



ATTACHMENTS

ORDINARY MEETING

Thursday 20 September 2018
6.00pm
Council Chambers, Crookwell

Contents

12 FINANCE AND ADMINISTRATION

12.1 Referral for Audit - 2017/2018 Financial Statements

Attachment 1: Upper Lachlan Shire Council Financial Statements -	
30 June 2018	3



Upper Lachlan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018



Upper Lachlan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	
– On the Conduct of the Audit (Sect 417 [3])	

Overview

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

44 Spring Street
Crookwell NSW 2583

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

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

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

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

Upper Lachlan Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

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 2018.

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 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 September 2018.

Brian McCormack OAM
Mayor
20 September 2018

John Stafford
Councillor
20 September 2018

John Bell
General Manager
20 September 2018

Bruce Johnston
Responsible Accounting Officer
20 September 2018

Upper Lachlan Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
10,315	Rates and annual charges	3a	10,195	9,933
7,385	User charges and fees	3b	7,509	8,312
613	Interest and investment revenue	3c	731	731
527	Other revenues	3d	597	540
9,193	Grants and contributions provided for operating purposes	3e,f	8,648	11,375
3,179	Grants and contributions provided for capital purposes	3e,f	6,082	6,547
Other income:				
11	Net gains from the disposal of assets	5	—	133
31,223	Total income from continuing operations		33,762	37,571
Expenses from continuing operations				
10,972	Employee benefits and on-costs	4a	9,943	10,032
199	Borrowing costs	4b	172	194
7,495	Materials and contracts	4c	7,339	7,123
6,048	Depreciation and amortisation	4d	6,086	5,793
2,656	Other expenses	4e	2,675	2,661
—	Net losses from the disposal of assets	5	35	—
27,370	Total expenses from continuing operations		26,250	25,803
3,853	Operating result from continuing operations		7,512	11,768
3,853	Net operating result for the year		7,512	11,768
3,853	Net operating result attributable to Council		7,512	11,768
674	Net operating result for the year before grants and contributions provided for capital purposes		1,430	5,221

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

page 4

Upper Lachlan Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		7,512	11,768
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	6,659	(500)
Total items which will not be reclassified subsequently to the operating result		6,659	(500)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		6,659	(500)
Total comprehensive income for the year		14,171	11,268
Total comprehensive income attributable to Council		14,171	11,268

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

page 5

Upper Lachlan Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	10,705	9,421
Investments	6b	19,300	20,900
Receivables	7	2,971	2,216
Inventories	8	916	1,019
Other	8	106	86
Total current assets		33,998	33,642
Non-current assets			
Receivables	7	122	131
Infrastructure, property, plant and equipment	9	407,521	392,291
Total non-current assets		407,643	392,422
TOTAL ASSETS		441,641	426,064
LIABILITIES			
Current liabilities			
Payables	10	2,157	3,374
Income received in advance	10	846	–
Borrowings	10	235	217
Provisions	11	6,608	4,130
Total current liabilities		9,846	7,721
Non-current liabilities			
Borrowings	10	1,655	1,890
Provisions	11	333	817
Total non-current liabilities		1,988	2,707
TOTAL LIABILITIES		11,834	10,428
Net assets		429,807	415,636
EQUITY			
Accumulated surplus	12	298,085	290,573
Revaluation reserves	12	131,722	125,063
Total equity		429,807	415,636

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

page 6

Financial Statements 2018

Upper Lachlan Shire Council

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	2018			2017		
\$ '000		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		290,573	125,063	415,636	278,805	125,563	404,368
Net operating result for the year prior to correction of errors and changes in accounting policies		7,512	–	7,512	11,768	–	11,768
Net operating result for the year		7,512	–	7,512	11,768	–	11,768
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	6,659	6,659	–	(500)	(500)
Other comprehensive income		–	6,659	6,659	–	(500)	(500)
Total comprehensive income (c&d)		7,512	6,659	14,171	11,768	(500)	11,268
Equity – balance at end of the reporting period		298,085	131,722	429,807	290,573	125,063	415,636

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

page 7

Upper Lachlan Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
10,314	Rates and annual charges		10,228	9,832
7,385	User charges and fees		7,344	7,805
613	Investment and interest revenue received		726	717
12,372	Grants and contributions		14,730	17,922
527	Other		834	237
Payments:				
(10,772)	Employee benefits and on-costs		(9,837)	(9,984)
(7,261)	Materials and contracts		(8,207)	(5,830)
(159)	Borrowing costs		(156)	(174)
–	Bonds, deposits and retention amounts refunded		(30)	(23)
(2,656)	Other		(1,039)	(2,611)
10,363	Net cash provided (or used in) operating activities	13b	14,593	17,891
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		14,700	20,000
–	Sale of infrastructure, property, plant and equipment		245	428
Payments:				
–	Purchase of investment securities		(13,100)	(20,800)
(12,776)	Purchase of infrastructure, property, plant and equipment		(14,937)	(13,076)
(12,776)	Net cash provided (or used in) investing activities		(13,092)	(13,448)
Cash flows from financing activities				
Receipts:				
531	Proceeds from borrowings and advances		–	–
Payments:				
(217)	Repayment of borrowings and advances		(217)	(240)
314	Net cash flow provided (used in) financing activities		(217)	(240)
(2,099)	Net increase/(decrease) in cash and cash equivalents		1,284	4,203
5,218	Plus: cash and cash equivalents – beginning of year	13a	9,421	5,218
3,119	Cash and cash equivalents – end of the year	13a	10,705	9,421
Additional Information:				
	plus: Investments on hand – end of year	6b	19,300	20,900
	Total cash, cash equivalents and investments		30,005	30,321

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

page 8

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	15
4	Expenses from continuing operations	21
5	Gains or losses from the disposal of assets	25
6(a)	Cash and cash equivalent assets	25
6(b)	Investments	26
6(c)	Restricted cash, cash equivalents and investments – details	27
7	Receivables	28
8	Inventories and other assets	30
9(a)	Infrastructure, property, plant and equipment	31
9(b)	Externally restricted infrastructure, property, plant and equipment	33
10	Payables and borrowings	34
11	Provisions	37
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	41
13	Statement of cash flows – additional information	41
14	Commitments for expenditure	42
15	Contingencies and other liabilities/assets not recognised	43
16	Financial risk management	46
17	Material budget variations	50
18	Fair value measurement	52
19	Related party transactions	66
20	Statement of developer contributions	67
21	Financial result and financial position by fund	70
22(a)	Statement of performance measures – consolidated results	72
22(b)	Statement of performance measures – by fund	73
	Additional council disclosures (unaudited)	
22(c)	Statement of performance measures – consolidated results (graphs)	75

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 20/09/2018.

Council has the power to amend and reissue these financial statements.

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

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.

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

Full dollars have been used in Note 19 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) 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:

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,

Significant judgements in applying the Council's accounting policies

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

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 these financial statements, Council considers that the standards and interpretations listed below may have an impact upon future published financial statements ranging from

Upper Lachlan Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council does not anticipate impairment losses.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities*
- *AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council may be a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases may need to be included in the Statement of Financial Position when this standard comes into effect.

If leases are material a lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Financial Statements 2018

Upper Lachlan Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Our leadership	14	69	855	886	(841)	(817)	–	–	1,727	–
Our infrastructure	17,018	13,834	12,688	11,159	4,330	2,675	12,318	14,717	371,348	358,431
Our society/community	1,923	776	3,408	2,866	(1,485)	(2,090)	723	593	28,933	23,461
Our environment	2,465	2,878	2,306	2,695	159	183	370	856	1,315	8,587
Our economy	642	6,289	6,993	8,197	(6,351)	(1,908)	114	82	38,318	35,585
Other - general purpose income	11,700	13,725	–	–	11,700	13,725	–	–	–	–
Total functions and activities	33,762	37,571	26,250	25,803	7,512	11,768	13,525	16,248	441,641	426,064

page 13

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Our leadership

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

Our infrastructure

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

Our society

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

Our environment

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

Our economy

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,637	1,583
Farmland	4,808	4,719
Mining	2	3
Business	274	285
Less: pensioner rebates (mandatory)	(104)	(102)
Total ordinary rates	6,617	6,488
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,058	997
Stormwater management services	46	45
Water supply services	835	818
Sewerage services	1,097	1,072
Waste management services (non-domestic)	542	513
Total annual charges	3,578	3,445
TOTAL RATES AND ANNUAL CHARGES	10,195	9,933

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

Accounting policy for rates and annual charges

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.

(b) User charges and fees	2018	2017
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	1	1
Water supply services	973	992
Sewerage services	261	250
Waste management services (non-domestic)	203	131
Total specific user charges	1,438	1,374
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Dwelling entitlement searches	15	15
Premises inspections	2	1
Private works – section 67	115	82
Section 149 certificates (EPA Act)	35	35
Section 603 certificates	30	30
Town planning / building	343	244
Total fees and charges – statutory/regulatory	540	407

page 15

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Caravan park	60	58
Cemeteries	131	100
Fire and emergency services levy (FESL) implementation	11	50
Library and art gallery	7	–
Public halls	11	9
Quarry revenues	888	826
RMS charges (state roads not controlled by Council)	4,307	5,396
Sporting grounds	28	31
Swimming pools	32	33
Truck wash facility	12	8
Water connection fees	13	9
Water meter readings	7	6
Other	24	5
Total fees and charges – other	5,531	6,531
TOTAL USER CHARGES AND FEES	7,509	8,312

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	35	34
– Cash and investments	696	697
TOTAL INTEREST AND INVESTMENT REVENUE	731	731

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	22	23
General Council cash and investments	409	418

Restricted investments/funds – external:

Development contributions		
– Section 7.11	80	90
– Section 64	6	15
Water fund operations	60	51
Sewerage fund operations	102	89
Domestic waste management operations	52	45
Total interest and investment revenue recognised	731	731

Accounting policy for interest and investment revenue

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		98	75
Ex gratia rates		29	29
Other charges for overdue rates and charges (legal fees)		14	3
Advertising income – Council newsletter		4	5
Australia post supplies / sales		27	29
Commissions and agency fees		146	142
Fuel tax credits		124	119
Insurance claim recoveries		22	–
Miscellaneous / sundry sales		1	10
Sale of old/surplus material		14	9
Southern phone		12	24
Tourist information centre sales and membership fees		57	61
Windfarm Community Enhancement Program administration fee		10	15
Other		39	19
<u>TOTAL OTHER REVENUE</u>		<u>597</u>	<u>540</u>

Accounting policy for other revenue

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

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

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

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

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	4,503	6,463	–	–
Other				
Pensioners' rates subsidies – general component	54	55	–	–
Total general purpose	4,557	6,518	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	18	19	–	–
– Sewerage	16	17	–	–
– Domestic waste management	26	27	–	–
Water supplies	–	–	1,428	4,405
Bushfire services	193	257	–	–
Bushfire and emergency services	–	–	–	17
Crookwell skate park	–	–	–	125
Economic development	16	–	–	–
Environment	4	31	–	–
Footpaths	–	–	388	68
Gunning skate park	–	–	–	20
Heritage and cultural	12	15	–	–
Noxious weeds	136	117	–	–
Public halls	–	–	15	–
Public libraries	53	52	–	34
Recreation and culture	–	–	647	7
Street lighting	28	27	–	–
Transport (roads to recovery)	1,680	1,753	–	–
Transport (other roads and bridges funding)	–	–	558	613
Transportation (3x3, block, repair, regional roads)	1,579	1,625	2,154	451
Youth week	3	1	–	–
Tourism	5	–	–	–
Other	9	–	–	49
Total specific purpose	3,778	3,941	5,190	5,789
Total grants	8,335	10,459	5,190	5,789
Grant revenue is attributable to:				
– Commonwealth funding	6,182	8,216	20	19
– State funding	2,135	1,985	5,118	5,588
– Other funding	18	258	52	182
	8,335	10,459	5,190	5,789

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	713	402
S 7.12 – fixed development consent levies		–	–	–	250
S 64 – water supply contributions		–	–	64	31
S 64 – sewerage service contributions		–	–	59	34
Total developer contributions – cash		–	–	836	717
Total developer contributions	20	–	–	836	717
Other contributions:					
Cash contributions					
Bushfire services		–	–	13	11
Crookwell skate park		–	–	–	22
Kerb and gutter		–	–	23	–
Natural disaster funding – roads		86	764	–	–
Other councils – joint works/services		–	–	–	6
Recreation and culture		–	1	20	2
Section 44 bushfire reimbursement		21	–	–	–
Transferred employee leave entitlements		12	62	–	–
Vehicle leaseback contributions		87	84	–	–
Waste management centres		7	–	–	–
New Gullen Range Wind Farm Contribution		100	–	–	–
Other		–	5	–	–
Total other contributions – cash		313	916	56	41
Total other contributions		313	916	56	41
Total contributions		313	916	892	758
TOTAL GRANTS AND CONTRIBUTIONS		8,648	11,375	6,082	6,547

Accounting policy for contributions

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

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

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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Grants & Contributions		
Operating grants		
Unexpended at the close of the previous reporting period	4,195	3,531
Add: grants and contributions recognised in the current period but not yet spent	1,460	1,295
Less: grants and contributions recognised in a previous reporting period now spent	(478)	(631)
Unexpended and held as restricted assets	5,177	4,195

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	8,171	7,861
Travel expenses	214	194
Employee leave entitlements (ELE)	1,810	1,667
Superannuation	1,144	1,093
Workers' compensation insurance	165	127
Fringe benefit tax (FBT)	47	45
Training costs (other than salaries and wages)	136	120
Other	55	55
Total employee costs	11,742	11,162
Less: capitalised costs	(1,799)	(1,130)
TOTAL EMPLOYEE COSTS EXPENSED	9,943	10,032
Number of 'full-time equivalent' employees (FTE) at year end	136	136

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	156	174
Total interest bearing liability costs expensed	156	174
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	16	20
Total other borrowing costs	16	20
TOTAL BORROWING COSTS EXPENSED	172	194

Accounting policy for borrowing costs

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	1,831	1,590
Contractor and consultancy costs		
– Contractors	5,042	5,179
– Consultancy services	303	230
Auditors remuneration ⁽²⁾	87	71
Legal expenses:		
– Legal expenses: planning and development	4	12
– Legal expenses: other	53	17
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	19	24
TOTAL MATERIALS AND CONTRACTS	7,339	7,123

Operating leases

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

1. Operating lease payments are attributable to:

Other	19	24
	19	24

2. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	46	42
Remuneration for audit and other assurance services	46	42
Total Auditor-General remuneration	46	42

Non NSW Auditor-General audit firms:

(i) Audit and other assurance services

Audit of regulatory returns	–	8
Due diligence services – internal audit	41	21
Remuneration for audit and other assurance services	41	29
Total remuneration of non NSW Auditor-General audit firms	41	29
Total Auditor remuneration	87	71

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,108	1,032
Office equipment		124	109
Furniture and fittings		9	10
Land improvements (depreciable)		9	28
Infrastructure:			
– Buildings – non-specialised		48	48
– Buildings – specialised		534	532
– Other structures		26	26
– Roads		2,473	2,278
– Bridges		492	481
– Footpaths		27	23
– Stormwater drainage		26	23
– Water supply network		525	522
– Sewerage network		447	461
– Swimming pools		19	19
– Other open space/recreational assets		106	100
Other assets:			
– Other		55	57
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 14	48	44
– Quarry assets	10 & 14	10	–
Total depreciation and amortisation costs		6,086	5,793
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		6,086	5,793

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial 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. 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.

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Impairment of financial assets

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.

\$ '000	2018	2017
(e) Other expenses		
Advertising	53	44
Australia post stock / supplies	23	27
Bad and doubtful debts	8	18
Bank charges	41	38
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	13	14
– NSW fire brigade levy	31	29
– NSW rural fire service levy	414	406
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	105	102
Councillors' expenses (incl. mayor) – other (excluding fees above)	54	59
Donations, contributions and assistance to other organisations (Section 356)	74	58
Election expenses	–	57
Electricity and heating	386	367
Fire and emergency services levy (FESL) (excluding employee costs)	–	12
Insurance	584	613
Postage	49	45
Printing and stationery	120	118
Street lighting	95	76
Subscriptions and publications	94	103
Tablelands Regional Community Strategic Plan	–	22
Telephone and communications	143	144
Tourism expenses (excluding employee costs)	17	15
Valuation fees	60	59
Water usage	166	165
Other	120	45
TOTAL OTHER EXPENSES	2,675	2,661

Accounting policy for other expenses

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		–	66
Less: carrying amount of property assets sold/written off		–	(46)
Net gain/(loss) on disposal		–	20
Plant and equipment	9		
Proceeds from disposal – plant and equipment		245	362
Less: carrying amount of plant and equipment assets sold/written off		(280)	(249)
Net gain/(loss) on disposal		(35)	113
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		14,700	20,000
Less: carrying amount of financial assets sold/redeemed/matured		(14,700)	(20,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(35)	133

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	605	921
Cash-equivalent assets		
– Deposits at call	1,200	1,800
– Short-term deposits	8,900	6,700
Total cash and cash equivalents	10,705	9,421

Accounting policy for 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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Held to maturity'	19,300	–	20,900	–
Total investments	19,300	–	20,900	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	30,005	–	30,321	–
Held to maturity investments				
Long term deposits	19,300	–	20,900	–
Total	19,300	–	20,900	–

Accounting policy for investments

Classification

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

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. Assets in this category are measured at amortised cost.

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. Investments 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.

Impairment of available for sale investments

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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	30,005	–	30,321	–
attributable to:				
External restrictions (refer below)	14,187	–	11,617	–
Internal restrictions (refer below)	12,925	–	13,036	–
Unrestricted	2,893	–	5,668	–
	30,005	–	30,321	–

\$ '000	2018	2017
---------	------	------

Details of restrictions

External restrictions – other

Developer contributions – general	3,321	3,291
Developer contributions – water fund	118	114
Developer contributions – sewer fund	113	163
Specific purpose unexpended grants	1,625	627
Water supplies	2,411	2,000
Sewerage services	4,237	3,634
Domestic waste management	2,071	1,335
Stormwater management	283	236
Wind farms community fund	(8)	210
Trust fund	16	7

External restrictions – other

Total external restrictions

	14,187	11,617
	14,187	11,617

Internal restrictions

Employees leave entitlement	1,917	1,866
Carry over works	2,496	3,187
Deposits, retentions and bonds	161	188
Buildings and infrastructure improvements	1,360	2,184
Community projects	12	12
Council houses capital works	61	46
Financial Assistance Grant prepayment Q1 and Q2	2,289	2,198
Garbage / waste disposal	37	37
Gravel pit restoration	333	408
Information technology and equipment	269	374
Library cooperative	71	71
Plant and equipment replacement	1,445	1,157
Public halls capital improvements	39	39
Rubbish tips remediation	1,809	408
State Road works contingencies	594	829
Upper Lachlan tourist association	32	32

Total internal restrictions

TOTAL RESTRICTIONS

	12,925	13,036
	27,112	24,653

page 27

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	260	39	296	36
Interest and extra charges	12	6	13	3
User charges and fees	2,437	77	1,411	92
Accrued revenues				
– Interest on investments	228	–	225	–
– Other income accruals	–	–	17	–
Net GST receivable	33	–	288	–
Other debtors	37	–	2	–
Total	3,007	122	2,252	131
Less: provision for impairment				
Rates and annual charges	(6)	–	(6)	–
User charges and fees	(30)	–	(30)	–
Total provision for impairment – receivables	(36)	–	(36)	–
TOTAL NET RECEIVABLES	2,971	122	2,216	131
Externally restricted receivables				
Water supply				
– Rates and availability charges	57	1	57	3
– Other	59	17	45	14
Sewerage services				
– Rates and availability charges	63	6	65	6
Domestic waste management	70	4	67	4
Total external restrictions	249	28	234	27
Unrestricted receivables	2,722	94	1,982	104
TOTAL NET RECEIVABLES	2,971	122	2,216	131
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			36	36
Balance at the end of the year			36	36

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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 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.

Impairment

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.

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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	284	–	298	–
Stores and materials – gravel	427	–	490	–
Trading stock – Australia post agency	16	–	22	–
Trading stock – tourist information centres	11	–	12	–
Loose tools	178	–	197	–
Total inventories at cost	916	–	1,019	–
TOTAL INVENTORIES	916	–	1,019	–
(b) Other assets				
Prepayments	106	–	86	–
TOTAL OTHER ASSETS	106	–	86	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on 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.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

Land held for resale/capitalisation of borrowing costs

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

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

Upper Lachlan Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	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
\$ '000												
Plant and equipment	13,808	6,264	7,544	935	(280)	(1,108)	—	—	—	13,856	6,765	7,091
Office equipment	1,747	1,217	530	431	—	(124)	—	—	—	2,178	1,341	837
Furniture and fittings	205	133	72	—	—	(9)	—	—	—	205	142	63
Land:												
— Operational land	4,416	—	4,416	277	—	—	—	(98)	—	4,595	—	4,595
— Community land	3,231	—	3,231	58	—	—	—	—	—	3,289	—	3,289
Land improvements – depreciable	281	162	119	—	—	(9)	—	—	—	281	171	110
Infrastructure:												
— Buildings – non-specialised	3,976	2,147	1,829	—	—	(48)	—	—	524	4,651	2,345	2,306
— Buildings – specialised	39,938	19,919	20,019	869	—	(534)	—	—	4,219	45,820	21,247	24,573
— Other structures	1,455	546	909	40	—	(26)	—	—	68	1,632	641	991
— Roads	116,985	44,182	72,803	5,546	—	(2,473)	—	—	—	122,531	46,656	75,875
— Bridges	47,598	22,421	25,177	437	—	(492)	—	—	—	48,034	22,913	25,121
— Footpaths	2,017	525	1,492	105	—	(27)	—	—	—	2,122	552	1,570
— Bulk earthworks (non-depreciable)	212,276	—	212,276	2,200	—	—	—	—	—	214,476	—	214,476
— Stormwater drainage	2,557	1,112	1,445	187	—	(26)	—	—	—	2,745	1,139	1,606
— Water supply network	35,591	12,615	22,976	1,576	—	(525)	—	—	365	37,808	13,416	24,392
— Sewerage network	21,711	7,424	14,287	132	—	(447)	—	—	293	22,302	8,037	14,265
— Swimming pools	1,490	1,001	489	16	—	(19)	—	—	292	1,684	906	778
— Other open space/recreational assets	2,720	1,340	1,380	45	—	(106)	—	—	569	3,046	1,158	1,888
Other assets:												
— Other	921	449	472	14	—	(55)	—	—	—	934	503	431
Reinstatement, rehabilitation and restoration assets (refer Note 11):												
— Tip assets	740	213	527	206	—	(48)	1,901	—	346	3,025	94	2,931
— Quarry assets	346	48	298	—	(36)	(10)	—	—	81	333	—	333
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	514,009	121,718	392,291	13,074	(316)	(6,086)	1,901	(98)	6,757	535,547	128,026	407,521

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads

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

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

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Crown reserves

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

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

Rural Fire Service assets

Until such time as discussions on this matter have concluded and the legislation changed, Council will/will not recognise rural fire service assets including land, buildings, plant and vehicles.

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
Plant and equipment	98	49	49	98	46	52
Office equipment	12	10	2	11	10	1
Land						
– Operational land	506	–	506	400	–	400
– Community land	7	–	7	7	–	7
Buildings	191	96	95	963	745	218
Infrastructure	37,808	13,415	24,393	35,591	12,615	22,976
Total water supply	38,622	13,570	25,052	37,070	13,416	23,654
Sewerage services						
Plant and equipment	150	71	79	150	63	87
Office equipment	2	2	–	2	2	–
Land						
– Operational land	207	–	207	143	–	143
– Community land	110	–	110	110	–	110
Buildings	967	267	700	828	240	588
Infrastructure	22,301	8,037	14,264	21,711	7,424	14,287
Total sewerage services	23,737	8,377	15,360	22,944	7,729	15,215
Domestic waste management						
Plant and equipment	902	208	694	1,242	342	900
Land						
– Operational land	97	–	97	80	–	80
– Improvements non-depreciable	59	31	28	59	27	32
Other assets	66	36	30	66	32	34
Total DWM	1,124	275	849	1,447	401	1,046
TOTAL RESTRICTED IPP&E	63,483	22,222	41,261	61,461	21,546	39,915

Upper Lachlan Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services	1,774	–	2,745	–
Accrued expenses:				
– Salaries and wages	193	–	199	–
– Other expenditure accruals	23	–	25	–
Security bonds, deposits and retentions	158	–	188	–
Community enhancement programs	–	–	210	–
Other	9	–	7	–
Total payables	2,157	–	3,374	–
Income received in advance				
Payments received in advance	846	–	–	–
Total income received in advance	846	–	–	–
Borrowings				
Loans – secured ¹	235	1,655	217	1,890
Total borrowings	235	1,655	217	1,890
TOTAL PAYABLES AND BORROWINGS	3,238	1,655	3,591	1,890

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	84	631	215	700
Sewer	44	225	169	264
Domestic waste management	–	–	67	–
Payables and borrowings relating to externally restricted assets	128	856	451	964
Total payables and borrowings relating to restricted assets	128	856	451	964
Total payables and borrowings relating to unrestricted assets	3,110	799	3,140	926
TOTAL PAYABLES AND BORROWINGS	3,238	1,655	3,591	1,890

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 16.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,107	(217)	–	–	–	1,890
TOTAL	2,107	(217)	–	–	–	1,890

\$ '000

2018

2017

(c) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ⁽¹⁾	300	300
Credit cards/purchase cards	20	26
Total financing arrangements	320	326
Drawn facilities as at balance date:		
– Credit cards/purchase cards	14	–
Total drawn financing arrangements	14	–
Undrawn facilities as at balance date:		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	6	26
Total undrawn financing arrangements	306	326

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the 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.

Finance 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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	781	–	772	–
Long service leave	3,449	–	3,342	–
Other leave – time in lieu	12	–	16	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	2,366	333	–	817
Sub-total – asset remediation/restoration	2,366	333	–	817
TOTAL PROVISIONS	6,608	333	4,130	817

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	144	–	131	–
Sewer	132	–	121	–
Domestic waste management	74	–	67	–
Provisions relating to externally restricted assets	350	–	319	–
Total provisions relating to restricted assets	350	–	319	–
Total provisions relating to unrestricted assets	6,258	333	3,811	817
TOTAL PROVISIONS	6,608	333	4,130	817

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,070	3,032
	3,070	3,032

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	772	—	3,342	—	16	4,130
Additional provisions	9	—	107	—	(4)	112
Total ELE provisions at end of year	781	—	3,449	—	12	4,242

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	746	—	3,302	—	12	4,060
Additional provisions	26	—	40	—	4	70
Total ELE provisions at end of year	772	—	3,342	—	16	4,130

2018	Other provisions	
	Asset remediation	Total
At beginning of year	817	817
Changes to provision:		
– Revised costs	1,866	1,866
Unwinding of discount	16	16
Total other provisions at end of year	2,699	2,699

2017	Other provisions	
	Asset remediation	Total
At beginning of year	797	797
Changes to provision:		
Unwinding of discount	20	20
Total other provisions at end of year	817	817

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

Tip provision movements

Council is required to undertake significant works at the Crookwell waste management centre in 2018/2019 to comply with EPA requirements. Other minor remediation works on former tip sites converted to transfer stations will also be carried out.

Gravel pit provision movements

Provisions were reviewed in 2017/2018 with a minor reduction.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Other reserves

Other reserves are retained to meet the needs of Council.

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	10,705	9,421
Less bank overdraft	13	—	—
Balance as per the Statement of Cash Flows		10,705	9,421
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		7,512	11,768
Adjust for non-cash items:			
Depreciation and amortisation		6,086	5,793
Net losses/(gains) on disposal of assets		35	(133)
Unwinding of discount rates on reinstatement provisions		16	20
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(746)	(925)
Decrease/(increase) in inventories		103	(248)
Decrease/(increase) in other assets		(20)	9
Increase/(decrease) in payables		(971)	1,541
Increase/(decrease) in other accrued expenses payable		(8)	(40)
Increase/(decrease) in other liabilities		608	36
Increase/(decrease) in employee leave entitlements		112	70
Increase/(decrease) in other provisions		1,866	—
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		14,593	17,891

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Operational Land	—	173
Total commitments	—	173
These expenditures are payable as follows:		
Within the next year	—	173
Total payable	—	173
Sources for funding of capital commitments:		
Unrestricted general funds	—	173
Total sources of funding	—	173
(b) 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	21	24
Later than one year and not later than 5 years	61	39
Total non-cancellable operating lease commitments	82	63

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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised

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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii)

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.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(iii)

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.

(iv)

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.

(v)

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.

(vi)

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.

(vii)

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.

page 45

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management

\$ '000

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	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	10,705	9,421	–	9,421
Investments				
– 'Held to maturity'	19,300	20,900	–	20,900
Receivables	3,093	2,347	–	2,347
Total financial assets	33,098	32,668	–	32,668
Financial liabilities				
Payables	2,157	3,374	–	3,374
Loans/advances	1,890	2,107	–	2,107
Total financial liabilities	4,047	5,481	–	5,481

Fair value is determined as follows:

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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 has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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
2018				
Possible impact of a 1% movement in interest rates	18	18	(18)	(18)
2017				
Possible impact of a 1% movement in interest rates	27	27	(27)	(27)

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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.

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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	91%	0%	94%
Overdue	100%	9%	100%	6%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
< 1 year overdue			260	296
1 – 2 years overdue			39	36
			299	332
Other receivables				
Current			2,387	1,971
0 – 30 days overdue			99	2
31 – 60 days overdue			129	–
61 – 90 days overdue			138	–
> 91 days overdue			77	78
			2,830	2,051

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	158	1,999	-	-	2,157	2,157
Loans and advances	7.61%	-	376	1,317	977	2,670	1,890
Total financial liabilities		158	2,375	1,317	977	4,827	4,047
2017							
Trade/other payables	0.00%	188	3,186	-	-	3,374	3,374
Loans and advances	7.64%	-	376	1,471	1,200	3,047	2,107
Total financial liabilities		188	3,562	1,471	1,200	6,421	5,481

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 21 June 2018 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 Variance*		
REVENUES					
Rates and annual charges	10,315	10,195	(120)	(1%)	U
User charges and fees	7,385	7,509	124	2%	F
Interest and investment revenue	613	731	118	19%	F
Cash holdings were higher than anticipated resulting in increased income.					
Other revenues	527	597	70	13%	F
The increase was mainly due to higher fuel tax credits and insurance reimbursements.					
Operating grants and contributions	9,193	8,648	(545)	(6%)	U
Capital grants and contributions	3,179	6,082	2,903	91%	F
Several additional capital grants were received that were not budgeted for. Refer to Note 3.					
Net gains from disposal of assets	11	–	(11)	(100%)	U
The loss on disposal of assets resulted from the sale of a garbage truck that was not programmed in the 2017/2018 budget.					

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
EXPENSES				
Employee benefits and on-costs	10,972	9,943	1,029	9% F
Larger than budgeted salaries were capitalised costs.				
Borrowing costs	199	172	27	14% F
Loans planned for 2017/2018 did not proceed - Kiamma Creek bridge replacement did not commence.				
Materials and contracts	7,495	7,339	156	2% F
Depreciation and amortisation	6,048	6,086	(38)	(1%) U
Other expenses	2,656	2,675	(19)	(1%) U
Net losses from disposal of assets	—	35	(35)	0% U
The sale of a garbage truck that was not programmed in the 2017/2018 budget produced a loss on sale greater than the anticipated gain on planned replacements.				

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

Cash flows from operating activities	10,363	14,593	4,230	40.8% F
Higher than anticipated operating activity was carried out in 2017/2018 without any additional external funding. This includes: - Natural disaster road works did not proceed as budgeted \$900k.				
Cash flows from investing activities	(12,776)	(13,092)	(316)	2.5% U
Cash flows from financing activities	314	(217)	(531)	(169.1%) U
Works proposed to be loan funded were deferred.				

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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:

		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkt	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
– Cash and cash equivalents	30/06/18	–	10,705	–	10,705
– Term deposits	30/06/18	–	19,300	–	19,300
Total financial assets		–	30,005	–	30,005
Financial liabilities					
Payables	30/06/18	–	2,157	–	2,157
Loans and borrowings	30/06/18	–	1,890	–	1,890
Income received in advance		–	846	–	846
Total financial liabilities		–	4,893	–	4,893
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	7,091	7,091
Office equipment	30/06/18	–	–	837	837
Furniture and fittings	30/06/18	–	–	63	63
Operational land	30/06/18	–	–	4,595	4,595
Community land	30/06/16	–	–	3,289	3,289
Land Improvements – depreciable	30/06/16	–	–	110	110
Buildings – non-specialised	30/06/18	–	–	2,306	2,306
Buildings – specialised	30/06/18	–	–	24,573	24,573
Other structures	30/06/18	–	–	991	991
Roads	30/06/15	–	–	290,351	290,351
Bridges	30/06/15	–	–	25,121	25,121
Footpaths	30/06/15	–	–	1,570	1,570
Stormwater drainage	30/06/15	–	–	1,606	1,606
Water supply network	30/06/17	–	–	24,392	24,392
Sewerage network	30/06/17	–	–	14,265	14,265
Swimming pools	30/06/18	–	–	778	778
Other open space/recreational assets	30/06/18	–	–	1,888	1,888
Other assets	30/06/16	–	–	431	431
Rehabilitation assets	30/06/18	–	–	3,264	3,264
Total infrastructure, property, plant and equipment		–	–	407,521	407,521

page 52

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
– Cash and cash equivalents	30/06/17	–	9,421	–	9,421
– Term deposits	30/06/17	–	20,900	–	20,900
Total financial assets		–	30,321	–	30,321
Financial liabilities					
Payables	30/06/17	–	3,306	–	3,306
Loans and borrowings	30/06/17	–	2,107	–	2,107
Total financial liabilities		–	5,413	–	5,413
Infrastructure, property, plant and equipment					
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
Total infrastructure, property, plant and equipment		–	–	392,291	392,291

(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 2018

Note 18. 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).

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.

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:

- 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.
- 2021/2022 - Water Supply and Sewerage network assets.

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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.

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.

2021/2022 - Water Supply and Sewerage network assets.

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

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

(i) Infrastructure, Property, Plant & Equipment

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

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

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

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

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

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

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

Major depreciation periods are:-

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

Asset capitalisation thresholds are:-

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

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

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

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

(iii) 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.

(iv) 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 2018

Note 18. Fair value measurement (continued)

(v) 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 2018. Valuation was undertaken in accordance with the requirements of AASB 13 Fair Value, which defines Fair Value as "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". This involved establishing the nature of the asset, characteristics important to market participants, the appropriate market and valuation premise. Having maximised the level of valuation input, the adopted techniques deemed appropriate are:

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

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

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

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

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

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

Major depreciation periods and capitalisation thresholds remain unchanged.

Major depreciation periods are:-

Buildings	45 to 75 years
-----------	----------------

Asset capitalisation thresholds include:-

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

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

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

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

Other Structures - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Other Structures	15 to 50 years
Playground Equipment	15 years

Asset capitalisation thresholds include:-

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

(vii) 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

(viii) 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 2018

Note 18. 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
--	---------

(ix) 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
-----------	----------

Asset capitalisation thresholds include:-

Footpaths	\$5,000
-----------	---------

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

(x) 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
---	-----------

Asset capitalisation thresholds include:-

All Stormwater assets	\$5,000
-----------------------	---------

(xi) 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 2018

Note 18. 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	\$3,000
--	---------

(xii) Swimming Pool Assets

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

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

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

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

Swimming Pool - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Swimming Pools	50 years
----------------	----------

Asset capitalisation thresholds include:-

Swimming Pools	\$3,000
----------------	---------

(xiii) Other Open Space/Recreational Assets

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

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

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

Upper Lachlan Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

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

Other Open Space/Recreational - Depreciation & Capitalisation Thresholds

Major depreciation periods are:

Playground Equipment and Park Furniture	15 years
---	----------

Asset capitalisation thresholds include:-

Playground Equipment and Park Furniture	\$1,000
---	---------

(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 2018 and the same valuation methodology was retained. All new assets and asset acquisitions made after the respective dates of valuation will be recorded at their initial cost of acquisition.

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

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

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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
Opening balance – 1/7/16	7,394	279	83	4,385	12,141
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
Closing balance – 30/6/17	7,544	530	72	4,416	12,562
Purchases (GBV)	935	431	–	277	1,643
Disposals (WDV)	(280)	–	–	–	(280)
Depreciation and impairment	(1,108)	(124)	(9)	–	(1,241)
FV gains – other comprehensive income	–	–	–	(98)	(98)
Closing balance – 30/6/18	7,091	837	63	4,595	12,586

	Community land	Land improvements	Buildings non- specialised	Buildings specialised	Total
Opening balance – 1/7/16	3,277	129	1,859	20,361	25,626
Purchases (GBV)	–	18	18	188	224
Depreciation and impairment	–	(28)	(48)	(532)	(608)
Adjustments	(46)	–	–	2	(44)
Closing balance – 30/6/17	3,231	119	1,829	20,019	25,198
Purchases (GBV)	58	–	–	869	927
Depreciation and impairment	–	(9)	(48)	(534)	(591)
FV gains – other comprehensive income	–	–	525	4,219	4,744
Closing balance – 30/6/18	3,289	110	2,306	24,573	30,278

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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
Opening balance – 1/7/16	2,618	282,755	25,096	1,310	311,779
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)
Closing balance – 30/6/17	909	285,079	25,177	1,492	312,657
Purchases (GBV)	40	7,746	436	105	8,327
Depreciation and impairment	(26)	(2,473)	(492)	(27)	(3,018)
FV gains – other comprehensive income	68	–	–	–	68
Closing balance – 30/6/18	991	290,352	25,121	1,570	318,034

	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
Opening balance – 1/7/16	1,405	20,906	12,738	–	35,049
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
Closing balance – 30/6/17	1,445	22,976	14,287	489	39,197
Purchases (GBV)	187	1,576	132	16	1,911
Depreciation and impairment	(26)	(525)	(447)	(19)	(1,017)
FV gains – other comprehensive income	–	365	293	292	950
Closing balance – 30/6/18	1,606	24,392	14,265	778	41,041

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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
Opening balance – 1/7/16	–	522	686	1,208
Purchases (GBV)	246	8	184	438
Depreciation and impairment	(100)	(57)	(44)	(201)
Adjustments	1,234	(1)	(1)	1,232
Closing balance – 30/6/17	1,380	472	825	2,677
Purchases (GBV)	45	14	206	265
Disposals (WDV)	–	–	(58)	(58)
Depreciation and impairment	(106)	(55)	(36)	(197)
FV gains – other comprehensive income	569	–	427	996
Adjustments	–	–	1,901	1,901
Closing balance – 30/6/18	1,888	431	3,265	5,584

(5). Highest and best use

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

Upper Lachlan Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Related party transactions

\$ '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:

	2018	2017
Compensation:		
Short-term benefits	1,072	1,055
Termination benefits	75	—
Total	1,147	1,055

Upper Lachlan Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

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	154	53	-	4	(17)	-	194	-
Roads	1,915	521	-	48	(315)	-	2,169	-
Waste management	261	28	-	6	-	-	295	-
Open space	236	43	-	6	(19)	-	266	-
Community facilities	395	75	-	10	(42)	-	438	-
Other	80	10	-	2	(14)	-	78	-
S7.11 contributions – under a plan	3,041	730	-	76	(407)	-	3,440	-
S7.12 levies – under a plan	250	-	-	4	(78)	-	176	-
Total S7.11 and S7.12 revenue under plans	3,291	730	-	80	(485)	-	3,616	-
S64 contributions	277	122	-	6	(175)	-	230	-
Total contributions	3,568	852	-	86	(660)	-	3,846	-

Upper Lachlan Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Upper Lachlan Development Contributions Plan 2007 (previously Section 94)

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	154	53	–	4	(17)	–	194	–
Roads	1,915	521	–	48	(315)	–	2,169	–
Waste management	261	28	–	6	–	–	295	–
Open space	236	43	–	6	(19)	–	266	–
Community facilities	395	75	–	10	(42)	–	438	–
Other	80	10	–	2	(14)	–	78	–
Total	3,041	730	–	76	(407)	–	3,440	–

Upper Lachlan Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.12 LEVIES – UNDER A PLAN

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

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	–	–	4	(78)	–	176	–
Total	250	–	–	4	(78)	–	176	–

S64 contributions

Upper Lachlan Development Servicing Plan for Water & 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	114	–	–	–	–	–	114	–
Sewerage services	163	–	–	–	–	–	163	–
Total	277	–	–	–	–	–	277	–

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	839	1,102	8,254
User charges and fees	995	261	6,253
Interest and investment revenue	63	104	564
Other revenues	7	–	590
Grants and contributions provided for operating purposes	18	–	8,630
Grants and contributions provided for capital purposes	1,492	59	4,531
Other income			
Net gains from disposal of assets	–	16	–
Total income from continuing operations	3,414	1,542	28,822
Expenses from continuing operations			
Employee benefits and on-costs	477	304	9,162
Borrowing costs	50	20	102
Materials and contracts	627	332	6,380
Depreciation and amortisation	546	473	5,067
Other expenses	195	172	2,308
Net losses from the disposal of assets	–	–	51
Total expenses from continuing operations	1,895	1,301	23,070
Operating result from continuing operations	1,519	241	5,752
 Net operating result attributable to each council fund	 1,519	 241	 5,752
 Net operating result for the year before grants and contributions provided for capital purposes	 27	 182	 1,221

¹ 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 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	10,705
Investments	2,529	4,350	12,421
Receivables	116	63	2,792
Inventories	–	–	916
Other	–	–	106
Total current assets	2,645	4,413	26,940
Non-current assets			
Receivables	18	6	98
Infrastructure, property, plant and equipment	25,045	15,355	367,121
Total non-current assets	25,063	15,361	367,219
TOTAL ASSETS	27,708	19,774	394,159
LIABILITIES			
Current liabilities			
Payables	15	5	2,137
Income received in advance	–	–	846
Borrowings	69	39	127
Provisions	144	132	6,332
Total current liabilities	228	176	9,442
Non-current liabilities			
Borrowings	631	225	799
Provisions	–	–	333
Total non-current liabilities	631	225	1,132
TOTAL LIABILITIES	859	401	10,574
Net assets	26,849	19,373	383,585
EQUITY			
Accumulated surplus	25,582	15,092	257,411
Revaluation reserves	1,267	4,281	126,174
Total equity	26,849	19,373	383,585

¹ 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 2018

Note 22(a). Statement of performance measures – consolidated results

	Amounts	Indicator	Prior periods		Benchmark
\$ '000	2018	2018	2017	2016	

Local government industry indicators – consolidated

1. Operating performance ratio

Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	1,465	5.29%	16.47%	13.01%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	27,680				

2. Own source operating revenue ratio

Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	19,032	56.37%	52.13%	65.28%	> 60.00%
Total continuing operating revenue ⁽¹⁾	33,762				

3. Unrestricted current ratio

Current assets less all external restrictions ⁽²⁾	19,562	3.11x	5.14x	6.40x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	6,298				

4. Debt service cover ratio

Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	7,723	19.85x	25.52x	22.37x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	389				

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

Rates, annual and extra charges outstanding	311	2.94%	3.35%	2.36%	10%
Rates, annual and extra charges collectible	10,586				

6. Cash expense cover ratio

Current year's cash and cash equivalents plus all term deposits	30,005	18.48 mths	19.3 mths	15.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,624				

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 Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – 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 2018

Note 22(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	5.17%	17.16%	1.40%	7.55%	12.27%	14.92%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	54.37%	54.74%	55.77%	29.62%	95.14%	96.53%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	3.11x	5.14x	11.08x	9.78x	24.43x	21.89x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Upper Lachlan Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵ 2018	2017	Water indicators 2018	2017	Sewer indicators 2018	2017	Benchmark
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	28.46x	35.54x	5.46x	6.45x	13.63x	14.49x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	2.13%	2.54%	6.89%	7.31%	6.23%	6.59%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.20	17.42	21.48	19.93	59.03	58.94	> 3 months
Payments from cash flow of operating and financing activities	x12	months	months	months	months	months	

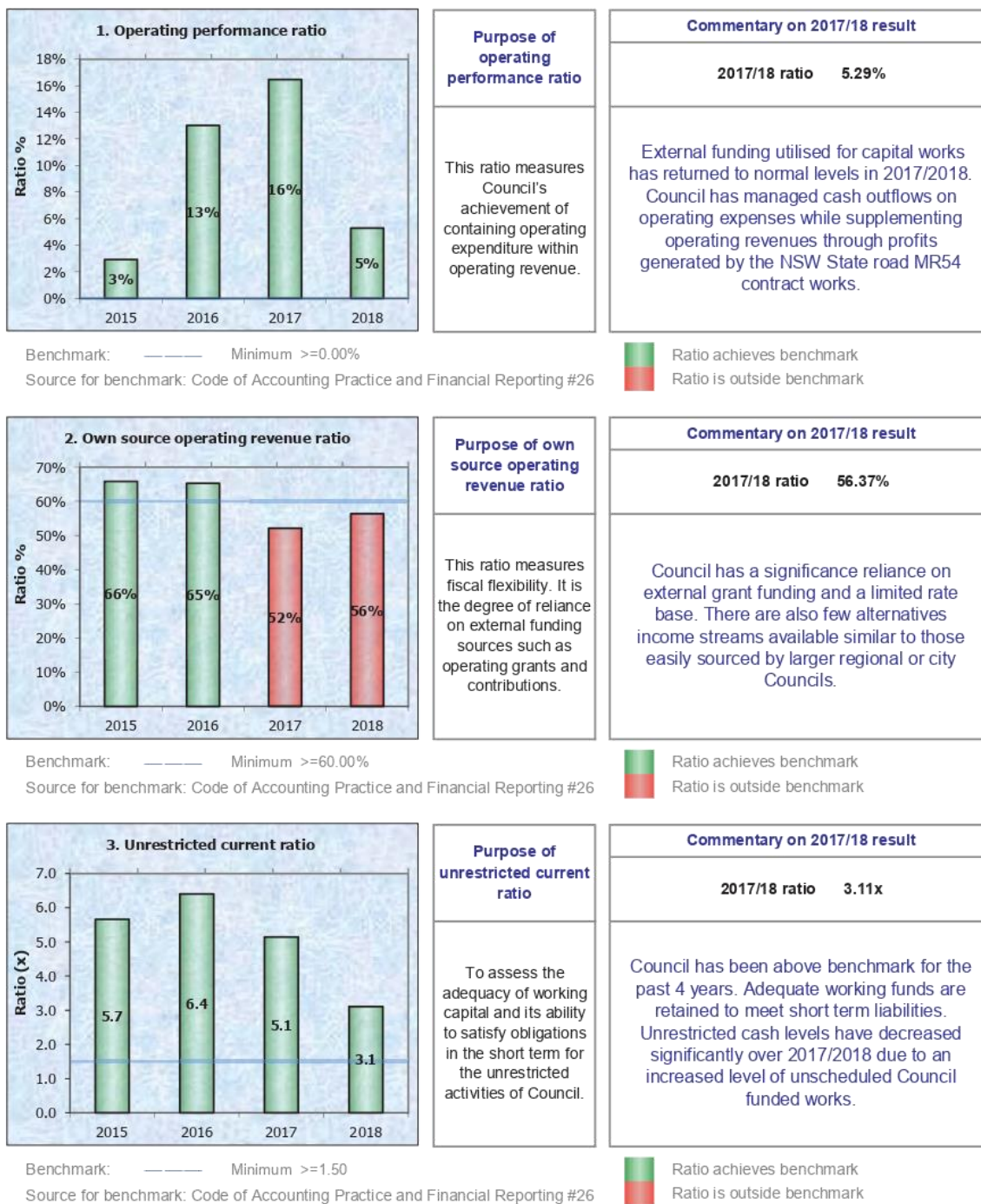
END OF AUDITED FINANCIAL STATEMENTS

Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22(c). Statement of performance measures – consolidated results (graphs)

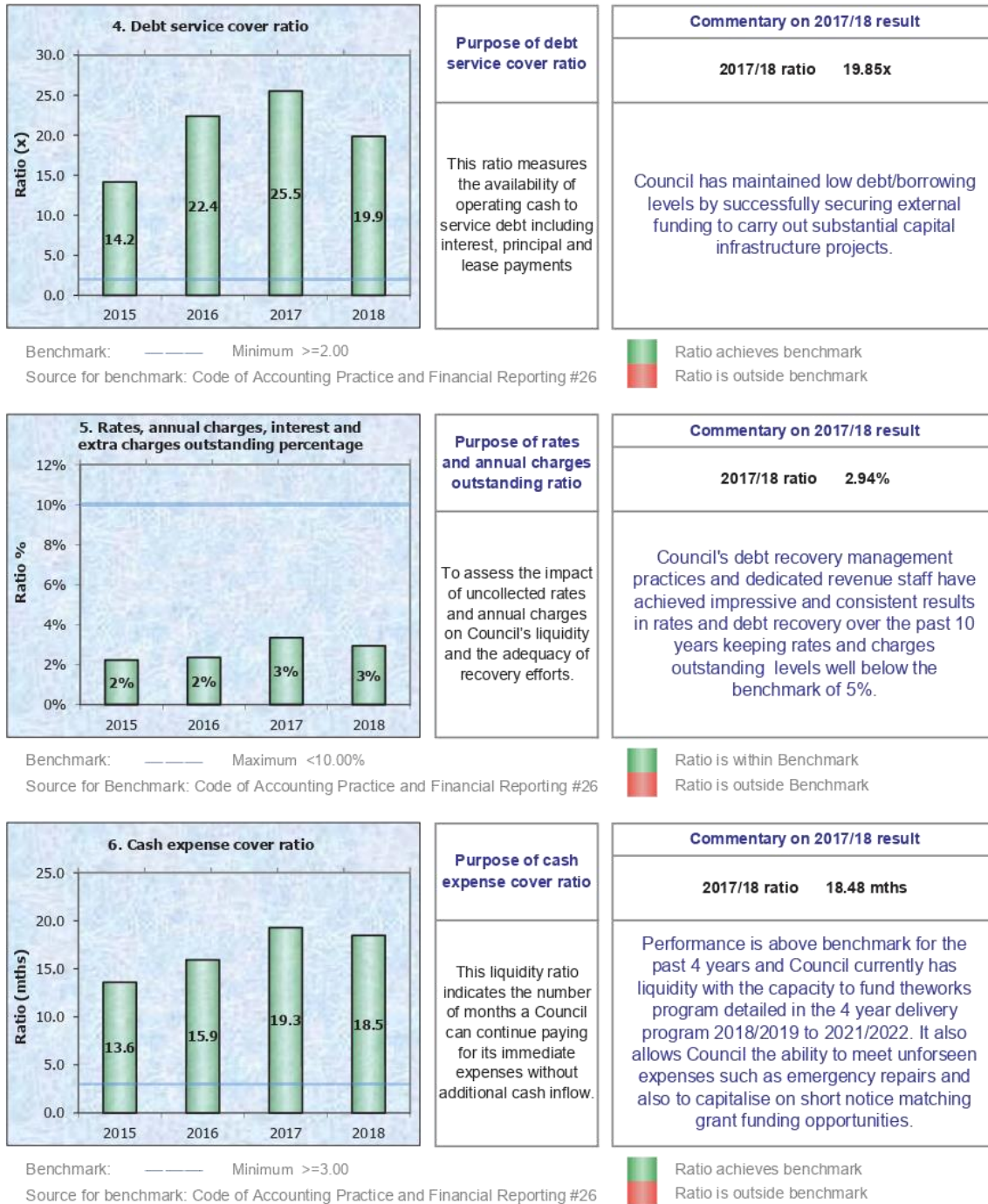


Upper Lachlan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22(c). Statement of performance measures – consolidated results (graphs)



Upper Lachlan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	

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 2018

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 20 September 2018.

Brian McCormack OAM
Mayor

John Stafford
Councillor

John Bell
General manager

Bruce Johnston
Responsible accounting officer

SPFS 2018

Upper Lachlan Shire Council

Income Statement of Council's Water Supply Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	839	818
User charges	995	1,003
Interest	63	53
Grants and contributions provided for non-capital purposes	18	19
Other income	7	1
Total income from continuing operations	1,922	1,894
Expenses from continuing operations		
Employee benefits and on-costs	477	431
Borrowing costs	50	54
Materials and contracts	627	484
Depreciation, amortisation and impairment	546	538
Other expenses	195	244
Total expenses from continuing operations	1,895	1,751
Surplus (deficit) from continuing operations before capital amounts	27	143
Grants and contributions provided for capital purposes	1,492	4,436
Surplus (deficit) from continuing operations after capital amounts	1,519	4,579
Surplus (deficit) from all operations before tax	1,519	4,579
Less: corporate taxation equivalent (30%) [based on result before capital]	(8)	(43)
SURPLUS (DEFICIT) AFTER TAX	1,511	4,536
Plus opening retained profits	24,063	19,485
Plus/less: other adjustments	–	(1)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	8	43
Closing retained profits	25,582	24,063
Return on capital %	0.3%	0.8%
Subsidy from Council	582	366
Calculation of dividend payable:		
Surplus (deficit) after tax	1,511	4,536
Less: capital grants and contributions (excluding developer contributions)	(1,428)	(4,405)
Surplus for dividend calculation purposes	83	131
Potential dividend calculated from surplus	41	66

page 3

SPFS 2018

Upper Lachlan Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,102	1,072
User charges	261	250
Interest	104	95
Grants and contributions provided for non-capital purposes	–	17
Profit from the sale of assets	16	–
Total income from continuing operations	1,483	1,434
Expenses from continuing operations		
Employee benefits and on-costs	304	289
Borrowing costs	20	22
Materials and contracts	332	316
Depreciation, amortisation and impairment	473	481
Other expenses	172	112
Total expenses from continuing operations	1,301	1,220
Surplus (deficit) from continuing operations before capital amounts	182	214
Grants and contributions provided for capital purposes	59	34
Surplus (deficit) from continuing operations after capital amounts	241	248
Surplus (deficit) from all operations before tax	241	248
Less: corporate taxation equivalent (30%) [based on result before capital]	(55)	(64)
SURPLUS (DEFICIT) AFTER TAX	186	184
Plus opening retained profits	14,851	14,602
Plus/less: other adjustments	–	1
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	55	64
Closing retained profits	15,092	14,851
Return on capital %	1.3%	1.6%
Subsidy from Council	202	126
Calculation of dividend payable:		
Surplus (deficit) after tax	186	184
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	186	184
Potential dividend calculated from surplus	93	92

page 4

SPFS 2018

Upper Lachlan Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Domestic Waste Management Category 2	
\$ '000	2018	2017
Income from continuing operations		
Access charges	1,058	997
User charges	1	1
Interest	52	41
Grants and contributions provided for non-capital purposes	36	27
Total income from continuing operations	1,147	1,066
Expenses from continuing operations		
Employee benefits and on-costs	177	172
Borrowing costs	–	1
Materials and contracts	571	553
Depreciation, amortisation and impairment	141	78
Loss on sale of assets	107	22
Other expenses	6	2
Total expenses from continuing operations	1,002	828
Surplus (deficit) from continuing operations before capital amounts	145	238
Grants and contributions provided for capital purposes	28	16
Surplus (deficit) from continuing operations after capital amounts	173	254
Surplus (deficit) from all operations before tax	173	254
Less: corporate taxation equivalent (30%) [based on result before capital]	(44)	(71)
SURPLUS (DEFICIT) AFTER TAX	130	183
Plus opening retained profits	2,783	2,529
Plus/less: other adjustments	(1)	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	44	71
Closing retained profits	2,955	2,783
Return on capital %	19.0%	22.8%
Subsidy from Council	–	–

page 5

SPFS 2018

Upper Lachlan Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	2,529	2,114
Receivables	116	103
Total current assets	2,645	2,217
Non-current assets		
Receivables	18	16
Infrastructure, property, plant and equipment	25,045	23,654
Total non-current assets	25,063	23,670
TOTAL ASSETS	27,708	25,887
LIABILITIES		
Current liabilities		
Payables	15	16
Borrowings	69	64
Provisions	144	135
Total current liabilities	228	215
Non-current liabilities		
Borrowings	631	700
Total non-current liabilities	631	700
TOTAL LIABILITIES	859	915
NET ASSETS	26,849	24,972
EQUITY		
Accumulated surplus	25,582	24,063
Revaluation reserves	1,267	909
TOTAL EQUITY	26,849	24,972

SPFS 2018

Upper Lachlan Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	4,350	3,797
Receivables	63	65
Total current Assets	4,413	3,862
Non-current assets		
Receivables	6	6
Infrastructure, property, plant and equipment	15,355	15,215
Total non-current assets	15,361	15,221
TOTAL ASSETS	19,774	19,083
LIABILITIES		
Current liabilities		
Payables	5	5
Borrowings	39	36
Provisions	132	128
Total current liabilities	176	169
Non-current liabilities		
Borrowings	225	264
Total non-current liabilities	225	264
TOTAL LIABILITIES	401	433
NET ASSETS	19,373	18,650
EQUITY		
Accumulated surplus	15,092	14,851
Revaluation reserves	4,281	3,799
TOTAL EQUITY	19,373	18,650

page 7

SPFS 2018

Upper Lachlan Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Domestic Waste Management Category 2	
\$ '000	2018	2017
ASSETS		
Current assets		
Investments	2,071	1,597
Receivables	69	67
Total Current Assets	2,140	1,664
Non-current assets		
Receivables	5	4
Infrastructure, property, plant and equipment	765	1,046
Total non-current assets	770	1,050
TOTAL ASSETS	2,910	2,714
LIABILITIES		
Current liabilities		
Provisions	74	67
Total current liabilities	74	67
Total non-current liabilities	-	-
TOTAL LIABILITIES	74	67
NET ASSETS	2,836	2,647
EQUITY		
Accumulated surplus	2,955	2,783
Revaluation reserves	(119)	(136)
TOTAL EQUITY	2,836	2,647

page 8

Upper Lachlan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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.

Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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 Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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.

Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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.

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.

Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(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 2018 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.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="6,144"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text" value="–"/>

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="41,450"/>
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	<input type="text" value="61,440"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	<input type="text" value="348,500"/>

2018 Surplus	<input type="text" value="82,900"/>	2017 Surplus	<input type="text" value="131,100"/>	2016 Surplus	<input type="text" value="134,500"/>
		2017 Dividend	<input type="text" value="–"/>	2016 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="41,450"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	<input type="text" value="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)	<input type="text" value="YES"/>
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text" value="YES"/>
	– Complying charges [item 2 (b) in table 1]	<input type="text" value="YES"/>
	– DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="YES"/>
	– If dual water supplies, complying charges [item 2 (g) in table 1]	<input type="text" value="YES"/>
(iii)	Sound water conservation and demand management implemented	<input type="text" value="YES"/>
(iv)	Sound drought management implemented	<input type="text" value="YES"/>
(v)	Complete performance reporting form (by 15 September each year)	<input type="text" value="YES"/>
(vi)	a. Integrated water cycle management evaluation	<input type="text" value="YES"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="YES"/>

Upper Lachlan Shire Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 2. Water supply business best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,926
NWI F4	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)]	%	54.25%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	25,045
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,299
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,577
NWI F17	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)]	%	0.32%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	1,428

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- 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 2018

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

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	5,484
(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]	93,200
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	54,840
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	552,000

2018 Surplus	186,400	2017 Surplus	183,800	2016 Surplus	181,800
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	54,840
(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? ^a	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 2018

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,443
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	15,355
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	815
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	132
NWI F18	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)]	%	1.00%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	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	3,369
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.01%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,709
NWI F19	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)]	%	0.58%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	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)]	%	-12.80%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	332
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	34

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- 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 2018

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 2018

Contents

Page

Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 3	Water Supply Operations – incl. Income Statement	6
Special Schedule 4	Water Supply – Statement of Financial Position	9
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	10
Special Schedule 6	Sewerage Service – Statement of Financial Position	13
Notes to Special Schedules 3 and 5		14
Special Schedule 7	Report on Infrastructure Assets	15

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	855	14	–	(841)
Administration	3,075	610	–	(2,465)
Public order and safety				
Fire service levy, fire protection, emergency services	820	214	13	(593)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	104	33	–	(71)
Other	–	–	–	–
Total public order and safety	924	247	13	(664)
Health	186	69	–	(117)
Environment				
Noxious plants and insect/vermin control	370	144	–	(226)
Other environmental protection	62	–	–	(62)
Solid waste management	1,489	1,900	28	439
Street cleaning	75	–	–	(75)
Drainage	–	–	–	–
Stormwater management	28	46	–	18
Total environment	2,024	2,090	28	94
Community services and education				
Administration and education	128	13	–	(115)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	13	–	–	(13)
Children's services	–	–	–	–
Total community services and education	141	13	–	(128)
Housing and community amenities				
Public cemeteries	141	131	–	(10)
Public conveniences	233	–	20	(213)
Street lighting	95	28	–	(67)
Town planning	452	253	685	486
Other community amenities	38	23	–	(15)
Total housing and community amenities	959	435	705	181
Water supplies	1,894	1,921	1,492	1,519
Sewerage services	1,301	1,483	59	241

Upper Lachlan Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	431	61	–	(370)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	270	39	15	(216)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	401	28	551	178
Swimming pools	234	32	–	(202)
Parks and gardens (lakes)	321	–	96	(225)
Other sport and recreation	2	–	–	(2)
Total recreation and culture	1,659	160	662	(837)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	395	130	–	(265)
Other mining, manufacturing and construction	963	888	–	(75)
Total mining, manufacturing and const.	1,358	1,018	–	(340)
Transport and communication				
Urban roads (UR) – local	714	–	–	(714)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,737	–	–	(1,737)
Sealed rural roads (SRR) – regional	1,382	1,582	1,971	2,171
Unsealed rural roads (URR) – local	2,721	1,763	558	(400)
Unsealed rural roads (URR) – regional	247	–	–	(247)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	6	–	–	(6)
Bridges on URR – local	328	–	–	(328)
Bridges on regional roads	205	–	183	(22)
Parking areas	–	–	–	–
Footpaths	50	–	410	360
Aerodromes	6	–	–	(6)
Other transport and communication	–	–	–	–
Total transport and communication	7,396	3,345	3,122	(929)
Economic affairs				
Camping areas and caravan parks	56	60	–	4
Other economic affairs	4,422	4,578	–	156
Total economic affairs	4,478	4,638	–	160
Totals – functions	26,250	16,043	6,081	(4,126)
General purpose revenues ⁽¹⁾		11,638		11,638
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	26,250	27,681	6,081	7,512

(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 – Permissible income for general rates
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,896	6,737
Plus or minus adjustments ⁽²⁾	b	42	59
Notional general income	c = (a + b)	6,938	6,796
Permissible income calculation			
Special variation percentage ⁽³⁾	d	2.30%	1.50%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	160	102
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	k = (c + g + h + i + j)	7,097	6,898
Plus (or minus) last year's carry forward total	l	2	(0)
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	2	(0)
Total permissible income	o = k + n	7,099	6,898
Less notional general income yield	p	7,098	6,896
Catch-up or (excess) result	q = o - p	1	2
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	1	2

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 2 in the financial data return (FDR) to administer this process.

Upper Lachlan Shire Council

Special Schedule 2 – Independent Auditors Report for the year ended 30 June 2019

Report on Special Schedule 2

Insert here signed Independent Auditors Report

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	113	110
b. Engineering and supervision	166	158
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	26	15
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	147	127
d. Maintenance expenses	26	12
– Reservoirs		
e. Operation expenses	26	18
f. Maintenance expenses	6	8
– Pumping stations		
g. Operation expenses (excluding energy costs)	74	79
h. Energy costs	138	138
i. Maintenance expenses	22	25
– Treatment		
j. Operation expenses (excluding chemical costs)	284	312
k. Chemical costs	94	82
l. Maintenance expenses	90	22
– Other		
m. Operation expenses	42	25
n. Maintenance expenses	45	28
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	546	538
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	50	54
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)	–	–
5. Total expenses	1,895	1,751

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	839	818
b. Usage charges	995	1,003
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	3	3
9. Interest income	60	50
10. Other income	7	1
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	1,428	4,405
b. Grants for pensioner rebates	18	19
c. Other grants	–	–
12. Contributions		
a. Developer charges	64	31
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	3,414	6,330
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	1,519	4,579
15a. Operating result (less grants for acquisition of assets)	91	174

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	1,526	4,887
c. Renewals	51	290
d. Plant and equipment	–	37
17. Repayment of debt	64	60
18. Totals	1,641	5,274
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,708	1,710
b. Residential (unoccupied, ie. vacant lot)	65	71
c. Non-residential (occupied)	235	215
d. Non-residential (unoccupied, ie. vacant lot)	40	41
23. Number of ETs for which developer charges were received	17 ET	9 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 33,000	\$ 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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	118	—	118
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	2,411	—	2,411
26. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	57	1	58
c. User charges	59	17	76
d. Other	—	—	—
27. Inventories	—	—	—
28. Property, plant and equipment			
a. System assets	—	24,996	24,996
b. Plant and equipment	—	49	49
29. Other assets	—	—	—
30. Total assets	2,645	25,063	27,708
LIABILITIES			
31. Bank overdraft	—	—	—
32. Creditors	15	—	15
33. Borrowings	69	631	700
34. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	144	—	144
35. Total liabilities	228	631	859
36. NET ASSETS COMMITTED	2,417	24,432	26,849
EQUITY			
37. Accumulated surplus			25,582
38. Asset revaluation reserve			1,267
39. Other reserves			—
40. TOTAL EQUITY			26,849
Note to system assets:			
41. Current replacement cost of system assets			38,623
42. Accumulated current cost depreciation of system assets			(13,578)
43. Written down current cost of system assets			25,045

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	115	109
b. Engineering and supervision	142	136
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	20	16
b. Maintenance expenses	11	16
– Pumping stations		
c. Operation expenses (excluding energy costs)	42	37
d. Energy costs	92	30
e. Maintenance expenses	14	6
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	217	196
g. Chemical costs	16	22
h. Energy costs	10	15
i. Effluent management	16	13
j. Biosolids management	–	–
k. Maintenance expenses	118	125
– Other		
l. Operation expenses	2	3
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	473	481
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	13	15
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)	–	–
5. Total expenses	1,301	1,220

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,102	1,072
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	261	250
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	5	5
10. Interest income	99	90
11. Other income	–	–
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	16	17
c. Other grants	–	–
13. Contributions		
a. Developer charges	59	34
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	1,542	1,468
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	241	248
16a. Operating result (less grants for acquisition of assets)	241	248

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	132	200
d. Plant and equipment	–	37
18. Repayment of debt	36	34
19. Totals	168	271
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,390	1,366
b. Residential (unoccupied, ie. vacant lot)	163	164
c. Non-residential (occupied)	235	185
d. Non-residential (unoccupied, ie. vacant lot)	40	41
24. Number of ETs for which developer charges were received	14 ET	9 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 30,000	\$ 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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	113	—	113
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	4,237	—	4,237
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	63	6	69
c. User charges	—	—	—
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	15,276	15,276
b. Plant and equipment	—	79	79
30. Other assets	—	—	—
31. Total assets	4,413	15,361	19,774
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	5	—	5
34. Borrowings	39	225	264
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	132	—	132
36. Total liabilities	176	225	401
37. NET ASSETS COMMITTED	4,237	15,136	19,373
EQUITY			
38. Accumulated surplus			15,093
39. Asset revaluation reserve			4,280
40. Other reserves			—
41. TOTAL EQUITY			19,373
Note to system assets:			
42. Current replacement cost of system assets			23,737
43. Accumulated current cost depreciation of system assets			(8,382)
44. Written down current cost of system assets			15,355

Upper Lachlan Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(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 ⁽¹⁾

(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 ⁽²⁾ (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 ⁽²⁾ (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:

⁽¹⁾ 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).

⁽²⁾ 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.

Special Schedules 2018

Upper Lachlan Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised			52	16	2,306	4,651	0%	22%	78%	0%	0%
	Buildings – specialised	765	765	358	339	24,573	45,820	6%	45%	32%	14%	4%
	Sub-total	765	765	410	355	26,879	50,471	5.4%	42.9%	36.2%	12.7%	3.6%
Other structures	Other structures	63	63	20	45	991	1,632	4%	10%	55%	25%	7%
	Sub-total	63	63	20	45	991	1,632	4.0%	10.0%	55.0%	25.0%	7.0%
Roads	Sealed roads	1,032	1,032	2,084	2,129	54,665	83,362	25%	27%	25%	17%	6%
	Unsealed roads			1,410	2,146	21,210	39,169	14%	15%	51%	18%	2%
	Bridges	46	46	150	47	25,121	48,034	6%	39%	44%	8%	3%
	Footpaths			17	23	1,570	2,122	20%	41%	23%	16%	0%
	Kerb & Gutter			31	29	2,730	3,909	3%	63%	19%	15%	0%
	Sub-total	1,078	1,078	3,692	4,374	105,296	176,596	16.8%	28.6%	35.8%	14.7%	4.1%
Water supply network	Water supply network	–	–	473	408	24,392	37,808	56%	19%	4%	20%	1%
	Sub-total	–	–	473	408	24,392	37,808	56.0%	19.0%	4.0%	20.0%	1.0%
Sewerage network	Sewerage network	–	–	279	218	14,265	22,302	47%	27%	26%	0%	0%
	Sub-total	–	–	279	218	14,265	22,302	47.0%	27.0%	26.0%	0.0%	0.0%

page 15

Special Schedules 2018

Upper Lachlan Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 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	–	–	17	2	1,606	2,745	21%	32%	26%	20%	0%
	Sub-total	–	–	17	2	1,606	2,745	21.0%	32.0%	26.0%	20.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	30	24	778	1,684	9%	26%	26%	17%	22%
	Recreational assets	–	–	127	201	1,888	3,046	8%	27%	29%	15%	21%
	Sub-total	–	–	157	225	2,666	4,730	8.4%	26.6%	27.9%	15.7%	21.4%
	TOTAL – ALL ASSETS	1,906	1,906	5,048	5,627	176,095	296,284	22.0%	29.6%	31.0%	14.1%	3.6%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

page 16

Upper Lachlan Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods 2017 2016		Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	9,639	204.09%	136.54%	148.04%	>= 100%
Depreciation, amortisation and impairment	4,723				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	1,906	0.49%	1.66%	1.55%	< 2.00%
Net carrying amount of infrastructure assets	387,951				
3. Asset maintenance ratio					
Actual asset maintenance	5,627	111.47%	118.40%	106.03%	> 100%
Required asset maintenance	5,048				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,906	0.64%	0.98%	0.90%	
Gross replacement cost	296,284				

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

⁽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 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Ratio %</p> <p>2015 2016 2017 2018</p> <p>Benchmark: ——— Minimum >=100.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 204.09%</p> <p>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.</p>
<p>2. Infrastructure backlog ratio</p> <p>Ratio %</p> <p>2015 2016 2017 2018</p> <p>Benchmark: ——— Maximum <2.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.49%</p> <p>The infrastructure backlog ratio 0.49% meets the benchmark of a maximum 2% infrastructure backlog.</p>
<p>3. Asset maintenance ratio</p> <p>Ratio %</p> <p>2015 2016 2017 2018</p> <p>Benchmark: ——— Minimum >100.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 111.47%</p> <p>Council's asset maintenance ratio for 2016/2017 meets the benchmark rate of 1.0.</p>
<p>4. Cost to bring assets to agreed service level</p> <p>Ratio %</p> <p>2015 2016 2017 2018</p>	<p>Purpose of agreed service level ratio</p> <p>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.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.64%</p> <p>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.</p>

Special Schedules 2018

Upper Lachlan Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	252.09%	174.56%	9.71%	55.56%	29.53%	43.38%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.55%	2.15%	0.00%	0.00%	0.00%	0.00%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	116.41%	123.21%	86.26%	86.07%	78.14%	100.74%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.81%	1.24%	0.00%	0.00%	0.00%	0.00%	
Gross replacement cost							

page 19