13,580	20,906	5,177	–	(522)	–	(2,585)	–	35,591	12,615	22,976
– Sewerage network	22,613	9,875	12,738	200	–	(461)	–	–	1,810	21,711	7,424	14,287
– Swimming pools	–	–	–	52	–	(19)	456	–	–	1,490	1,001	489
– Other open space/recreational assets	–	–	–	246	–	(100)	1,234	–	–	2,720	1,340	1,380
<b>Other assets:</b>												
– Other	913	391	522	8	–	(57)	(1)	–	–	921	449	472
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>												
– Tip assets	556	178	378	184	–	(34)	(1)	–	–	740	213	527
– Quarry assets	346	38	308	–	–	(10)	–	–	–	346	48	298
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>507,494</b>	<b>121,691</b>	<b>385,803</b>	<b>13,079</b>	<b>(295)</b>	<b>(5,793)</b>	<b>(3)</b>	<b>(2,585)</b>	<b>2,085</b>	<b>514,009</b>	<b>121,718</b>	<b>392,291</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.

Note: Swimming pools & Other open space/recreational assets transferred from Other structures in 2017

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
Plant and equipment	98	46	52	61	42	19
Office equipment	11	10	1	11	9	2
Land						
– Operational land	400	–	400	400	–	400
– Community land	7	–	7	7	–	7
Buildings	963	745	218	963	734	229
Infrastructure	35,591	12,615	22,976	34,486	13,582	20,904
<b>Total water supply</b>	<b>37,070</b>	<b>13,416</b>	<b>23,654</b>	<b>35,928</b>	<b>14,367</b>	<b>21,561</b>
<b>Sewerage services</b>						
Plant and equipment	150	63	87	113	54	59
Office equipment	2	2	–	2	1	1
Land						
– Operational land	143	–	143	143	–	143
– Community land	110	–	110	110	–	110
Buildings	828	240	588	828	229	599
Infrastructure	21,711	7,424	14,287	22,613	9,875	12,738
<b>Total sewerage services</b>	<b>22,944</b>	<b>7,729</b>	<b>15,215</b>	<b>23,809</b>	<b>10,159</b>	<b>13,650</b>
<b>Domestic waste management</b>						
Plant and equipment	1,242	342	900	1,091	452	639
Land						
– Operational land	80	–	80	80	–	80
– Improvements non-depreciable	59	27	32	–	–	–
Other assets	66	32	34	125	52	73
<b>Total DWM</b>	<b>1,447</b>	<b>401</b>	<b>1,046</b>	<b>1,296</b>	<b>504</b>	<b>792</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>61,461</b>	<b>21,546</b>	<b>39,915</b>	<b>61,033</b>	<b>25,030</b>	<b>36,003</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 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services		2,745	–	1,204	–
Accrued expenses:					
– Salaries and wages		199	–	221	–
– Other expenditure accruals		25	–	43	–
Security bonds, deposits and retentions		188	–	211	–
Community enhancement programs		210	–	150	–
Other		7	–	8	–
<b>Total payables</b>		<b>3,374</b>	<b>–</b>	<b>1,837</b>	<b>–</b>
<b>Income received in advance</b>					
Nil					
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		217	1,890	240	2,107
<b>Total borrowings</b>		<b>217</b>	<b>1,890</b>	<b>240</b>	<b>2,107</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		772	–	746	–
Long service leave		3,342	–	3,302	–
Other leave – time in lieu		16	–	12	–
Sub-total – aggregate employee benefits		4,130	–	4,060	–
Asset remediation/restoration (future works)	26	–	817	–	797
<b>Total provisions</b>		<b>4,130</b>	<b>817</b>	<b>4,060</b>	<b>797</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>7,721</b>	<b>2,707</b>	<b>6,137</b>	<b>2,904</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		215	700	219	764
Sewer		169	264	169	301
Domestic waste management		67	–	95	–
Liabilities relating to externally restricted assets		451	964	483	1,065
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		451	964	483	1,065
<b>Total liabilities relating to unrestricted assets</b>		7,270	1,743	5,654	1,839
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>7,721</b>	<b>2,707</b>	<b>6,137</b>	<b>2,904</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 2017

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

\$ '000	Actual 2017	Actual 2016
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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	3,032	3,019
	<u>3,032</u>	<u>3,019</u>

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

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	746	26	–	–	–	772
Long service leave	3,302	40	–	–	–	3,342
Other leave – time in lie	12	4	–	–	–	16
Asset remediation	797	20	–	–	–	817
<b>TOTAL</b>	<b>4,857</b>	<b>90</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,947</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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	9,421	5,218
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>9,421</b>	<b>5,218</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>11,768</b>	<b>5,720</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,793	5,922
Net losses/(gains) on disposal of assets		(133)	(19)
Unwinding of discount rates on reinstatement provisions		20	13
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(925)	443
Decrease/(increase) in inventories		(248)	281
Decrease/(increase) in other assets		9	(28)
Increase/(decrease) in payables		1,541	347
Increase/(decrease) in other accrued expenses payable		(40)	(329)
Increase/(decrease) in other liabilities		36	175
Increase/(decrease) in employee leave entitlements		70	257
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>17,891</b>	<b>12,782</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 2017

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<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
Plant and equipment		–	547
Plant and equipment – water and sewer infrastructure		–	5,276
Operational Land		173	190
<b>Total commitments</b>		<b>173</b>	<b>6,081</b>
Note: Operational land capital commitment of \$173k refers to purchase of Heffernans Quarry			
<b>These expenditures are payable as follows:</b>			
Within the next year		173	6,081
<b>Total payable</b>		<b>173</b>	<b>6,081</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		173	777
Future grants and contributions		–	4,610
Externally restricted reserves		–	694
<b>Total sources of funding</b>		<b>173</b>	<b>6,081</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	24
Later than one year and not later than 5 years	39	62
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>63</b>	<b>86</b>

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

Office equipment leases

**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 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<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>5,088</u>	<b>16.47%</b>	13.01%	2.92%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>30,891</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>19,516</u>	<b>52.13%</b>	65.28%	65.81%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>37,438</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>21,791</u>	<b>5.14x</b>	6.40x	5.66x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>4,238</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>11,075</u>	<b>25.52x</b>	22.37x	14.15x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>434</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>342</u>	<b>3.35%</b>	2.36%	2.23%	< 5% Metro
Rates, annual and extra charges collectible	<u>10,204</u>				<10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>30,321</u>	<b>19.29</b>	15.9 mths	13.6 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,572</u>	<b>mths</b>			

## Notes

(1) 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.

(2) Refer Notes 6-8 inclusive.

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

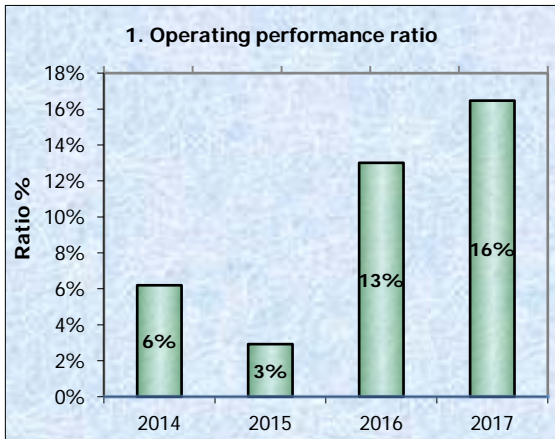
(3) Refer to Note 10(a).

(4) 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 2017

### 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 2016/17 result**

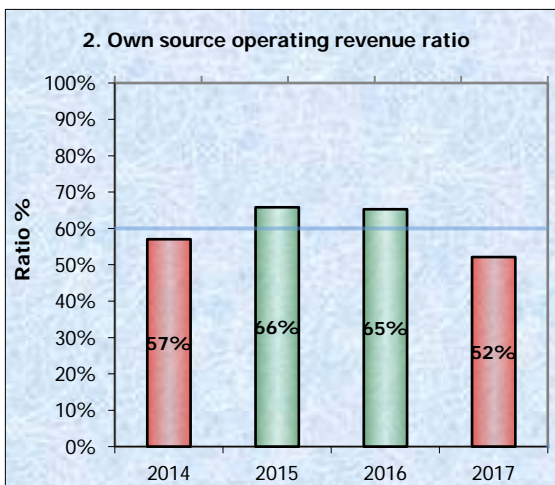
**2016/17 ratio 16.47%**

Additional Roads to Recovery funding (+\$832k) and advance payment for the Financial Assistance Grant (+\$2.2m) are the principal reason for increase in this ratio. Council has managed cash outflows on operating expenses while supplementing operating revenues through profits generated by the NSW State road MR54 contract works.

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result**

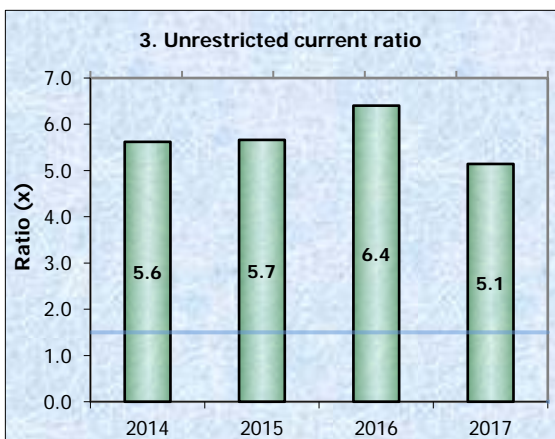
**2016/17 ratio 52.13%**

This ratio is dependant on the extent of external funding sources and the timing of such payments to Council. An increase in operating grants including additional Roads to Recovery funding (+\$832k) and advance payments on the Financial Assistance Grant (+\$2.2m) are the principal reason for the decrease in own source operating revenues and has resulted in 52% of own source operating revenues in 2016/2017.

Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result**

**2016/17 ratio 5.14x**

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. The value of liabilities has been relatively consistent over the the 4 year period.

Benchmark: — Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

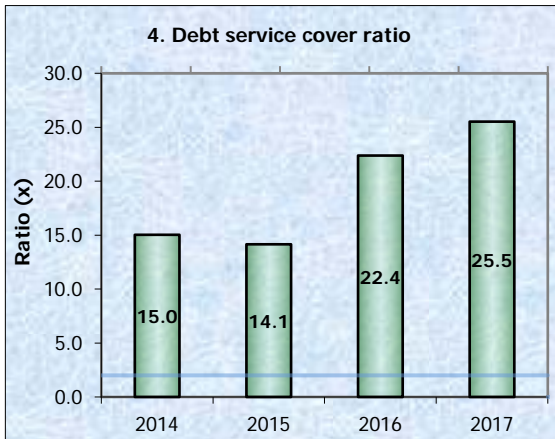
Ratio achieves benchmark  
 Ratio is outside benchmark



# Upper Lachlan Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### 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 2016/17 result**

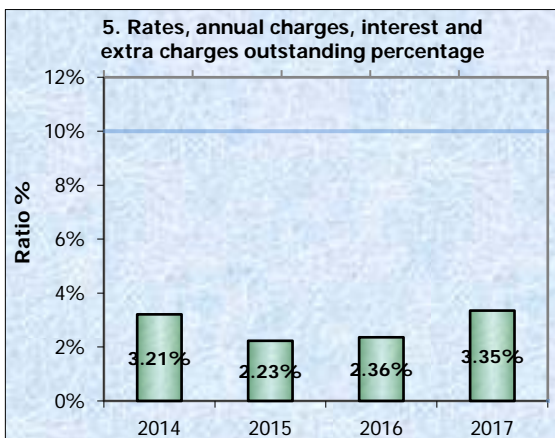
**2016/17 ratio 25.52x**

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 #25

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 2016/17 result**

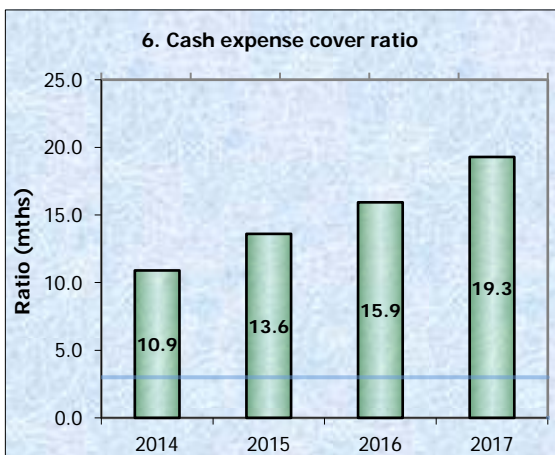
**2016/17 ratio 3.35%**

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

Benchmark: Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result**

**2016/17 ratio 19.29 mths**

Performance is above benchmark for the past 4 years and Council has very sound liquidity with the capacity to fund the large works program detailed in the 4 year delivery program 2017/2018 to 2020/2021. It also allows Council the ability to meet unforeseen expenses such as emergency repairs and also to capitalise on short notice matching grant funding opportunities.

Benchmark: Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>17.16%</b>	13.67%	<b>7.55%</b>	3.45%	<b>14.92%</b>	13.58%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>54.74%</b>	61.95%	<b>29.62%</b>	87.14%	<b>96.53%</b>	95.73%	>60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>5.14x</b>	6.40x	<b>9.78x</b>	9.77x	<b>21.89x</b>	18.99x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## 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 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>35.54x</b>	31.16x	<b>6.45x</b>	5.85x	<b>14.49x</b>	12.69x	>2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>2.54%</b>	1.66%	<b>7.31%</b>	6.01%	<b>6.59%</b>	4.78%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	<b>17.42</b> <b>months</b>	13.90 months	<b>19.93</b> <b>months</b>	20.99 months	<b>58.94</b> <b>months</b>	51.33 months	> 3 months

## Notes

(1) 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 2017

#### 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	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	9,421	5,218	9,421	5,218
Investments				
– 'Held to maturity'	20,900	20,100	20,900	20,100
Receivables	2,347	1,422	2,347	1,422
<b>Total financial assets</b>	<b>32,668</b>	<b>26,740</b>	<b>32,668</b>	<b>26,740</b>
<b>Financial liabilities</b>				
Payables	3,374	1,837	3,374	1,837
Loans/advances	2,107	2,347	2,107	2,347
<b>Total financial liabilities</b>	<b>5,481</b>	<b>4,184</b>	<b>5,481</b>	<b>4,184</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 2017

#### 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 oversight from Council's Audit, Risk & Improvement Committee.

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 its 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>2017</b>				
Possible impact of a 1% movement in interest rates	27	27	(27)	(27)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	14	14	(14)	(14)

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	-	94%	-	88%
Overdue	100%	6%	100%	12%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	-	1,971	-	1,187
< 1 year overdue	0 – 30 days overdue	296	2	217	2
1 – 2 years overdue	31 – 60 days overdue	36	-	14	-
> 5 years overdue	> 91 days overdue	-	78	-	38
		<b>332</b>	<b>2,051</b>	<b>231</b>	<b>1,227</b>

	2017	2016
<b>(iii) Movement in provision for impairment of receivables</b>		
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 2017

## 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 (ie. 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>2017</b>									
Trade/other payables	188	3,119	–	–	–	–	–	3,374	3,374
Loans and advances	–	376	376	376	376	343	1,200	3,047	2,107
<b>Total financial liabilities</b>	<b>188</b>	<b>3,495</b>	<b>376</b>	<b>376</b>	<b>376</b>	<b>343</b>	<b>1,200</b>	<b>6,354</b>	<b>5,481</b>
<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>

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,374	0.00%	1,837	0.00%
Loans and advances – fixed interest rate	2,107	7.64%	2,347	7.67%
	<u>5,481</u>		<u>4,184</u>	

## Loan agreement breaches

Nil

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 16 June 2016.

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	2017 Budget	2017 Actual	2017 Variance*		
<b>REVENUES</b>					
Rates and annual charges	10,124	9,933	(191)	(2%)	<b>U</b>
User charges and fees	8,506	8,312	(194)	(2%)	<b>U</b>
Interest and investment revenue	603	731	128	21%	<b>F</b>
Higher than expected cash & investments holdings were held during the year with subsequently higher interest income.					
Other revenues	513	540	27	5%	<b>F</b>
Operating grants and contributions	9,390	11,375	1,985	21%	<b>F</b>
Advance payment for 2017/2018 Financial Assistance Grants which significantly increased operating grants and contributions (\$2.198m)					
Capital grants and contributions	6,396	6,547	151	2%	<b>F</b>
Net gains from disposal of assets	47	133	86	183%	<b>F</b>
Gains on sale of plant exceeded estimates as proceeds for sale were greater than expected and changeover took place late in the year with higher than expected accumulated depreciation on plant sold.					

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	10,351	10,032	319	3%	F
Borrowing costs	207	194	13	6%	F
Materials and contracts	7,776	7,123	653	8%	F
Depreciation and amortisation	5,751	5,793	(42)	(1%)	U
Other expenses	2,843	2,661	182	6%	F
Net losses from disposal of assets	154	–	154	100%	F
The expected loss on sale of plant did not occur as proceeds for sale exceeded estimates and changeover took place late in the year with higher than expected accumulated depreciation on plant sold.					

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

Cash flows from operating activities	14,742	17,891	3,149	21.4%	F
Increased grants for Roads to Recovery and an advance payment for 2017/2018 Financial Assistance Grants significantly increased operating grants and contributions.					
Cash flows from investing activities	(14,564)	(13,448)	1,116	(7.7%)	F
Cash flows from financing activities	(255)	(240)	15	(5.9%)	F

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	173	20	–	5	(44)	–	154	–
Roads	1,674	292	–	56	(107)	–	1,915	–
Waste management	237	16	–	8	–	–	261	–
Open space	204	25	–	7	–	–	236	–
Community Facilities	349	43	–	12	(9)	–	395	–
Other	72	6	–	2	–	–	80	–
<b>S94 contributions – under a plan</b>	<b>2,709</b>	<b>402</b>	<b>–</b>	<b>90</b>	<b>(160)</b>	<b>–</b>	<b>3,041</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>–</b>	<b>250</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>250</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>2,709</b>	<b>652</b>	<b>–</b>	<b>90</b>	<b>(160)</b>	<b>–</b>	<b>3,291</b>	<b>–</b>
S64 contributions	447	65	–	15	(250)	–	277	–
<b>Total contributions</b>	<b>3,156</b>	<b>717</b>	<b>–</b>	<b>105</b>	<b>(410)</b>	<b>–</b>	<b>3,568</b>	<b>–</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

Upper Lachlan Development Contributions Plan 2007

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	173	20	–	5	(44)	–	154	–
Roads	1,674	292	–	56	(107)	–	1,915	–
Waste management	237	16	–	8	–	–	261	–
Open space	204	25	–	7	–	–	236	–
Community facilities	349	43	–	12	(9)	–	395	–
Other	72	6	–	2	–	–	80	–
<b>Total</b>	<b>2,709</b>	<b>402</b>	<b>–</b>	<b>90</b>	<b>(160)</b>	<b>–</b>	<b>3,041</b>	<b>–</b>

**S94A LEVIES – UNDER A PLAN**

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

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					
Public facilities	–	250	–	–	–	–	250	–
<b>Total</b>	<b>–</b>	<b>250</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>250</b>	<b>–</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

## S64 contributions

Upper Lachlan Development Servicing Plan for Water &amp; Sewer

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	246	31	–	5	(168)	–	114	–
Sewerage services	201	34	–	10	(82)	–	163	–
<b>Total</b>	<b>447</b>	<b>65</b>	<b>–</b>	<b>15</b>	<b>(250)</b>	<b>–</b>	<b>277</b>	<b>–</b>



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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 2017

#### 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 2017

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

\$ '000

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

(v)

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

(v)

Council resolved on 18 May 2017 'that Council places on public exhibition the draft Crookwell 2 and 3 Wind Farm voluntary planning agreement...' Council entered into a Community Enhancement Planning Agreement with Crookwell Developments Pty Ltd on 27 July 2017 in relation to the project commonly known as the Crookwell 2 and 3 Wind Farm. Section 5 of the agreement, 'Payment of the Monetary Contribution', states 'The company must pay to the Council the Monetary Contribution (\$2,500 per turbine) in arrears on 1 July each year' to be indexed by CPI annually commencing at the June 2011 quarter. A Community Fund Committee will be formed to govern the Community fund. Council will be responsible for the administration and governance of the Committee.

#### Note 19. Interests in other entities

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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		278,805	273,085
a. Net operating result for the year		11,768	5,720
<b>Balance at end of the reporting period</b>		<b>290,573</b>	<b>278,805</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		125,063	125,563
<b>Total</b>		<b>125,063</b>	<b>125,563</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		125,563	124,977
– Revaluations for the year	9(a)	(500)	586
<b>– Balance at end of year</b>		<b>125,063</b>	<b>125,563</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>125,063</b>	<b>125,563</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 2017

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

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<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	818	1,072	8,043
User charges and fees	1,003	250	7,059
Interest and investment revenue	53	95	583
Other revenues	1	–	539
Grants and contributions provided for operating purposes	19	17	11,339
Grants and contributions provided for capital purposes	4,436	34	2,077
<b>Other income</b>			
Net gains from disposal of assets	–	–	133
Share of interests in joint ventures and associates using the equity method	–	–	–
<b>Total income from continuing operations</b>	<b>6,330</b>	<b>1,468</b>	<b>29,773</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	431	289	9,312
Borrowing costs	54	22	118
Materials and contracts	484	316	6,323
Depreciation and amortisation	538	481	4,774
Impairment	–	–	–
Other expenses	244	112	2,305
<b>Total expenses from continuing operations</b>	<b>1,751</b>	<b>1,220</b>	<b>22,832</b>
<b>Operating result from continuing operations</b>	<b>4,579</b>	<b>248</b>	<b>6,941</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>4,579</b>	<b>248</b>	<b>6,941</b>
<b>Net operating result attributable to each council fund</b>	<b>4,579</b>	<b>248</b>	<b>6,941</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>143</b>	<b>214</b>	<b>4,864</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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	–	–	9,421
Investments	2,114	3,797	14,989
Receivables	103	65	2,048
Inventories	–	–	1,019
Other	–	–	86
<b>Total current assets</b>	<b>2,217</b>	<b>3,862</b>	<b>27,563</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	16	6	109
Inventories	–	–	–
Infrastructure, property, plant and equipment	23,654	15,215	353,422
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>23,670</b>	<b>15,221</b>	<b>353,531</b>
<b>TOTAL ASSETS</b>	<b>25,887</b>	<b>19,083</b>	<b>381,094</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	16	5	3,353
Borrowings	64	36	117
Provisions	135	128	3,867
<b>Total current liabilities</b>	<b>215</b>	<b>169</b>	<b>7,337</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Income received in advance	–	–	–
Borrowings	700	264	926
Provisions	–	–	817
<b>Total non-current liabilities</b>	<b>700</b>	<b>264</b>	<b>1,743</b>
<b>TOTAL LIABILITIES</b>	<b>915</b>	<b>433</b>	<b>9,080</b>
<b>Net assets</b>	<b>24,972</b>	<b>18,650</b>	<b>372,014</b>
<b>EQUITY</b>			
Retained earnings	24,063	14,851	251,659
Revaluation reserves	909	3,799	120,355
<b>Total equity</b>	<b>24,972</b>	<b>18,650</b>	<b>372,014</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 2017

#### 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 2017) 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 05/10/17.

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 2017.

**(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

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 2017

## 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	
		2017	2016
Waste management centres landfill remediation	Various	409	409
Gravel pits remediation	Various	408	388
<b>Balance at end of the reporting period</b>	10(a)	<b>817</b>	<b>797</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	797	784
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	20	13
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>817</b>	<b>797</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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 – Financial assets and liabilities

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:**

2017	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	30/06/17	–	9,421	–	9,421
– Term deposits	30/06/17	–	20,900	–	20,900
<b>Total financial assets</b>		<b>–</b>	<b>30,321</b>	<b>–</b>	<b>30,321</b>
<b>Financial liabilities</b>					
Payables	30/06/17	–	3,374	–	3,374
Loans and borrowings	30/06/17	–	2,107	–	2,107
<b>Total financial liabilities</b>		<b>–</b>	<b>5,481</b>	<b>–</b>	<b>5,481</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/13	–	–	7,544	7,544
Office equipment	30/06/13	–	–	530	530
Furniture and fittings	30/06/13	–	–	72	72
Operational land	30/06/14	–	–	4,416	4,416
Community land	30/06/16	–	–	3,231	3,231
Land Improvements – depreciable	30/06/16	–	–	119	119
Buildings – non-specialised	30/06/14	–	–	1,829	1,829
Buildings – specialised	30/06/14	–	–	20,019	20,019
Other structures	30/06/14	–	–	909	909
Roads	30/06/15	–	–	285,079	285,079
Bridges	30/06/15	–	–	25,177	25,177
Footpaths	30/06/15	–	–	1,492	1,492
Stormwater drainage	30/06/15	–	–	1,445	1,445
Water supply network	30/06/17	–	–	22,976	22,976
Sewerage network	30/06/17	–	–	14,287	14,287
Swimming pools	30/06/14	–	–	489	489
Other open space/recreational assets	30/06/14	–	–	1,380	1,380
Other assets	30/06/16	–	–	472	472
Rehabilitation assets	30/06/17	–	–	825	825
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>392,291</b>	<b>392,291</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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):

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>

## (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 2017

#### 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:

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

2016/2017 - Water Supply and Sewerage network assets.

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

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

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

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
Garbage Trucks	8 Years
Office Equipment	5 to 10 years
Furniture and Fittings	10 to 20 years
Motor Vehicles	5 years

Asset capitalisation thresholds are:-

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

#### (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.

There has been no change to the valuation process 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.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### (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.

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.



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### Other Structures - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Other Structures	15 to 50 years
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 has been no change to the valuation process during the reporting period.

##### Roads - Depreciation & Capitalisation Thresholds

Major depreciation periods are:-

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

Asset capitalisation thresholds include:-

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

##### **(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.

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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
--	---------

##### **(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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Asset capitalisation thresholds include:-

Footpaths	\$5,000
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## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### (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 and 30 June 2017. Council's extensive water and sewer capital works programme carried out over the last 5 years has provided useful comparative data on the local construction cost of water and sewer assets. This information was used in conjunction with the NSW Office of Water 'Reference Rates Manual - valuation of water supply, sewerage and stormwater assets' to determine fair value. These assets are indexed each year in line with the Reference Rates Manual as published by the NSW Office of Water. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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 2017

## 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	Total
<b>Opening balance – 1/7/15</b>	7,880	369	94	4,385	12,728
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>
Purchases (GBV)	1,430	360	–	31	1,821
Disposals (WDV)	(249)	–	–	(46)	(295)
Depreciation and impairment	(1,032)	(109)	(10)	–	(1,151)
Adjustments	1	–	(1)	46	46
<b>Closing balance – 30/6/17</b>	<b>7,544</b>	<b>530</b>	<b>72</b>	<b>4,416</b>	<b>12,562</b>

	Community land	Land improvements	Buildings non- specialised	Buildings specialised	Total
<b>Opening balance – 1/7/15</b>	888	158	1,901	20,752	23,699
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>
Purchases (GBV)	–	18	18	188	224
Depreciation and impairment	–	(28)	(48)	(532)	(608)
Adjustments	(46)	–	–	2	(44)
<b>Closing balance – 30/6/17</b>	<b>3,231</b>	<b>119</b>	<b>1,829</b>	<b>20,019</b>	<b>25,198</b>

Note: adjustment -\$46k due to Operational land being previously incorrectly classification as Community land.

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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 – 1/7/15</b>	2,312	281,473	25,394	1,151	310,330
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>
Purchases (GBV)	6	4,331	562	205	5,104
Depreciation and impairment	(26)	(2,278)	(481)	(23)	(2,808)
Adjustments	(1,689)	271	–	–	(1,418)
<b>Closing balance – 30/6/17</b>	<b>909</b>	<b>285,079</b>	<b>25,177</b>	<b>1,492</b>	<b>312,657</b>

Note: adjustment -\$1,689k to Other structures due to transfers to two new asset classes Swimming pools and Other open space/recreational assets.

	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
<b>Opening balance – 1/7/15</b>	1,210	21,195	12,847	–	35,252
Purchases (GBV)	218	238	349	–	805
Depreciation and impairment	(23)	(527)	(458)	–	(1,008)
<b>Closing balance – 30/6/16</b>	<b>1,405</b>	<b>20,906</b>	<b>12,738</b>	<b>–</b>	<b>35,049</b>
Purchases (GBV)	63	5,177	200	52	5,492
Depreciation and impairment	(23)	(522)	(461)	(19)	(1,025)
Revaluation increments/decrements	–	(2,585)	1,810	–	(775)
Adjustments	–	–	–	456	456
<b>Closing balance – 30/6/17</b>	<b>1,445</b>	<b>22,976</b>	<b>14,287</b>	<b>489</b>	<b>39,197</b>

## Upper Lachlan Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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 open space/ recreational	Other assets	Rehabilitation assets	Total
<b>Opening balance – 1/7/15</b>	–	577	550	1,127
Purchases (GBV)	–	2	168	170
Depreciation and impairment	–	(57)	(32)	(89)
<b>Closing balance – 30/6/16</b>	<b>–</b>	<b>522</b>	<b>686</b>	<b>1,208</b>
Purchases (GBV)	246	8	184	438
Depreciation and impairment	(100)	(57)	(44)	(201)
Adjustments	1,234	(1)	(1)	1,232
<b>Closing balance – 30/6/17</b>	<b>1,380</b>	<b>472</b>	<b>825</b>	<b>2,677</b>

Note: adjustments to two new asset classes Swimming pools \$456k and Other open space/recreational assets \$1,234k.

**b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:**

Nil



## Upper Lachlan Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

\$ '000

##### a. Key management personnel

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

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

<b>Compensation:</b>	<b>Actual</b>
	<b>2017</b>
Short-term benefits	1,055
<b>Total</b>	<b>1,055</b>

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

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

<b>Nature of the transaction</b>	<b>Value of transactions during year</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	\$'000	(incl. loans and commitments) \$'000		\$'000	\$'000
Employee expenses relating to close family members of KMP <sup>(1)</sup>	23	–		–	–
Goods and services supplied to Council relating to close family members of KMP	5	–		–	–

<sup>(1)</sup> Close family members of Council's KMP are employed by the Council under the relevant pay award on an arm's length basis.

# Upper Lachlan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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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 2017

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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 2017

### 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.

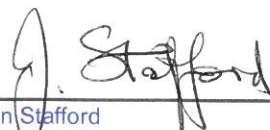
**To the best of our knowledge and belief, these financial statements:**

- 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 21 September 2017.**

  
\_\_\_\_\_  
Brian McCormack OAM  
Mayor

  
\_\_\_\_\_  
John Stafford  
Councillor

  
\_\_\_\_\_  
Andrew Croke  
Acting 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 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	818	832
User charges	1,003	963
Fees	–	–
Interest	53	66
Grants and contributions provided for non-capital purposes	19	19
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	1	2
<b>Total income from continuing operations</b>	<b>1,894</b>	<b>1,882</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	431	532
Borrowing costs	54	58
Materials and contracts	484	458
Depreciation, amortisation and impairment	538	544
Water purchase charges	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	244	225
<b>Total expenses from continuing operations</b>	<b>1,751</b>	<b>1,817</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>143</b>	<b>65</b>
Grants and contributions provided for capital purposes	4,436	256
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,579</b>	<b>321</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>4,579</b>	<b>321</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(43)	(20)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,536</b>	<b>302</b>
Plus opening retained profits	19,485	19,165
Plus/less: prior period adjustments	–	–
Plus/less: other adjustments-	(1)	(1)
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	43	20
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>24,063</b>	<b>19,485</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.6%</b>
<b>Subsidy from Council</b>	<b>366</b>	<b>306</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	4,536	302
Less: capital grants and contributions (excluding developer contributions)	(4,405)	(167)
<b>Surplus for dividend calculation purposes</b>	<b>131</b>	<b>135</b>
<b>Potential dividend calculated from surplus</b>	<b>66</b>	<b>67</b>

## Upper Lachlan Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,072	1,066
User charges	250	250
Liquid trade waste charges	–	–
Fees	–	–
Interest	95	96
Grants and contributions provided for non-capital purposes	17	17
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>1,434</b>	<b>1,429</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	289	319
Borrowing costs	22	24
Materials and contracts	316	280
Depreciation, amortisation and impairment	481	480
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	112	132
<b>Total expenses from continuing operations</b>	<b>1,220</b>	<b>1,235</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>214</b>	<b>194</b>
Grants and contributions provided for capital purposes	34	46
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>248</b>	<b>240</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>248</b>	<b>240</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(64)	(58)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>184</b>	<b>182</b>
<b>Plus opening retained profits</b>	<b>14,602</b>	<b>14,362</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>–</b>
<b>Plus/less: other adjustments</b>	<b>1</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	64	58
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>14,851</b>	<b>14,602</b>
<b>Return on capital %</b>	<b>1.6%</b>	<b>1.6%</b>
<b>Subsidy from Council</b>	<b>126</b>	<b>54</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	184	182
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>184</b>	<b>182</b>
<b>Potential dividend calculated from surplus</b>	<b>92</b>	<b>91</b>

## Upper Lachlan Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Domestic Waste  
Management

## Category 2

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	997	963
User charges	1	1
Fees	–	–
Interest	41	48
Grants and contributions provided for non-capital purposes	27	27
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>1,066</b>	<b>1,039</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	172	166
Borrowing costs	1	6
Materials and contracts	553	557
Depreciation, amortisation and impairment	78	97
Loss on sale of assets	22	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	2	1
<b>Total expenses from continuing operations</b>	<b>828</b>	<b>827</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>238</b>	<b>212</b>
Grants and contributions provided for capital purposes	16	27
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>254</b>	<b>239</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>254</b>	<b>239</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(71)	(64)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>183</b>	<b>175</b>
<b>Plus opening retained profits</b>	2,529	2,290
<b>Plus/less: prior period adjustments</b>	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	71	64
<b>Add:</b>		
– Subsidy paid/contribution to operations	–	–
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	–	–
<b>Closing retained profits</b>	<b>2,783</b>	<b>2,529</b>
<b>Return on capital %</b>	<b>22.8%</b>	<b>27.5%</b>
<b>Subsidy from Council</b>	–	–



## Upper Lachlan Shire Council

## Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	2,114	2,325
Receivables	103	60
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>2,217</b>	<b>2,385</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	16	14
Inventories	–	–
Infrastructure, property, plant and equipment	23,654	21,561
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>23,670</b>	<b>21,575</b>
<b>TOTAL ASSETS</b>	<b>25,887</b>	<b>23,960</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	16	17
Income received in advance	–	–
Borrowings	64	60
Provisions	135	142
<b>Total current liabilities</b>	<b>215</b>	<b>219</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	700	764
Provisions	–	–
<b>Total non-current liabilities</b>	<b>700</b>	<b>764</b>
<b>TOTAL LIABILITIES</b>	<b>915</b>	<b>983</b>
<b>NET ASSETS</b>	<b>24,972</b>	<b>22,977</b>
<b>EQUITY</b>		
Retained earnings	24,063	19,485
Revaluation reserves	909	3,492
Other reserves	–	–
Council equity interest	24,972	22,977
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>24,972</b>	<b>22,977</b>

## Upper Lachlan Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	3,797	3,362
Receivables	65	49
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>3,862</b>	<b>3,411</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	6	2
Inventories	–	–
Infrastructure, property, plant and equipment	15,215	13,650
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>15,221</b>	<b>13,652</b>
<b>TOTAL ASSETS</b>	<b>19,083</b>	<b>17,063</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	5	6
Income received in advance	–	–
Borrowings	36	34
Provisions	128	129
<b>Total current liabilities</b>	<b>169</b>	<b>169</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	264	301
Provisions	–	–
<b>Total non-current liabilities</b>	<b>264</b>	<b>301</b>
<b>TOTAL LIABILITIES</b>	<b>433</b>	<b>470</b>
<b>NET ASSETS</b>	<b>18,650</b>	<b>16,593</b>
<b>EQUITY</b>		
Retained earnings	14,851	14,602
Revaluation reserves	3,799	1,991
Other reserves	–	–
Council equity interest	18,650	16,593
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>18,650</b>	<b>16,593</b>

## Upper Lachlan Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Domestic Waste Management Category 2	
	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	1,597	1,639
Receivables	67	56
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>1,664</b>	<b>1,695</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	4	1
Inventories	–	–
Infrastructure, property, plant and equipment	1,046	792
Investments accounted for using equity method	–	–
Investment property	–	–
<b>Total non-current assets</b>	<b>1,050</b>	<b>793</b>
<b>TOTAL ASSETS</b>	<b>2,714</b>	<b>2,488</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	39
Provisions	67	56
<b>Total current liabilities</b>	<b>67</b>	<b>95</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>67</b>	<b>95</b>
<b>NET ASSETS</b>	<b>2,647</b>	<b>2,393</b>
<b>EQUITY</b>		
Retained earnings	2,783	2,529
Revaluation reserves	(136)	(136)
Other reserves	–	–
Council equity interest	2,647	2,393
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>2,647</b>	<b>2,393</b>

## Upper Lachlan Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### 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 2017

#### Note 1. Significant accounting policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

#### Category 1

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

**Council has no Category 1 businesses.**

#### Category 2

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

##### a. Water Supply

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

##### b. Sewerage Services

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

##### c. Domestic Waste Management

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, except for 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 2017

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water 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 to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

## Upper Lachlan Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

#### (iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.



## Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 2. Water supply business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

**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	6,111
(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]	65,550
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	61,110
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	56,600

2017 Surplus	131,100	2016 Surplus	134,500	2015 Surplus	(209,000)
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	56,600
(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 2017Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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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	1,875
<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)]	%	55.08%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	23,602
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,159
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	5,214
<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)]	%	0.75%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	4,405

- 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 2017Note 3. Sewerage business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

**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	5,268
(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]	91,900
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	52,680
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	485,300

2017 Surplus	183,800	2016 Surplus	181,800	2015 Surplus	119,700
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	52,680
(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 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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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	1,378
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	15,128
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	724
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	237
<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)]	%	1.14%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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**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	3,253
<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)	%	1.11%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	5,451
<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 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

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)]	%	-11.11%
<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;">351</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;">- 71</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	422
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	36

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 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

SPECIAL SCHEDULES

for the year ended 30 June 2017

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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 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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#### 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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>886</b>	<b>69</b>	<b>–</b>	<b>(817)</b>
<b>Administration</b>	<b>2,261</b>	<b>612</b>	<b>–</b>	<b>(1,649)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	771	257	28	(486)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	64	7	–	(57)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>835</b>	<b>264</b>	<b>28</b>	<b>(543)</b>
<b>Health</b>	<b>208</b>	<b>57</b>	<b>–</b>	<b>(151)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	405	128	–	(277)
Other environmental protection	67	–	–	(67)
Solid waste management	1,132	1,694	16	578
Street cleaning	69	–	–	(69)
Drainage	–	–	–	–
Stormwater management	23	45	–	22
<b>Total environment</b>	<b>1,696</b>	<b>1,867</b>	<b>16</b>	<b>187</b>
<b>Community services and education</b>				
Administration and education	110	16	–	(94)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	15	–	–	(15)
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>125</b>	<b>16</b>	<b>–</b>	<b>(109)</b>
<b>Housing and community amenities</b>				
Public cemeteries	121	100	8	(13)
Public conveniences	197	–	–	(197)
Street lighting	76	27	–	(49)
Town planning	567	200	637	270
Other community amenities	38	23	–	(15)
<b>Total housing and community amenities</b>	<b>999</b>	<b>350</b>	<b>645</b>	<b>(4)</b>
<b>Water supplies</b>	<b>1,751</b>	<b>1,894</b>	<b>4,436</b>	<b>4,579</b>
<b>Sewerage services</b>	<b>1,220</b>	<b>1,434</b>	<b>34</b>	<b>248</b>

## Upper Lachlan Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'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	385	60	34	(291)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	295	31	7	(257)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	406	–	8	(398)
Swimming pools	212	33	–	(179)
Parks and gardens	397	–	207	(190)
Other sport and recreation	3	31	–	28
<b>Total recreation and culture</b>	<b>1,698</b>	<b>155</b>	<b>256</b>	<b>(1,287)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	211	114	–	(97)
Other mining, manufacturing and construction	652	825	–	173
<b>Total mining, manufacturing and const.</b>	<b>863</b>	<b>939</b>	–	<b>76</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	625	–	–	(625)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,612	–	–	(1,612)
Sealed rural roads (SRR) – regional	1,009	1,670	450	1,111
Unsealed rural roads (URR) – local	3,554	2,467	614	(473)
Unsealed rural roads (URR) – regional	158	–	–	(158)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	327	–	–	(327)
Bridges on regional roads	173	–	–	(173)
Parking areas	–	–	–	–
Footpaths	25	–	68	43
Aerodromes	8	–	–	(8)
Other transport and communication	6	–	–	(6)
<b>Total transport and communication</b>	<b>7,497</b>	<b>4,137</b>	<b>1,132</b>	<b>(2,228)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	51	58	–	7
Other economic affairs	5,885	5,619	–	(266)
<b>Total economic affairs</b>	<b>5,936</b>	<b>5,677</b>	–	<b>(259)</b>
<b>Totals – functions</b>	<b>25,975</b>	<b>17,471</b>	<b>6,547</b>	<b>(1,957)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>13,725</b>		<b>13,725</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–			–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>25,975</b>	<b>31,196</b>	<b>6,547</b>	<b>11,768</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 2017

\$'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	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	240	2,107	<b>2,347</b>	–	240	–	–	174	217	1,890	<b>2,107</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>240</b>	<b>2,107</b>	<b>2,347</b>	<b>–</b>	<b>240</b>	<b>–</b>	<b>–</b>	<b>174</b>	<b>217</b>	<b>1,890</b>	<b>2,107</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>240</b>	<b>2,107</b>	<b>2,347</b>	<b>–</b>	<b>240</b>	<b>–</b>	<b>–</b>	<b>174</b>	<b>217</b>	<b>1,890</b>	<b>2,107</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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	110	157
b. Engineering and supervision	158	151
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	15	23
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	127	131
d. Maintenance expenses	12	18
– <b>Reservoirs</b>		
e. Operation expenses	18	19
f. Maintenance expenses	8	5
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	79	118
h. Energy costs	138	124
i. Maintenance expenses	25	26
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	312	249
k. Chemical costs	82	82
l. Maintenance expenses	22	39
– <b>Other</b>		
m. Operation expenses	25	33
n. Maintenance expenses	28	40
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	538	544
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	54	58
b. Revaluation decrements	–	–
c. Other expenses	–	–
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>1,751</b>	<b>1,817</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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	818	832
b. Usage charges	1,003	963
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	–	–
<b>8. Extra charges</b>	3	–
<b>9. Interest income</b>	50	66
<b>10. Other income</b>	1	2
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	4,405	167
b. Grants for pensioner rebates	19	19
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	31	89
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>6,330</b>	<b>2,138</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>4,579</b>	<b>321</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	174	154

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<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	4,887	142
c. Renewals	290	97
d. Plant and equipment	37	–
<b>17. Repayment of debt</b>	60	56
<b>18. Totals</b>	<b>5,274</b>	<b>295</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)	1,710	1,693
b. Residential (unoccupied, ie. vacant lot)	71	79
c. Non-residential (occupied)	215	200
d. Non-residential (unoccupied, ie. vacant lot)	41	40
<b>23. Number of ETs for which developer charges were received</b>	9 ET	24 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	114	–	114
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,000	–	2,000
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	57	3	60
c. User charges	45	14	59
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	23,602	23,602
b. Plant and equipment	–	52	52
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>2,216</b>	<b>23,671</b>	<b>25,887</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	16	–	16
<b>33. Borrowings</b>	64	700	764
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	135	–	135
<b>35. Total liabilities</b>	<b>215</b>	<b>700</b>	<b>915</b>
<b>36. NET ASSETS COMMITTED</b>	<b>2,001</b>	<b>22,971</b>	<b>24,972</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			24,063
<b>38. Asset revaluation reserve</b>			909
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>24,972</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			37,019
<b>42. Accumulated current cost</b> depreciation of system assets			(13,417)
<b>43. Written down current cost</b> of system assets			<b>23,602</b>



## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	109	130
b. Engineering and supervision	136	129
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	16	17
b. Maintenance expenses	16	7
– Pumping stations		
c. Operation expenses (excluding energy costs)	37	44
d. Energy costs	30	65
e. Maintenance expenses	6	14
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	196	193
g. Chemical costs	22	22
h. Energy costs	15	9
i. Effluent management	13	18
j. Biosolids management	–	–
k. Maintenance expenses	125	76
– Other		
l. Operation expenses	3	4
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	481	480
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	15	24
b. Revaluation decrements	–	–
c. Other expenses	–	3
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>1,220</b>	<b>1,235</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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,072	1,066
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	250	250
<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>	5	–
<b>10. Interest income</b>	90	96
<b>11. Other income</b>	–	–
<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	17
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	34	46
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>1,468</u>	<u>1,475</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>248</u>	<u>240</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	248	240

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<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	200	349
d. Plant and equipment	37	–
<b>18. Repayment of debt</b>	34	31
<b>19. Totals</b>	<b>271</b>	<b>380</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)	1,366	1,355
b. Residential (unoccupied, ie. vacant lot)	164	169
c. Non-residential (occupied)	185	196
d. Non-residential (unoccupied, ie. vacant lot)	41	39
<b>24. Number of ETs for which developer charges were received</b>	9 ET	12 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	163	–	163
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,634	–	3,634
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	65	6	71
c. User charges	–	–	–
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	15,128	15,128
b. Plant and equipment	–	87	87
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>3,862</b>	<b>15,221</b>	<b>19,083</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	5	–	5
<b>34. Borrowings</b>	36	264	300
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	128	–	128
<b>36. Total liabilities</b>	<b>169</b>	<b>264</b>	<b>433</b>
<b>37. NET ASSETS COMMITTED</b>	<b>3,693</b>	<b>14,957</b>	<b>18,650</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			14,851
<b>39. Asset revaluation reserve</b>			3,799
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>18,650</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			22,857
<b>43. Accumulated current cost</b> depreciation of system assets			(7,729)
<b>44. Written down current cost</b> of system assets			15,128

## Upper Lachlan Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

#### 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 2017

\$'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	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	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	–	–	45	11	1,829	3,976	0%	76%	12%	11%	1%
	Buildings – specialised	189	189	312	85	20,019	39,938	14%	36%	33%	12%	5%
	<b>Sub-total</b>	<b>189</b>	<b>189</b>	<b>357</b>	<b>96</b>	<b>21,848</b>	<b>43,914</b>	<b>12.7%</b>	<b>39.6%</b>	<b>31.1%</b>	<b>11.9%</b>	<b>4.6%</b>
<b>Other structures</b>	Other structures	–	–	18	18	909	1,455	9%	26%	26%	17%	22%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>18</b>	<b>18</b>	<b>909</b>	<b>1,455</b>	<b>9.0%</b>	<b>26.0%</b>	<b>26.0%</b>	<b>17.0%</b>	<b>22.0%</b>
<b>Roads</b>	Sealed roads	1,432	1,432	1,848	1,622	48,882	73,907	26%	27%	25%	17%	5%
	Unsealed roads	502	502	1,410	2,959	21,190	39,169	15%	15%	51%	18%	1%
	Bridges	584	584	149	28	25,177	47,598	5%	39%	44%	8%	4%
	Footpaths	–	–	16	1	1,492	2,017	18%	47%	24%	10%	1%
	Kerb & Gutter	–	–	31	22	2,730	3,909	3%	63%	19%	15%	0%
	<b>Sub-total</b>	<b>2,518</b>	<b>2,518</b>	<b>3,454</b>	<b>4,632</b>	<b>99,471</b>	<b>166,600</b>	<b>16.8%</b>	<b>28.7%</b>	<b>36.4%</b>	<b>14.5%</b>	<b>3.6%</b>
<b>Water supply network</b>	Water supply network	–	–	445	383	22,976	35,591	56%	19%	4%	20%	1%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>445</b>	<b>383</b>	<b>22,976</b>	<b>35,591</b>	<b>56.0%</b>	<b>19.0%</b>	<b>4.0%</b>	<b>20.0%</b>	<b>1.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	271	273	14,287	21,711	47%	27%	26%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>271</b>	<b>273</b>	<b>14,287</b>	<b>21,711</b>	<b>47.0%</b>	<b>27.0%</b>	<b>26.0%</b>	<b>0.0%</b>	<b>0.0%</b>

## Upper Lachlan Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	16	–	1,445	2,557	15%	35%	28%	22%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>16</b>	<b>–</b>	<b>1,445</b>	<b>2,557</b>	<b>15.0%</b>	<b>35.0%</b>	<b>28.0%</b>	<b>22.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	27	6	489	1,490	9%	26%	26%	17%	22%
	Recreational assets	–	–	113	158	1,380	2,720	8%	27%	29%	15%	21%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>140</b>	<b>164</b>	<b>1,869</b>	<b>4,210</b>	<b>8.4%</b>	<b>26.6%</b>	<b>27.9%</b>	<b>15.7%</b>	<b>21.4%</b>
<b>TOTAL – ALL ASSETS</b>		<b>2,707</b>	<b>2,707</b>	<b>4,701</b>	<b>5,566</b>	<b>162,805</b>	<b>276,038</b>	<b>23.4%</b>	<b>29.1%</b>	<b>30.3%</b>	<b>13.8%</b>	<b>3.5%</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 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>6,162</u>	<b>136.54%</b>	>= 100%	148.04%	122.19%
Depreciation, amortisation and impairment	<u>4,513</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>2,707</u>	<b>1.66%</b>	< 2%	1.55%	1.98%
Net carrying amount of infrastructure assets	<u>162,925</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>5,566</u>	<b>1.18</b>	> 1.00	1.06	1.06
Required asset maintenance	<u>4,701</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>2,707</u>	<b>0.98%</b>		0.90%	1.16%
Gross replacement cost	<u>276,038</u>				

## Notes

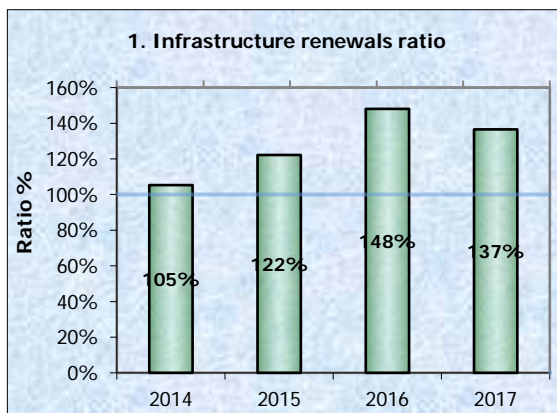
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(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 2017



**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.

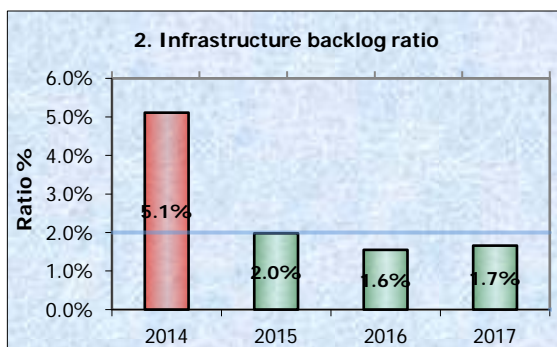
**Commentary on 2016/17 result**

**2016/17 Ratio 136.54%**

Council has exceeded the Infrastructure Renewals Ratio benchmark of 100% for the past 4 years. This shows a commitment to maintain existing assets and also demonstrates a strategy in not making excessive or unaffordable additions or upgrades to existing assets.

Benchmark: ——— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ 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.

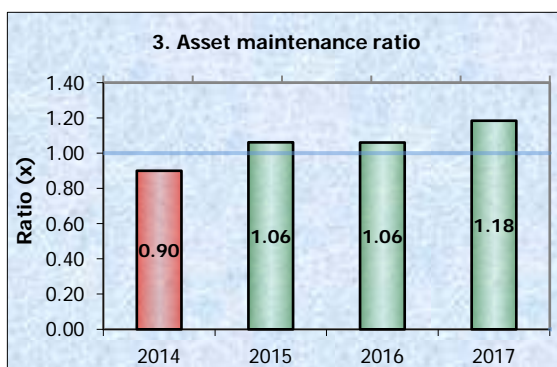
**Commentary on 2016/17 result**

**2016/17 Ratio 1.66%**

The infrastructure backlog ratio 1.66% meets the benchmark of a maximum 2% infrastructure backlog.

Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ 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.

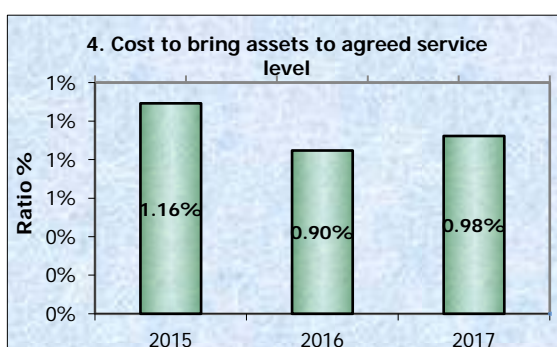
**Commentary on 2016/17 result**

**2016/17 Ratio 1.18 x**

Council's asset maintenance ratio for 2016/2017 meets the benchmark rate of 1.0.

Benchmark: ——— Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of agreed service level ratio**

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

**Commentary on 2016/17 result**

**2016/17 Ratio 0.98%**

As there is no agreed methodology or guidance in the preparation of Special Schedule 7 this ratio is highly subjective. It may give some guidance on what outstanding works are required to bring assets to the communities current expectations.

## Upper Lachlan Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
<u>Asset renewals <sup>(2)</sup></u>		<b>55.56%</b>	<b>43.38%</b>	<b>174.56%</b>
Depreciation, amortisation and impairment	>= 100%			
	prior period:	45.16%	76.20%	172.78%
<b>2. Infrastructure backlog ratio</b>				
<u>Estimated cost to bring assets to a satisfactory standard</u>		<b>0.00%</b>	<b>0.00%</b>	<b>2.15%</b>
Net carrying amount of infrastructure assets	< 2%			
	prior period:	0.00%	0.00%	1.97%
<b>3. Asset maintenance ratio</b>				
<u>Actual asset maintenance</u>		<b>0.86</b>	<b>1.01</b>	<b>1.23</b>
Required asset maintenance	> 1.00			
	prior period:	0.92	0.64	1.12
<b>4. Cost to bring assets to agreed service level</b>				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		<b>0.00%</b>	<b>0.00%</b>	<b>1.24%</b>
Gross replacement cost				

## 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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	6,551	6,737
Plus or minus adjustments <sup>(2)</sup>	b	64	59
<b>Notional general income</b>	c = (a + b)	<b>6,615</b>	<b>6,796</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d		
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f		
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	119	102
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,734</b>	<b>6,898</b>
Plus (or minus) last year's carry forward total	l	3	(0)
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>3</b>	<b>(0)</b>
<b>Total permissible income</b>	o = k + n	<b>6,737</b>	<b>6,898</b>
Less notional general income yield	p	6,734	6,898
<b>Catch-up or (excess) result</b>	q = o – p	<b>3</b>	<b>(0)</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>(0)</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 2018

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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 2018.

#### **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 2017/18 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, 2017**