

Leeton Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 28 September 2016. Council has the power to amend and reissue these financial statements.
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Leeton Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Leeton Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

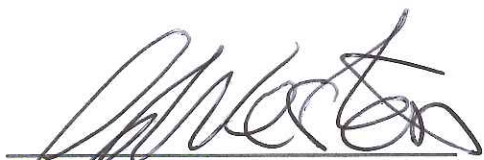
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 August 2016.



Cr Paul Maytom
Mayor



Cr George Weston
Councillor



Jacqueline Kruger
General Manager



Duncan McWhirter
Responsible Accounting Officer

Leeton Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
11,582	Rates and annual charges	3a	11,378	10,891
5,601	User charges and fees	3b	7,333	6,434
670	Interest and investment revenue	3c	1,251	1,016
548	Other revenues	3d	757	918
5,949	Grants and contributions provided for operating purposes	3e,f	6,322	5,599
279	Grants and contributions provided for capital purposes	3e,f	282	455
Other income:				
12	Net gains from the disposal of assets	5	279	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
24,641	Total income from continuing operations		27,602	25,313
Expenses from continuing operations				
10,209	Employee benefits and on-costs	4a	9,764	9,602
133	Borrowing costs	4b	128	112
5,762	Materials and contracts	4c	5,038	4,937
6,835	Depreciation and amortisation	4d	6,106	6,667
–	Impairment	4d	–	–
2,544	Other expenses	4e	2,299	2,478
–	Net losses from the disposal of assets	5	–	2,314
25,483	Total expenses from continuing operations		23,335	26,110
(842)	Operating result from continuing operations		4,267	(797)
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
(842)	Net operating result for the year		4,267	(797)
(842)	Net operating result attributable to Council		4,267	(797)
–	Net operating result attributable to non-controlling interests		–	–
Net operating result for the year before grants and contributions provided for capital purposes				
(1,121)			3,985	(1,252)

¹ Original budget as approved by Council – refer Note 16

Leeton Shire Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		4,267	(797)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(3,810)	884
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(289)	—
Total items which will not be reclassified subsequently to the operating result		(4,099)	884
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of other reserves	20b (ii)	2,486	—
Total items which will be reclassified subsequently to the operating result when specific conditions are met		2,486	—
Total other comprehensive income for the year		(1,613)	884
Total comprehensive income for the year		2,654	87
Total comprehensive income attributable to Council		2,654	87
Total comprehensive income attributable to non-controlling interests		—	—

Leeton Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	4,302	2,831
Investments	6b	25,210	25,710
Receivables	7	1,983	1,718
Inventories	8	2,037	2,129
Other	8	2	—
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		33,534	32,388
Non-current assets			
Investments	6b	3,500	1,000
Receivables	7	274	353
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	210,131	211,682
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		213,905	213,035
TOTAL ASSETS		247,439	245,423
LIABILITIES			
Current liabilities			
Payables	10	1,604	2,044
Borrowings	10	280	269
Provisions	10	2,591	2,526
Total current liabilities		4,475	4,839
Non-current liabilities			
Payables	10	5	5
Borrowings	10	2,238	2,518
Provisions	10	122	116
Total non-current liabilities		2,365	2,639
TOTAL LIABILITIES		6,840	7,478
Net assets		240,599	237,945
EQUITY			
Retained earnings	20	108,053	103,786
Revaluation reserves	20	132,546	134,159
Council equity interest		240,599	237,945
Total equity		240,599	237,945

Leeton Shire Council

Statement of Changes in Equity
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		103,786	134,159	237,945	–	237,945
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		103,786	134,159	237,945	–	237,945
c. Net operating result for the year		4,267	–	4,267	–	4,267
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(3,810)	(3,810)	–	(3,810)
– Revaluations: other reserves	20b (ii)	–	2,486	2,486	–	2,486
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(289)	(289)	–	(289)
Other comprehensive income		–	(1,613)	(1,613)	–	(1,613)
Total comprehensive income (c&d)		4,267	(1,613)	2,654	–	2,654
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		108,053	132,546	240,599	–	240,599

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		104,583	133,275	237,858	–	237,858
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		104,583	133,275	237,858	–	237,858
c. Net operating result for the year		(797)	–	(797)	–	(797)
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	884	884	–	884
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
Other comprehensive income		–	884	884	–	884
Total comprehensive income (c&d)		(797)	884	87	–	87
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		103,786	134,159	237,945	–	237,945

Leeton Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
11,582	Rates and annual charges		11,361	11,003
5,611	User charges and fees		7,617	6,922
670	Investment and interest revenue received		1,006	1,062
6,228	Grants and contributions		6,762	6,052
–	Bonds, deposits and retention amounts received		–	72
548	Other		1,594	2,242
Payments:				
(10,123)	Employee benefits and on-costs		(10,178)	(9,517)
(5,762)	Materials and contracts		(5,502)	(5,380)
(133)	Borrowing costs		(133)	(77)
–	Bonds, deposits and retention amounts refunded		(27)	(13)
(2,544)	Other		(3,062)	(3,251)
6,077	Net cash provided (or used in) operating activities	11b	9,438	9,115
Cash flows from investing activities				
Receipts:				
1,400	Sale of investment securities		25,710	24,210
90	Sale of real estate assets		173	296
528	Sale of infrastructure, property, plant and equipment		398	1,143
110	Deferred debtors receipts		131	95
Payments:				
–	Purchase of investment securities		(27,710)	(26,710)
(7,593)	Purchase of infrastructure, property, plant and equipment		(6,356)	(9,094)
(5)	Deferred debtors and advances made		(44)	(262)
(5,470)	Net cash provided (or used in) investing activities		(7,698)	(10,322)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	2,000
Payments:				
(270)	Repayment of borrowings and advances		(269)	(237)
(270)	Net cash flow provided (used in) financing activities		(269)	1,763
337	Net increase/(decrease) in cash and cash equivalents		1,471	556
580	Plus: cash and cash equivalents – beginning of year	11a	2,831	2,275
917	Cash and cash equivalents – end of the year	11a	4,302	2,831
Additional Information:				
	plus: Investments on hand – end of year	6b	28,710	26,710
	Total cash, cash equivalents and investments		33,012	29,541

Please refer to Note 11 for additional cash flow information

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

(ii) New and amended standards adopted by Council

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

(iii) Early adoption of accounting standards

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

(iv) Basis of accounting

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

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

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

(v) Changes in accounting policies

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

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

(vi) Critical accounting estimates

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

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Estimated fair values of infrastructure, property, plant and equipment.

Critical judgements in applying Council's accounting policies

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

A provision for the impairment on rates receivables has been established as although unpaid rates represent a charge against the rateable property there are properties where council may not recover the full amount of the outstanding rates and charges.

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

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

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

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

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

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

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

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

User charges, fees and other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its

functions have been included in the financial statements forming part of this report.

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

- Leeton Shire Council General Purpose Operations
- Leeton Shire Council Water Supply
- Leeton Shire Council Sewerage Service
- Leeton Early Learning Centre

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- Public Hall Committees at Yanco, Whitton & Murrumbidgee
- Tidy Town Committees at Yanco & Whitton
- Australia Day Committee
- Event Committees (Bidgee Classic, Sunrice Festival and Light Up Leeton)

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

Total income from continuing operations	\$30,000
Total expenditure from continuing operations	\$30,000
Total net assets held (i.e. equity)	\$20,000

Note:

Where actual figures are not known, best estimates have been applied.

(ii) The trust fund

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

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

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(iii) Interests in other entities

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county council.

Unconsolidated structured entities

Following a detailed review of various entities that Council has dealings with including an analysis of each relationship, it has been determined that Council has no material or significant interest in any unstructured consolidated entities.

Council's relationship with those entities includes arm's length arrangements based on normal commercial terms.

(d) Leases

Council has no finance or operating leases.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 that are subject to an insignificant risk of changes in value, and

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments as held-to-maturity for measurement purposes.

(i) Held-to-maturity investments

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

Held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment

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

(iii) Types of investments

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

Investments are placed and managed in accordance with the policy and having particular regard to

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

authorised investments prescribed under the Ministerial Local Government Investment Order.

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

All Council investments are fully compliant with the Ministerial Investment Order and Council's adopted Investment Policy.

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest

rate that is available to the Council for similar financial instruments.

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Stores

Stores in respect of business undertakings are all stated at the lower of cost and net realisable value.

Land held for resale/capitalisation of borrowing costs

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

Leeton Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

Acquisition of assets

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

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

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (internal valuation)
- **Land improvements** (internal valuation)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures** (external valuation)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (external valuation)

- **Other open space/recreational assets**
(external valuation)

- **Other assets**
(as approximated by depreciated historical cost)

Initial recognition

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

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset revaluations (including indexation)

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

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

Full revaluations are undertaken for all assets on a 5-year cycle. More frequent revaluations are sometimes completed on asset classes if it is considered prudent to do so.

Capitalisation thresholds

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

Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant and Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant and Equipment	> \$1,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
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Building

- construction/extensions	100% Capitalised
- renovations	> \$2,000

Other Structures	> \$2,000
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Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	> \$10,000

Bridge construction and reconstruction	> \$10,000
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Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$1,000

Depreciation

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

Land is not depreciated.

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

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 to 5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 15 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	15 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 150 years

Stormwater Drainage

- Drains	100 years
- Culverts	100 years

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Transportation Assets

- Sealed Roads: Surface	10 to 18 years
- Sealed Roads: Structure	50 years
- Unsealed roads	20 to 150 years
- Bridge: Concrete	100 years
- Kerb, Gutter and Paths	100 years
- Other road assets	40 to 100 years

Water and Sewer Assets

- Water Treatment Plants	30 to 70 years
- Reservoirs	100 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	80 years
- Pumps and telemetry	10 to 25 years
- Sewerage Treatment Plants	25 to 90 years
- Sewerage Mains: PVC	70 years
- Sewerage Mains: Other	45 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	60 years
- Other Open Space/ Recreational Assets	15 to 200 years
- Other Infrastructure	15 to 100 years

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

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

Disposal and de-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

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

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

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

(o) Rural fire service assets

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

which the fire fighting equipment has been purchased or constructed'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate only the fire shed assets, their values and depreciation charges within these financial statements.

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

No provision for reinstatement, rehabilitation and restoration needs to be made as restoration of the landfill at Brobenah Road has been ongoing during the life of the landfill. The facility at Corbie Hill Road incorporates restoration works as part of the operation.

Council does not operate any quarries.

(q) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for

possible reversal of the impairment at each reporting date.

(r) Payables

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

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

(s) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(t) Borrowing costs

Borrowing costs are expensed

(u) Provisions

Council has no provisions other than for employee benefits.

(v) Employee benefits

(i) Short-term obligations

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(ii) Other long-term obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

For this reason, no liability for the deficiency has been recognised in these financial statements.

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

(w) Self-insurance

Council does not self-insure.

(x) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

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

Exceptions

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

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

(y) Taxes

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

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

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

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

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

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

(z) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

(aa) Rounding of amounts

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

(ab) Comparative figures

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

(ac) Disclaimer

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	222	225	204	(222)	(225)	(204)	–	–	–	–
Administration	375	464	347	2,019	1,002	3,469	(1,644)	(538)	(3,122)	36	43	26,007	22,536
Public order and safety	147	211	161	578	550	521	(431)	(339)	(360)	119	101	1,061	1,131
Health	12	12	14	238	275	343	(226)	(263)	(329)	–	–	–	–
Environment	2,253	2,484	2,437	2,357	2,539	2,388	(104)	(55)	49	26	148	4,364	4,527
Community services and education	1,850	1,985	1,795	2,113	2,051	2,010	(263)	(66)	(215)	282	274	4,812	4,898
Housing and community amenities	335	360	379	955	790	778	(620)	(430)	(399)	56	70	10,681	11,885
Water supplies	3,624	4,407	3,928	3,989	3,702	3,819	(365)	705	109	40	38	44,494	43,675
Sewerage services	2,393	3,005	2,362	2,593	2,518	2,450	(200)	487	(88)	32	31	33,345	32,490
Recreation and culture	703	826	807	4,038	3,969	3,978	(3,335)	(3,143)	(3,171)	100	122	25,614	26,133
Mining, manufacturing and construction	32	47	385	9	9	9	23	38	376	–	–	52	45
Transport and communication	1,610	1,882	1,117	5,168	4,295	4,853	(3,558)	(2,413)	(3,736)	1,488	672	92,784	93,690
Economic affairs	571	1,059	927	1,204	1,410	1,288	(633)	(351)	(361)	16	–	4,225	4,413
Total functions and activities	13,905	16,742	14,659	25,483	23,335	26,110	(11,578)	(6,593)	(11,451)	2,195	1,499	247,439	245,423
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	10,736	10,860	10,654	–	–	–	10,736	10,860	10,654	3,927	3,957	–	–
Operating result from continuing operations	24,641	27,602	25,313	25,483	23,335	26,110	(842)	4,267	(797)	6,122	5,456	247,439	245,423

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

Leeton Shire Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

HEALTH

Includes inspection, food control, administration.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Includes administration; social protection (welfare); migrant; youth services; aged and disabled persons services; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

Includes camping areas; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

Leeton Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		3,333	3,212
Farmland		2,700	2,651
Business		396	377
Total ordinary rates		6,429	6,240
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		958	930
Stormwater management services		88	87
Water supply services		1,289	1,186
Sewerage services		1,959	1,813
Waste management services (non-domestic)		152	152
Recycling		487	474
Trade waste		16	9
Total annual charges		4,949	4,651
TOTAL RATES AND ANNUAL CHARGES		11,378	10,891

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		2,436	2,257
Sewerage services		579	194
Total user charges		3,015	2,451
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		42	50
Private works – section 67		81	133
Regulatory/ statutory fees		28	26
Registration fees		19	17
Section 149 certificates (EPA Act)		21	26
Section 603 certificates		17	21
Tapping fees		19	26
Town planning		71	104
Total fees and charges – statutory/regulatory		298	403
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care		69	52
Cemeteries		153	146
Child care		1,455	1,305
Golf course		276	281
Lease rentals		155	259
Leaseback fees – Council vehicles		72	76
Library and art gallery		17	20
RMS (formerly RTA) charges (state roads not controlled by Council)		747	570
Roxy theatre		170	116
Stadium		32	28
Swimming centres		108	93
Tourism		34	7
User group contributions		71	49
Waste disposal tipping fees		647	525
Other		14	53
Total fees and charges – other		4,020	3,580
TOTAL USER CHARGES AND FEES		7,333	6,434

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		34	38
– Interest earned on investments (interest and coupon payment income)		962	966
– Interest on deferred debtors		11	12
Dividend income		244	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,251</u>	<u>1,016</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	15	21
General Council cash and investments	489	431

Restricted investments/funds – external:

Development contributions		
– Section 94	3	11
Water fund operations	344	260
Sewerage fund operations	325	232
Domestic waste management operations	70	56
Stormwater Levy	5	5

Total interest and investment revenue recognised	1,251	1,016
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(d) Other revenues

Fines – other	26	19
Legal fees recovery – rates and charges (extra charges)	54	87
Legal fees recovery – other	–	324
Child care operations	15	10
Commissions and agency fees	–	1
Community transport reimbursement	54	58
Diesel rebate	28	26
Donations and sponsorship received	5	13
Insurance claim recoveries	6	68
Insurance rebates	33	48
Recycling income (non-domestic)	3	51
RFS reimbursements	68	5
Sales – general	435	197
Other	30	11
<u>TOTAL OTHER REVENUE</u>	<u>757</u>	<u>918</u>

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,856	2,868	–	–
Financial assistance – local roads component	973	994	–	–
Pensioners' rates subsidies – general component	98	95	–	–
Total general purpose	3,927	3,957	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	40	38	–	–
– Sewerage	32	31	–	–
– Domestic waste management	26	25	–	–
Child care	103	97	–	–
Community care	148	130	–	–
Economic development	12	–	–	–
Employment and training programs	35	53	–	–
Environmental protection	5	84	–	–
Heritage and cultural	11	8	–	–
Library	50	45	–	–
LIRS subsidy	90	51	–	–
Noxious weeds	38	39	–	–
NSW rural fire services	77	101	–	–
Planning	–	15	–	–
Public halls	–	–	13	–
Recreation and culture	–	43	–	26
Street lighting	56	55	–	–
Transport (roads to recovery)	1,340	469	–	–
Transport (other roads and bridges funding)	57	68	61	120
Youth services	1	1	–	–
Total specific purpose	2,121	1,353	74	146
Total grants	6,048	5,310	74	146
Grant revenue is attributable to:				
– Commonwealth funding	5,385	4,552	–	–
– State funding	657	757	74	146
– Other funding	6	1	–	–
	6,048	5,310	74	146

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	11	9
S 64 – water supply contributions	–	–	9	9
S 64 – sewerage service contributions	–	–	–	3
Total developer contributions 17	–	–	20	21
Other contributions:				
Community services	15	14	–	–
Kerb and gutter	–	–	33	–
Recreation and culture	5	36	–	10
Roads and bridges	24	14	–	93
RMS contributions (regional roads, block grant)	230	225	104	102
Sewerage (excl. section 64 contributions)	–	–	37	19
Water supplies (excl. section 64 contributions)	–	–	14	64
Total other contributions	274	289	188	288
Total contributions	274	289	208	309
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>6,322</u>	<u>5,599</u>	<u>282</u>	<u>455</u>

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

Unexpended at the close of the previous reporting period	180	387
Add: grants and contributions recognised in the current period but not yet spent:	347	64
Less: grants and contributions recognised in a previous reporting period now spent:	(77)	(271)
Net increase (decrease) in restricted assets during the period	270	(207)
Unexpended and held as restricted assets	450	180
Comprising:		
– Specific purpose unexpended grants	345	63
– Developer contributions	99	117
– Other contributions	6	–
	450	180

Leeton Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		7,890	7,844
Travel expenses		20	25
Employee leave entitlements (ELE)		911	844
Superannuation		955	942
Workers' compensation insurance		318	544
Fringe benefit tax (FBT)		45	64
Payroll tax		25	27
Training costs (other than salaries and wages)		146	154
Protective clothing		24	27
Other		75	86
Total employee costs		10,409	10,557
Less: capitalised costs		(645)	(955)
TOTAL EMPLOYEE COSTS EXPENSED		9,764	9,602
Number of 'full-time equivalent' employees (FTE) at year end		134	135
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		128	112
Total interest bearing liability costs expensed		128	112
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		128	112
(c) Materials and contracts			
Raw materials and consumables		3,815	3,621
Contractor and consultancy costs			
– Garbage collection charges		742	733
– Other contractor and consultancy costs		150	208
Auditors remuneration ⁽¹⁾		49	34
Legal expenses:			
– Legal expenses: planning and development		2	2
– Legal expenses: debt recovery		53	87
– Legal expenses: other		18	19
Film and other hire expenses		37	35
Water purchases		172	198
TOTAL MATERIALS AND CONTRACTS		5,038	4,937

Leeton Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		36	31
– Audit and review of financial statements: other consolidated entity Auditors		3	3
– Internal Audit		10	–
Remuneration for audit and other assurance services		49	34
Total Auditor remuneration		49	34

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	677	723
Office equipment		—	—	31	30
Furniture and fittings		—	—	22	22
Land improvements (depreciable)		—	—	35	36
Infrastructure:					
– Buildings – non-specialised		—	—	9	24
– Buildings – specialised		267	—	852	847
– Other structures		22	—	55	54
– Roads		—	—	2,154	2,700
– Bridges		—	—	37	14
– Footpaths		—	—	62	50
– Stormwater drainage		—	—	105	118
– Water supply network		—	—	1,151	1,132
– Sewerage network		—	—	730	720
– Waste management infrastructure		—	—	—	7
– Swimming pools		—	—	39	39
– Other open space/recreational assets		—	—	140	135
Other assets					
– Library books		—	—	7	15
– Other		—	—	—	1
Total depreciation and impairment costs		289	—	6,106	6,667
Less: IPP&E impairments (to)/from equity	9a	(289)	—	—	—
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	6,106	6,667

Leeton Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		46	60
Bad and doubtful debts		2	42
Bank charges		1	1
Commissions / agency fees		68	63
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		20	17
– NSW Fire Brigade levy		29	28
– NSW Rural Fire service levy		111	119
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		96	96
Councillors' expenses (incl. mayor) – other (excluding fees above)		33	27
Donations, contributions and assistance to other organisations (Section 356)			
– Annual donations		14	17
– Discretionary donations, contributions and assistance		30	13
– Rates payment incentive		–	2
Electricity and heating		563	654
Insurance		365	355
Licences and permits		11	20
Office expenses (including computer expenses)		215	244
Postage		38	33
Printing and stationery		68	63
Regional arts board		11	10
Street lighting		235	239
Subscriptions and publications		89	90
Telephone and communications		180	188
Valuation fees		37	40
Rental		13	34
<u>TOTAL OTHER EXPENSES</u>		<u>2,299</u>	<u>2,478</u>

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		–	306
Less: carrying amount of property assets sold/written off		–	(307)
Net gain/(loss) on disposal		–	(1)
Plant and equipment			
Proceeds from disposal – plant and equipment		398	293
Less: carrying amount of plant and equipment assets sold/written off		(188)	(200)
Net gain/(loss) on disposal		210	93
Infrastructure			
Proceeds from disposal – infrastructure		–	544
Less: carrying amount of infrastructure assets sold/written off		–	(2,925)
Net gain/(loss) on disposal		–	(2,381)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		173	296
Less: carrying amount of real estate assets sold/written off		(104)	(321)
Net gain/(loss) on disposal		69	(25)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		25,710	24,210
Less: carrying amount of financial assets sold/redeemed/matured		(25,710)	(24,210)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		279	(2,314)

Leeton Shire Council

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

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,087	–	1,135	–
Cash-equivalent assets ¹					
– Deposits at call		2,215	–	1,696	–
– Short-term deposits		1,000	–	–	–
Total cash and cash equivalents		4,302	–	2,831	–
Investments (Note 6b)					
– Long term deposits		25,210	3,500	25,710	1,000
Total investments		25,210	3,500	25,710	1,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		29,512	3,500	28,541	1,000

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		4,302	–	2,831	–
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Investments

b. 'Held to maturity'	6(b-ii)	25,210	3,500	25,710	1,000
Investments		25,210	3,500	25,710	1,000

Note 6(b-i)**Reconciliation of investments
classified as 'held to maturity'**

Balance at the beginning of the year		25,710	1,000	24,210	–
Additions		25,210	2,500	25,710	1,000
Disposals (sales and redemptions)		(25,710)	–	(24,210)	–
Balance at end of year		25,210	3,500	25,710	1,000

Comprising:

– Long term deposits		25,210	3,500	25,710	1,000
Total		25,210	3,500	25,710	1,000

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	29,512	3,500	28,541	1,000
attributable to:				
External restrictions (refer below)	16,318	3,500	16,361	1,000
Internal restrictions (refer below)	12,157	–	11,313	–
Unrestricted	1,037	–	867	–
	29,512	3,500	28,541	1,000

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

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	259	–	(259)	–
External restrictions – included in liabilities	259	–	(259)	–

External restrictions – other

Developer contributions – general (B)	105	14	(33)	86
Developer contributions – water fund (B)	12	1	–	13
RMS (formerly RTA) contributions (C)	–	6	–	6
Specific purpose unexpended grants (D)	63	282	–	345
Water supplies (E)	7,534	1,801	–	9,335
Water supplies – Retention (E)	–	20	–	20
Water supplies – carry over works (E)	499	301	(453)	347
Sewerage services (E)	5,929	682	–	6,611
Sewerage services – carry over works (E)	409	32	(409)	32
Domestic waste management (E)	2,376	427	–	2,803
Stormwater management (E)	171	93	(44)	220
Crown reserves	4	3	(7)	–
External restrictions – other	17,102	3,662	(946)	19,818
Total external restrictions	17,361	3,662	(1,205)	19,818

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- D** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- E** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	949	1,341	(752)	1,538
Infrastructure replacement	3,210	307	(194)	3,323
Employees leave entitlement	1,974	200	(100)	2,074
Carry over works	714	360	(532)	542
Deposits, retentions and bonds	57	–	(26)	31
Aerodrome	100	25	–	125
Buildings	457	48	(161)	344
Childcare centre	281	–	(32)	249
Community services	15	13	–	28
Emergency services	30	–	–	30
Insurance	39	–	–	39
Land development	73	190	–	263
Roads general	1,691	144	(93)	1,742
Roxy theatre	148	–	(16)	132
Stadium	33	–	–	33
Sportsgrounds improvements	242	–	(27)	215
Swimming pool	1,100	–	(15)	1,085
Workers compensation equalisation	200	144	–	344
Aged Housing	–	20	–	20
Total internal restrictions	11,313	2,792	(1,948)	12,157
TOTAL RESTRICTIONS	28,674	6,454	(3,153)	31,975

Leeton Shire Council

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		324	–	340	–
Interest and extra charges		53	–	78	–
User charges and fees		500	–	538	–
Accrued revenues					
– Interest on investments		614	–	344	–
– Other income accruals		216	–	16	–
Amounts due from other councils		7	–	16	–
Deferred debtors		120	274	128	353
Government grants and subsidies		15	–	147	–
Net GST receivable		150	–	169	–
Total		1,999	274	1,776	353
Less: provision for impairment					
Rates and annual charges		(11)	–	(44)	–
User charges and fees		(5)	–	(14)	–
Total provision for impairment – receivables		(16)	–	(58)	–
<u>TOTAL NET RECEIVABLES</u>		<u>1,983</u>	<u>274</u>	<u>1,718</u>	<u>353</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		33	–	39	–
– Other		306	12	213	10
Sewerage services					
– Rates and availability charges		52	–	37	–
– Other		154	4	66	–
Domestic waste management		106	–	97	–
Total external restrictions		651	16	452	10
Internally restricted receivables					
Nil					
Unrestricted receivables		1,332	258	1,266	343
TOTAL NET RECEIVABLES		1,983	274	1,718	353

Notes on debtors above:

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		1,950	—	2,054	—
Stores and materials		87	—	75	—
Total inventories at cost		2,037	—	2,129	—
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		2,037	—	2,129	—
(b) Other assets					
Prepayments		2	—	—	—
TOTAL OTHER ASSETS		2	—	—	—
Externally restricted assets					
There are no restrictions applicable to the above assets.					
(i) Other disclosures					
(a) Details for real estate development					
Residential		40	—	40	—
Industrial/commercial		1,665	—	1,769	—
Other properties		245	—	245	—
Total real estate for resale		1,950	—	2,054	—
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		537	—	559	—
Development costs		1,413	—	1,495	—
Total costs		1,950	—	2,054	—
Total real estate for resale		1,950	—	2,054	—
Movements:					
Real estate assets at beginning of the year		2,054	—	2,375	—
– WDV of sales (expense)	5	(104)	—	(321)	—
Total real estate for resale		1,950	—	2,054	—

(b) Current assets not anticipated to be settled within the next 12 months

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

	2016	2015
Real estate for resale	1,700	1,800
	1,700	1,800

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

Leeton Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period									as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment													depreciation	impairment	
Capital work in progress	9	–	–	–	9	–	4	–	–	–	(9)	–	–	–	4	–	–	–	4
Plant and equipment	–	7,798	3,869	–	3,929	–	794	(188)	(677)	–	–	–	–	–	–	7,738	3,880	–	3,858
Office equipment	–	436	289	–	147	–	32	–	(31)	–	–	–	–	–	–	447	299	–	148
Furniture and fittings	–	362	282	–	80	–	7	–	(22)	–	9	–	–	–	–	372	298	–	74
Land:																			
– Operational land	–	2,681	–	–	2,681	–	5	–	–	–	–	63	–	–	–	2,749	–	–	2,749
– Community land	–	6,581	–	–	6,581	–	22	–	–	–	–	(63)	–	85	–	6,625	–	–	6,625
Land improvements – depreciable	–	1,256	294	–	962	–	43	–	(35)	–	–	26	–	122	–	1,727	609	–	1,118
Infrastructure:																			
– Buildings – non-specialised	–	474	226	–	248	–	–	–	(9)	–	–	–	–	–	–	474	235	–	239
– Buildings – specialised	–	44,170	15,205	–	28,965	277	216	–	(852)	(267)	–	–	–	–	–	44,386	15,780	267	28,339
– Other structures	–	1,646	631	–	1,015	4	61	–	(55)	(22)	–	(26)	–	–	–	1,675	676	22	977
– Roads	–	111,231	39,374	–	71,857	2,906	460	–	(2,154)	–	–	536	(1,239)	–	–	98,558	26,192	–	72,366
– Bridges	–	1,399	283	–	1,116	–	–	–	(37)	–	–	–	–	2,074	–	3,725	572	–	3,153
– Footpaths	–	5,726	834	–	4,892	39	245	–	(62)	–	–	–	(221)	–	–	5,925	1,032	–	4,893
– Bulk earthworks (non-depreciable)	–	12,793	–	–	12,793	–	–	–	–	–	–	–	(4,088)	–	–	8,705	–	–	8,705
– Stormwater drainage	–	11,529	2,097	–	9,432	–	158	–	(105)	–	–	–	(1,449)	–	–	10,015	1,979	–	8,036
– Water supply network	–	72,457	37,506	–	34,951	31	48	–	(1,151)	–	–	–	–	524	–	73,592	39,189	–	34,403
– Sewerage network	–	56,010	30,523	–	25,487	901	–	–	(730)	–	–	–	–	382	–	56,850	30,810	–	26,040
– Waste management infrastructure	–	595	59	–	536	–	–	–	–	–	–	(536)	–	–	–	–	–	–	–
– Swimming pools	–	2,338	1,473	–	865	–	10	–	(39)	–	–	–	–	–	–	2,348	1,512	–	836
– Other open space/recreational assets	–	4,756	1,387	–	3,369	–	93	–	(140)	–	–	–	–	–	–	4,850	1,528	–	3,322
Other assets:																			
– Library books	–	138	131	–	7	–	–	–	(7)	–	–	–	–	–	–	32	32	–	–
– Other assets	–	16	6	–	10	–	–	–	–	–	–	–	–	–	–	16	6	–	10
– Water licences	–	1,750	–	–	1,750	–	–	–	–	–	–	–	–	2,486	–	4,236	–	–	4,236
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	9	346,142	134,469	–	211,682	4,158	2,198	(188)	(6,106)	(289)	–	–	(6,997)	5,673	4	335,045	124,629	289	210,131

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

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

Leeton Shire Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Plant and equipment	–	161	136	25	–	157	131	26
Infrastructure	–	73,592	39,189	34,403	–	72,457	37,506	34,951
Total water supply	–	73,753	39,325	34,428	–	72,614	37,637	34,977
Sewerage services								
WIP	–	4	–	4	–	–	–	–
Plant and equipment	–	449	292	157	–	447	258	189
Infrastructure	–	56,850	30,810	26,040	–	56,010	30,523	25,487
Total sewerage services	–	57,303	31,102	26,201	–	56,457	30,781	25,676
TOTAL RESTRICTED I,PP&E	–	131,056	70,427	60,629	–	129,071	68,418	60,653

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

\$ '000	Notes	Actual 2016	Actual 2015
(i) Impairment losses recognised direct to equity (ARR):			
Racecourse Grandstand - structural damage		(267)	–
Whitton Museum Machinery shed - structural damage		(22)	–
Total impairment losses		(289)	–
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	(289)	–

Leeton Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services		1,012	–	960	–
Payments received In advance		293	–	288	–
Accrued expenses:					
– Borrowings		44	–	49	–
– Salaries and wages		116	5	545	5
– Other expenditure accruals		86	–	122	–
Security bonds, deposits and retentions		50	–	77	–
Miscellaneous creditor clearing accounts		3	–	3	–
Total payables		1,604	5	2,044	5
Borrowings					
Loans – secured ¹		280	2,238	269	2,518
Total borrowings		280	2,238	269	2,518
Provisions					
Employee benefits:					
Annual leave		676	–	711	–
Long service leave		1,915	122	1,815	116
Total provisions		2,591	122	2,526	116
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		4,475	2,365	4,839	2,639
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		19	–	39	–
Sewer		–	–	15	–
Liabilities relating to externally restricted assets		19	–	54	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		19	–	54	–
Total liabilities relating to unrestricted assets		4,456	2,365	4,785	2,639
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,475	2,365	4,839	2,639

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 15.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,365	1,842
	1,365	1,842

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	711	587	(622)	–	–	676
Long service leave	1,931	275	(232)	63	–	2,037
TOTAL	2,642	862	(854)	63	–	2,713

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,302	2,831
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,302	2,831
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,267	(797)
Adjust for non-cash items:			
Depreciation and amortisation		6,106	6,667
Net losses/(gains) on disposal of assets		(279)	2,314
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(231)	371
Increase/(decrease) in provision for doubtful debts		(42)	42
Decrease/(increase) in inventories		(12)	(9)
Decrease/(increase) in other assets		(2)	–
Increase/(decrease) in payables		52	97
Increase/(decrease) in accrued interest payable		(5)	35
Increase/(decrease) in other accrued expenses payable		(465)	246
Increase/(decrease) in other liabilities		(22)	122
Increase/(decrease) in employee leave entitlements		71	27
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,438	9,115
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		545	545
Credit cards/purchase cards		50	50
Total financing arrangements		595	595
Amounts utilised as at balance date:			
– Credit cards/purchase cards		17	12
Total financing arrangements utilised		17	12

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

(ii) Secured loan liabilities

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

Leeton Shire Council

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

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		–	18
Plant and equipment		596	128
Roads and drainage		462	70
Parks Improvements		27	–
Library Equipment		7	–
Total commitments		1,092	216
These expenditures are payable as follows:			
Within the next year		1,092	216
Total payable		1,092	216
Sources for funding of capital commitments:			
Unexpended grants		263	–
Internally restricted reserves		829	208
Unexpended loans		–	8
Total sources of funding		1,092	216

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Leeton Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3,706	13.71%	4.27%	-6.93%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	27,041			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	20,719	75.83%	76.08%	79.99%
Total continuing operating revenue ⁽¹⁾	27,323			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	14,865	4.81x	4.68x	4.54x
Current liabilities less specific purpose liabilities ^(3, 4)	3,091			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	9,940	25.04x	22.47x	34.41x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	397			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	366	3.09%	3.25%	4.41%
Rates, annual and extra charges collectible	11,840			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	33,012	20.66 mths	19.2 mths	17.1 mths
Payments from cash flow of operating and financing activities	1,598			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Leeton Shire Council

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

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

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 13.71%</p> <p>Councils Operating Performance Ratio has again improved significantly in 2015/16. This is principally due to additional grant income, higher fee income and interest on investments.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 75.83%</p> <p>Councils Own Source Revenue continues to be well above the benchmark.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 4.81x</p> <p>Council remains well above the industry benchmark of 1.5 times. This indicates a strong capacity to pay its debts as and when they fall due. The result is a small improvement on 2014/15 and is trending strongly.</p>

Leeton Shire Council

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

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

<p>4. Debt service cover ratio</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 25.04x</p> <p>Councils Debt Service Cover Ratio is 12.5 times the industry benchmark. Council has more than adequate cash to service loan repayments.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: — Maximum $< 10.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.09%</p> <p>The outstanding rates ratio remains very low at 3% as is well below the industry benchmark of 10% for rural councils.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 20.66 mths</p> <p>Council again has a very strong liquidity ratio which is well above the industry benchmark of 3 months.</p>

Leeton Shire Council

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

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	15.83%	16.21%	12.85%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 2.55%	-3.86%	5.67%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	98.57%	97.70%	67.50%
Total continuing operating revenue ⁽¹⁾	prior period: 97.17%	97.76%	69.04%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	474.26x	No liabilities	4.81x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 205.46x	420.60x	4.58x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	927.50x	0.00	17.30x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 11.52x	661.00x	24.73x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	2.61%	2.68%	3.27%
Rates, annual and extra charges collectible	prior period: 3.45%	1.49%	3.63%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	45.81 mths	45.45 mths	13.44 mths
Payments from cash flow of operating and financing activities	prior period: 34.69 mths	44.77 mths	13.00 mths

Notes

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

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

Leeton Shire Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	4,302	2,831	4,302	2,831
Investments				
– 'Held to maturity'	28,710	26,710	28,710	26,710
Receivables	2,257	2,071	2,257	2,071
Total financial assets	35,269	31,612	35,269	31,612
Financial liabilities				
Payables	1,316	1,761	1,316	1,761
Loans/advances	2,518	2,787	2,518	2,787
Total financial liabilities	3,834	4,548	3,834	4,548

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 market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified '**at fair value through profit and loss**' are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

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

The risks associated with the investments held are:

- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

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
2016				
Possible impact of a 10% movement in market values	330	330	(330)	(330)
2015				
Possible impact of a 1% movement in interest rates	295	295	(295)	(295)

Leeton Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	99%	0%	94%
Overdue	100%	1%	100%	6%
	100%	100%	100%	100%

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	1,925	–	1,683
< 1 year overdue	0 – 30 days overdue	324	23	340	38
1 – 2 years overdue	30 – 60 days overdue	–	–	–	21
2 – 5 years overdue	60 – 90 days overdue	–	–	–	4
> 5 years overdue	> 90 days overdue	–	1	–	43
		324	1,949	340	1,789

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	58	16
+ new provisions recognised during the year	–	42
– amounts already provided for and written off this year	(42)	–
Balance at the end of the year	16	58

Leeton Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	50	1,266	–	–	–	–	–	1,316	1,316
Loans and advances	–	400	400	400	400	400	1,046	3,046	2,518
Total financial liabilities	50	1,666	400	400	400	400	1,046	4,362	3,834
2015									
Trade/other payables	77	1,684	–	–	–	–	–	1,761	1,761
Loans and advances	–	401	400	400	400	400	1,448	3,449	2,787
Total financial liabilities	77	2,085	400	400	400	400	1,448	5,210	4,548

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,316	0.00%	1,761	0.00%
Loans and advances – fixed interest rate	2,518	4.90%	2,787	4.90%
	<u>3,834</u>		<u>4,548</u>	

Leeton Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 27 May 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 Variance* -----		
REVENUES					
Rates and annual charges	11,582	11,378	(204)	(2%)	U
User charges and fees	5,601	7,333	1,732	31%	F
Additional revenues were received in the following areas; RMS works on State Roads \$362k, Waste Tipping fees \$126k, Theatre fees \$57K, Sewer Trade Waste charges \$444k due to higher discharges by users, water usage charges \$474k.					
Interest and investment revenue	670	1,251	581	87%	F
Interest revenue was significantly higher than original budget due to a higher level of invested funds and also dividend payments of \$244k following the Class Legal Action against the failed Lehman's Bank. Council generally takes a conservative approach when estimating the revenue due to the continuing falls in interest rates.					
Other revenues	548	757	209	38%	F
Income from the temporary sales of water licences was higher than budget and council was also able to sell excess Town Water for the first time.					
Operating grants and contributions	5,949	6,322	373	6%	F
Capital grants and contributions	279	282	3	1%	F
Net gains from disposal of assets	12	279	267	2225%	F
Proceeds from the sales of plant and vehicles were higher than anticipated and council also returned a profit on the sale of industrial land of \$69k.					

Leeton Shire Council

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

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	10,209	9,764	445	4%	F
Borrowing costs	133	128	5	4%	F
Materials and contracts	5,762	5,038	724	13%	F
A number of budget variations were made to transfer funds from operational to capital projects.					
Depreciation and amortisation	6,835	6,106	729	11%	F
Council revalued roads, bridges and footpaths assets which resulted in a significant reduction in depreciation charges.					
Other expenses	2,544	2,299	245	10%	F
Council has achieved saving in electricity costs due to new contracts and installation of solar panels on the administration building. Saving on office and computer were also achieved					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	6,077	9,438	3,361	55.3%	F
Revenue from fees & charges, investment income and grants were higher than originally budgeted.					
Cash flows from investing activities	(5,470)	(7,698)	(2,228)	40.7%	U
Council purchased additional investments during the year.					
Cash flows from financing activities	(270)	(269)	1	(0.4%)	F

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	55	2	–	2	(26)	–	33	–
Open space	35	1	–	1	–	–	37	–
MIA trunk drainage	–	2	–	–	(2)	–	–	–
Plan administration	–	3	–	–	(3)	–	–	–
Recreation facilities	14	2	–	–	–	–	16	–
Lighting	1	1	–	–	(2)	–	–	–
S94 contributions – under a plan	105	11	–	3	(33)	–	86	–
Total S94 revenue under plans	105	11	–	3	(33)	–	86	–
S64 contributions	12	9	–	–	(8)	–	13	–
Total contributions	117	20	–	3	(41)	–	99	–

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER LEP 35

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					
Traffic facilities	55	2	–	2	(26)	–	33	–
Open space	35	1	–	1	–	–	37	–
MIA trunk drainage	–	2	–	–	(2)	–	–	–
Plan administration	–	3	–	–	(3)	–	–	–
Recreation facilities	14	2	–	–	–	–	16	–
Lighting	1	1	–	–	(2)	–	–	–
Total	105	11	–	3	(33)	–	86	–

Leeton Shire Council

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

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

The Local Government Scheme has advised member Councils that it has an estimated deficiency of assets over liabilities of \$74.1 million at 30 June 2016. (\$22.5 million as at 30 June 2015)

The last valuation of the scheme was performed by Richard Boyfield, FIAA, on 24/02/16 and covers the period ended 30/06/15.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$244,536.

The amount of additional contributions included in the total employer contributions advised above is \$130,554.

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.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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.

(ii) S94 plans

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

Note 19. Interests in other entities

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

Leeton Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		103,786	104,583
a. Net operating result for the year		4,267	(797)
Balance at end of the reporting period		108,053	103,786
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		129,969	134,089
– Other reserves (high security water licences)		2,577	70
Total		132,546	134,159
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		134,089	133,205
– Revaluations for the year	9(a)	(3,810)	884
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(289)	–
– Transfer to water licences		(21)	–
– Balance at end of year		129,969	134,089
Other reserves (high security water licences)			
– Opening balance		70	70
– Increases/(decreases) for the year		2,486	–
– Transfer from IPP&E		21	–
– Balance at end of year		2,577	70
TOTAL VALUE OF RESERVES		132,546	134,159

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,289	2,016	8,073
User charges and fees	2,523	594	4,216
Interest and investment revenue	344	325	592
Other revenues	188	1	568
Grants and contributions provided for operating purposes	40	32	6,250
Grants and contributions provided for capital purposes	23	37	222
Other income			
Net gains from disposal of assets	–	–	279
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	4,407	3,005	20,200
Expenses from continuing operations			
Employee benefits and on-costs	990	629	8,145
Borrowing costs	–	–	138
Materials and contracts	1,146	897	2,995
Depreciation and amortisation	1,159	764	4,183
Impairment	–	–	–
Other expenses	407	228	1,664
Total expenses from continuing operations	3,702	2,518	17,125
Operating result from continuing operations	705	487	3,075
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	705	487	3,075
Net operating result attributable to each council fund	705	487	3,075
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	682	450	2,853

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.

Leeton Shire Council

Notes to the Financial Statements
as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	1,265	866	2,171
Investments	7,420	5,073	12,717
Receivables	339	293	1,438
Inventories	–	–	2,037
Other	–	–	2
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	9,024	6,232	18,365
Non-current assets			
Investments	1,030	704	1,766
Receivables	12	208	258
Inventories	–	–	–
Infrastructure, property, plant and equipment	34,428	26,201	149,502
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	35,470	27,113	151,526
TOTAL ASSETS	44,494	33,345	169,891
LIABILITIES			
Current liabilities			
Payables	19	–	1,585
Borrowings	–	–	367
Provisions	–	–	2,591
Total current liabilities	19	–	4,543
Non-current liabilities			
Payables	–	–	5
Borrowings	–	–	2,442
Provisions	–	–	122
Total non-current liabilities	–	–	2,569
TOTAL LIABILITIES	19	–	7,112
Net assets	44,475	33,345	162,779
EQUITY			
Retained earnings	19,250	18,577	70,226
Revaluation reserves	25,225	14,768	92,553
Total equity	44,475	33,345	162,779

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.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 28/09/16.

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

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

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

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

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

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Leeton Shire Council

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

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial 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			
2016		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances		—	2,518	—	2,518
Total financial liabilities		—	2,518	—	2,518
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	—	—	3,858	3,858
Office furniture	30/06/16	—	—	148	148
Furniture and fittings	30/06/16	—	—	74	74
Operational land	30/06/13	—	2,749	—	2,749
Community land	30/06/16	—	—	6,625	6,625
Land improvements	30/06/16	—	—	1,118	1,118
Buildings – specialised	30/06/13	—	—	28,339	28,339
Buildings – non-specialised	30/06/13	—	239	—	239
Other structures	30/06/13	—	—	977	977
Roads	1/07/15	—	—	72,366	72,366
Bridges	1/07/15	—	—	3,153	3,153
Footpaths	1/07/15	—	—	4,893	4,893
Bulk earthworks	1/07/15	—	—	8,705	8,705
Stormwater drainage	1/07/15	—	—	8,036	8,036
Water supply network	30/06/16	—	—	34,403	34,403
Sewerage network	30/06/16	—	—	26,040	26,040
Swimming pools	30/06/13	—	—	836	836
Other open space/recreational assets	30/06/13	—	—	3,322	3,322
Other assets	30/06/11	—	—	10	10
Water licences	30/06/16	4,236	—	—	4,236
Total infrastructure, property, plant and equipment		4,236	2,988	202,903	210,127

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances	30/06/15	—	2,787	—	2,787
Total financial liabilities		—	2,787	—	2,787
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	—	—	3,929	3,929
Office furniture	30/06/15	—	—	147	147
Furniture and fittings	30/06/15	—	—	80	80
Operational land	30/06/13	—	2,681	—	2,681
Community land	30/06/11	—	—	6,581	6,581
Land improvements	30/06/11	—	—	962	962
Buildings – specialised	30/06/13	—	—	28,965	28,965
Buildings – non-specialised	30/06/13	—	248	—	248
Other structures	30/06/13	—	—	1,015	1,015
Roads	1/07/13	—	—	71,857	71,857
Bridges	1/07/13	—	—	1,116	1,116
Footpaths	1/07/13	—	—	4,892	4,892
Bulk earthworks	1/07/13	—	—	12,793	12,793
Stormwater drainage	1/07/13	—	—	9,432	9,432
Water supply network	30/06/15	—	—	34,951	34,951
Sewerage network	30/06/15	—	—	25,487	25,487
Swimming pools	30/06/13	—	—	865	865
Other open space/recreational assets	30/06/13	—	—	3,369	3,369
Library books	30/06/11	—	—	7	7
Other assets	30/06/11	—	—	10	10
Water licences	30/06/14	1,750	—	—	1,750
Waste management infrastructure	30/06/11	—	—	536	536
Total infrastructure, property, plant and equipment		1,750	2,929	206,994	211,673

(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.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach, and the income approach. Leeton Shire Council use valuation techniques consistent with one or more of those approaches to measure fair value.

Cost Approach – A valuation technique that reflects the amount what could be required to replace the service capacity of an asset (current replacement cost).

Income Approach – Valuation technique that converts future amounts (cash flows inflows/outflows) to signal current (i.e. discounted) amount, The fair value measurement is determined on the basis if the value indicated by current market expectations about these future amounts.

Market Approach – A valuation technique that uses prices and other relevant information, generated by the market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

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

Financial Assets

Nil

Financial Liabilities

The loan liability is the value of the outstanding loan.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Infrastructure, Property, Plant & Equipment

Plant & Equipment

Council's Plant and equipment incorporates

- Major plants- Graders, Loaders, Rollers, Trucks , tractors, street sweepers
- Fleet Vehicles- Cars, Utes etc.
- Minor Plant – Pumps, Chainsaws, brush cutters, mowers, concrete mixers, movie projectors.

Council fair values plant and equipment using level 3 inputs. The observable Level 3 inputs used

- Quoted price for similar assets
- Purchase price
- Useful life of asset
- Current replacement Cost

The 'Cost Approach' is used to value Plant & Equipment

Furniture & Fittings

Council's Furniture & Fittings incorporates

- Furniture and fittings- Desks, Chairs, Display Systems

Council fair values furniture fittings using level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Furniture & Fittings.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Property, Office Equipment

Council's Office Equipment incorporates:

- Office Equipment: PABX, Projectors, fridges etc.

Council fair values office equipment using level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

Library Books

Council's Library Books incorporates

- Books
- Publication
- Reference Materials
- CD's & DVD's

Council fair values library books using level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Purchase prices
- Useful life

The 'Cost Approach' is used to value Library Books.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Infrastructure - Roads

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved makers parking places along side roadside.

Council's Road Asset Data contains detailed dimensions and specification for all Council roads.

Council fair values, road infrastructure using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System.

Level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Works Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Components
- Useful life and residual value
- Asset Condition
- Dimensions and Specification
- Remaining Life of Carriageway
- Unit Rates.

There were no changes in valuation technique from prior year.

Infrastructure - Bridges

A bridge is defined as all structures that convey a road, a footpath or a cycleway across any other physical feature (including waterways and other roads) but do not include culverts.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Council Road Asset Data contains detailed dimensions and specification for all Council's bridges.

Council fair values, bridges (non- componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of bridges takes into consideration the various type of structures such as:

- Bridge Deck/ Superstructure
- Bridge Abutments/Foundations
- Bridge rails and hand rails

There were no changes in valuation technique from prior year.

The 'Cost Approach' is used to values bridges.

Infrastructure - Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council Road Asset Data contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In additions, the value of footpaths takes into consideration the various type of structure such as:

- Length
- Construction Materials

The 'Cost Approach' is used to value footpaths.

Infrastructure - Drainage

Council's Drainage Assets comprises pits, pipes, culverts, open channels, headwalls used to collect and remove stormwater. Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition the value of drainage assets takes into consideration the various type if structure such as

- Pipe Diameter
- Pit Type
- Water Quality Device Type
- Culverts and Headwall constructions Type.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

The 'Cost Approach' is used to value drainage assets.

Property - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Council carries fair values operational land by an External Valuer every 5 years (last valuation being 2013) using Level 2 inputs.

The unobservable Level 2 inputs used include:

- Land Area
- Rate per square Metre
- Planning and Other Restrictions
- Description of Land

The 'Market Approach' is used to value the Operational Land.

Property - Community Land

Council's "Community" land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979) This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to Community Land the Office of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group, the Division has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV(Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Cost Approach' is used to value Community land.

Land Improvements

Council's Land improvements incorporates

- Sprinkler & Watering Systems
- Cemetery Plinths
- Erosion Control
- Retention Basins

Council carries fair values of land reserves using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Asset Condition
- Dimensions and Specification

The cost approach is used to value the land improvements

Property - Buildings (Specialised and non-Specialised)

Council Buildings incorporates Council administration buildings, Libraries, Public Amenities, Sporting Club Houses, Kiosks and Amenities, Depot Buildings and workshops, Halls & Community Centres, Rural Fire Service Buildings and Council Caravan Park.

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external Valuer, Scott Fullerton using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected and unit although rates based on square meters could be supported from the market evidence, extensive

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value. As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future Economic Benefits
- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings

Other Structures, Swimming Pools, Open Space & Recreation:

Council's other structures incorporates the following types of assets;

- Significant single assets such as swimming pools, playgrounds, floodlighting system, tennis courts, tennis shelters, grandstands etc. and
- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are under taken by Council Staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The "Cost Approach" is used to value other structures.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Waste Infrastructure:

Council's Waste Infrastructure Assets comprises internal roads within the landfill site.

Council carries fair values of land reserves using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Asset Condition
- Dimensions and Specification
- Residual value
- Useful life

The Cost Approach is used to value water infrastructure.

Water Supply Network

Council's Water Supply Network incorporates:

- Water Lines
- Water Meters
- Pumping Stations
- Reservoirs
- Filtration Plant
- Telemetry System

Council carries fair value of water supply assets using Level 3 inputs. Such valuations are under taken by Council Staff using the NSW Office Of Water Reference Rates Manual.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Cost Approach” is used to value the water supply network.

Sewerage Network

Council’s Sewerage Network incorporates:

- Sewer Lines
- Pump Stations
- Vent Stacks
- Sewer Treatment Plant
- Telemetry System

Council carries fair value of water supply assets using Level 3 inputs. Such valuations are under taken by Council Staff using the NSW Office of Water Reference Rates Manual.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Cost Approach” is used to value the sewerage network.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Total	Total
Opening balance – 1/7/14	205,025	205,025
Transfers from/(to) another asset class	(97)	(97)
Purchases (GBV)	9,081	9,081
Disposals (WDV)	(1,256)	(1,256)
Depreciation and impairment	(6,643)	(6,643)
FV gains – other comprehensive income	884	884
Closing balance – 30/6/15	206,994	206,994
Transfers from/(to) another asset class	(63)	(63)
Purchases (GBV)	6,356	6,356
Disposals (WDV)	(188)	(188)
Depreciation and impairment	(6,386)	(6,386)
FV gains – other comprehensive income	(3,810)	(3,810)
Closing balance – 30/6/16	202,903	202,903

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

None

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/16)	Valuation technique/s	Unobservable inputs
I, PP&E			
Plant, equipment, furniture, fittings and office equipment	7,080	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	6,625	Land values obtained from the NSW Valuer General	Land value, land area
Land Improvements	1,118	Cost used to approximate fair value	Asset condition, remaining lives, residual value
Specialised buildings	28,339	Cost approach based on sq metre rate	Asset condition, consumption rate, remaining lives
Other structures	977	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Roads, bridges, footpaths, bulkworks	89,117	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Stormwater drainage	8,036	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Water Supply and Sewerage Network	60,443	Based on NSW Office of Water Reference Rates Manual	Asset condition, pattern of consumption, residual value, components, dimensions and specification, unit rates
Swimming Pools	836	Cost used to approximate fair value	Asset condition, consumption rate, remaining lives
Other open space/recreational assets	3,322	Cost used to approximate fair value	Asset condition, consumption rate, remaining lives
Other assets	10	Cost used to approximate fair value	Gross replacement cost, useful life and residual value

Leeton Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

d. The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all assets classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land and Buildings are undertaken by council's assets officer in conjunction with the various technical staff.

Operational Land and Building valuations are conducted by a qualified external valuer, Community Land is valued using the Valuer Generals valuation.

Management reviews the valuations reports for consistency and accuracy and to ensure all valuations movements are fully explains.

(5). Highest and best use

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

Leeton Shire Council

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

Note 28. Council information and contact details

Principal place of business:

23-25 Chelmsford Place
Leeton NSW 2705

Contact details

Mailing address:

23-25 Chelmsford Place
Leeton NSW 2705

Opening hours:

Office Hours: 8.30am to 5.00pm
Cashier Hours: 9:00am to 4:00pm (Mon - Fri)

Telephone: 02 6953 0911

Facsimile: 02 6953 3337

Internet: www.leeton.nsw.gov.au

Email: council@leeton.nsw.gov.au

Officers

GENERAL MANAGER

Jacqueline Kruger

RESPONSIBLE ACCOUNTING OFFICER

Duncan McWhirter

PUBLIC OFFICER

Duncan McWhirter

AUDITORS

Crowe Horwath Auswild
491 Smollett Street
Albury NSW 2640

Elected members

MAYOR

Cr Paul Maytom

COUNCILLORS

Cr George Weston (Deputy Mayor)
Cr Tracey Valenzisi
Cr Emerson Doig
Cr Greg O'Callaghan
Cr Peter Davidson
Cr Steve Dowling
Cr Michael Kidd
Cr Tracey Morris

Other information

ABN: 59 217 957 665

INDEPENDENT AUDIT REPORT TO LEETON SHIRE COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

SCOPE

We have audited the accompanying financial statements of Leeton Shire Council ('the Council'), which comprises the statement of financial position as at 30 June 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2) (a) and (c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

We performed the procedures to assess whether in all material respects the financial statements present fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, statement of cash flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules and accordingly, we express no opinion on them.

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

The audit opinion expressed in this report has been formed on the above basis.

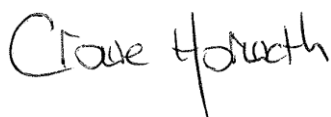
INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

AUDITOR'S OPINION

In our opinion:

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



CROWE HORWATH AUSWILD



BRADLEY D BOHUN

Partner

Dated at Albury this 28 day of September 2016.

Report on the Conduct of the Audit

Leeton Shire Council

Year Ended 30 June 2016

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2	Operating Result	4
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1 Report on the Conduct of the Audit

We have completed our audit of the financial statements for Leeton Shire Council (Council) for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act, 1993. Our audit opinion under Section 417(2) has been issued to Council and this report on the conduct of the audit should be read in conjunction with the audit opinion.

The Council is responsible for the preparation and presentation of the financial statements and the information they contain. The financial statements consist of the general purpose financial statements and Council's statement in the approved form required by Section 413 (2) and (3) respectively of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Our engagement is summarised as:

Nature of Engagement	Opinion	Basis of Preparation
General purpose financial statements	Unqualified	Going concern Not for Profit entity
Special purpose financial statements	Emphasis of matter regarding basis of preparation	National Competition Policy requirements by area of business activity
Special Schedule 8	Emphasis of matter regarding basis of preparation	OLG requirements

Following from our audit there are a number of comments we wish to raise concerning Council's financial statements. These comments are set out in this report below.

2 Operating Result

Leeton Shire Council (the 'Council') is a small regional Council in Southern New South Wales, whose affairs are governed by:

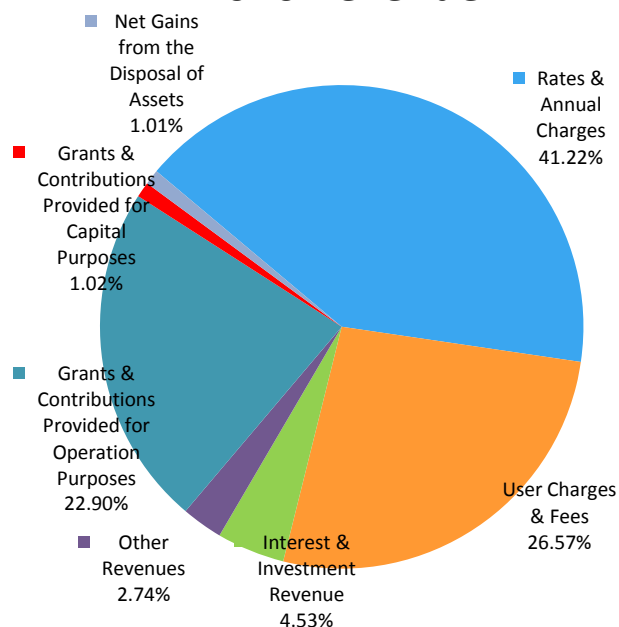
- Local Government Act 1993;
- Local Government Regulations;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Local Government Asset Accounting Manual Regulations.

The Council is responsible for the administration and implementation of the strategic policies voted on in Council.

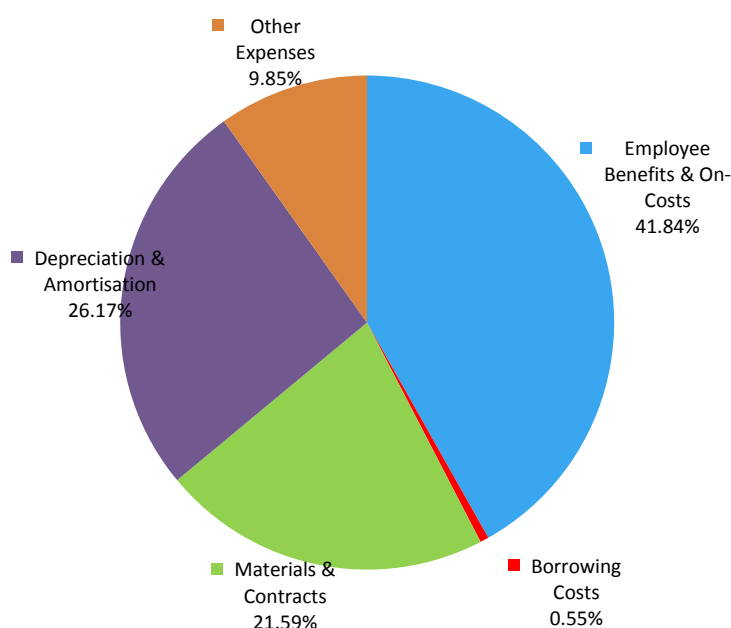
The Council achieved a profit in net operating result from continuing operations (including capital contributions) of \$4,267k (2015: \$797k loss) for the year ended 30 June 2016. The net operating result for the year before grants and contributions provided for capital purposes is \$3,985k (2015: \$1,252k loss).

A breakdown of Council's revenues and expenses for the year are as follows:

2016 Revenue



2016 Expenses



Significant income and expense items in the current year were:

	2016 \$'000	2015 \$'000	2014 \$'000
Rates and annual charges	11,378	10,891	10,594
User charges and fees	7,333	6,434	5,946
Grants and contributions - operating	6,322	5,599	3,427
Grants and contributions - capital	282	455	1,161
Employee costs	9,764	9,602	9,218
Materials and contracts	5,038	4,937	4,862
Depreciation and amortisation	6,106	6,667	6,714

The size of Council's operations has remained relatively consistent over the past three years with increases in rates and annual charges being attributable to the annual permissible increase (2.4% in 2015/2016) plus additional rateable properties. Grants and contributions have increased during the period due to an additional \$870k of roads to recovery grants received by Council.

User charges and fees increased \$899K with an additional \$577K from water and sewer charges, \$177K additional RMS fees for works completed on State Roads, \$150K from Childcare and \$122K from landfill disposal charges.

Employee costs increased by 1.7% which was achieved following a 2.7% wage increase in line with the Local Government Award for the year. Depreciation has decreased by \$561K as a result of road infrastructure asset revaluations undertaken in FY16.

The above significant items are based on the operational results from Council as disclosed in the income statement and accompanying notes.

3 Financial Position

A measure of the Council's financial position is its unrestricted working capital. The following table sets out the unrestricted working capital position of Council as at the end of the financial year.

	2016 \$'000	2015 \$'000	2014 \$'000
Cash and Liquid Investments	29,512	28,541	26,485
External Restrictions - included in liabilities	-	(259)	(418)
- not included in liabilities	(16,318)	(16,102)	(17,187)
Internal Restrictions - included in liabilities	(2,074)	(1,974)	(1,926)
- not included in liabilities	(10,083)	(9,339)	(6,520)
Unrestricted Cash and Investments	1,037	867	434
Other Net Current Assets / (Liabilities) excluding anticipated LSL Provision & restrictions included in liabilities	830	425	1,432
Unrestricted Working Capital	1,867	1,292	1,866

The above represents the amount of working capital Council has available to meet its future spending requirements after making allowance for any restrictions in place over the use of such working capital.

The above result continues to indicate a strong capacity to pay debts as and when they fall due after consideration of both internal and external restrictions of Council.

We recommend that Council continue to monitor its unrestricted working capital position when reviewing its financial position. It is also recommended that Council continue to be mindful of its unrestricted working capital position when considering its future spending requirements.

4 Performance Indicators

Refer to Note 13 of the financial statements. Sections 4.1 to 4.6 contemplate Councils performance on a consolidated basis. Section 4.7 shows Councils performance against the same ratios on a fund basis.

4.1 Operating Performance Ratio

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

The operating performance ratio at Note 13 has improved this year due to additional grant income (predominately Roads to Recovery) in FY16. Council also received additional income for interest on investments, fees and other revenue.

4.2 Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility and shows the degree of reliance on external funding sources such as operating grants and contributions. A Council has improved financial flexibility with a higher level of own source revenue.

This ratio has decreased slightly to 75.83% in 2016 but remains a healthy margin above the benchmark 60% as outlined in Code number 24.

4.3 Liquidity (Unrestricted Current) Ratio

This ratio is used to assess the adequacy of working capital and Council's ability to satisfy its obligations in the short term for the unrestricted activities of Council. Unrestricted current ratio is calculated by current assets less all external restrictions divided by current liabilities less specific purpose liabilities.

The liquidity ratio at Note 13 shows an increase in Council's liquidity position compared to the prior year and Council continues to report a result well in excess of the 1.5:1 benchmark minimum.

4.4 Debt Service Ratio

This ratio demonstrates the percentage of Council revenue required to service the debts carried by Council.

This ratio indicates 25.04 times (2015: 22.47 times) Council's operating cash is available to service Council debts. Council continues to maintain a small level of borrowings relative to its overall size.

4.5 Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

The outstanding percentage assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts.

The outstanding rates % has reduced further and is significantly below the benchmark for rural councils which is a reflection of the strong debt collection procedures in place at Council.

4.6 Cash Expense Cover Ratio

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

Council has performed comfortably above the benchmark (from: Code of Accounting Practice and Financial Reporting) in both the current and prior period, indicating a strong liquidity position of Council.

4.7 Performance Indicators by Fund

The following performance indicators are shown on a fund basis as at 30 June 2016. The below allows analysis of how Council performs at a fund level and would indicate the result of Council's general operations excluding its water and sewer operations.

Indicators	Water	Sewer	General
Operating performance ratio	15.83%	16.21%	12.85%
Own source operating revenue	98.57%	97.70%	67.50%
Unrestricted current ratio	474.26 x	No liabilities	4.81 x
Debt service cover ratio	927.50 x	0.00	17.30 x
Rates, Annual Charges, Interest and extra charges outstanding %	2.61%	2.68%	3.27%
Cash expense cover ratio	45.81 mths	45.45 mths	13.44 mths

5 Specific Balance Sheet Items

5.1 Receivables

Total current receivables at 30 June 2016, net of allowance for impairment was \$1,983k (2015: \$1,718k).

This balance consists of user charges and fees of \$500k (2015: \$538k) and rates and annual charges of \$324k (2015: \$340k). The percentage of rates and annual charges outstanding is referred to at Section 4.5 of this report.

Accrued Income of \$830K (2015:\$360K), a significant driver in this increase has been Council's extension of maturity dates on investments resulting in higher levels of accrued interest.

The allowance for impairment at 30 June 2015 was \$16k (2015: \$58k). The allowance is specifically matched against rates and annual charges and user charges and fees outstanding. An assessment of the collectability of the receivables balance indicated that the allowance for impairment was sufficient.

5.2 Capital Expenditure

During the reporting period Council spent \$6,356k (2015: \$9,094k) on items of an infrastructure, property, plant or equipment nature. The primary areas of capital expenditure were as follows:

	2016 \$'000	2015 \$'000	2014 \$'000
Land & improvements	70	72	195
Buildings	493	1,885	285
Plant and equipment	833	841	1,965
Roads, bridges and footpaths	3,650	3,351	3,170
Stormwater drainage	158	303	77
Water supply network	79	1,037	544
Sewerage network	901	1,456	1,090
Other	172	149	705
	6,356	9,094	8,031

5.3 Fair Value of Infrastructure, Property, Plant and Equipment

The Council is required to complete progressive revaluation of all property, plant and equipment to fair value where all assets are revalued on a 5 year cycle. The Office of Local Government minimum requirements timetable is as follows:

2012: Water and sewer networks;

2013: Operational land and buildings;

2014: Land under roads (if applicable);

2015: Roads, bridges, footpaths, drainage and bulk earthworks; and

2016: Community land, land improvements, other structures and other assets.

In 2016 the Council performed a revaluation of community land, land improvements and other assets in accordance with the revaluation cycle. In addition Council also revalued all roads, bridges, footpaths, bulk earthworks and stormwater drainage to fair value.

Further, we report that in accordance with the requirements of the code of Accounting Practice, Council's water and sewage assets were indexed upward in accordance with the latest indices provided by the NSW Office of Water.

As at June 2016 all Council's infrastructure, property, plant and equipment is held at fair value with the exception of capital WIP which is held at cost.

5.4 Borrowings

Borrowings have decreased by \$269k from the prior year's balance of \$2,787k. There has been no new loans taken out this year.

5.5 New Standards and Interpretations Not Yet Adopted

Certain new accounting standards have been published that are not mandatory for the 30 June 2016 reporting period as follows:

- AASB 9 *Financial Instruments* and associated amending standards, effective 1 January 2018.
- AASB 15 *Revenue from Contracts with Customers*, effective 1 January 2018.
- AASB 2014-3 Amendments to Australian Accounting Standards – *Accounting for Acquisitions of Interests in Joint Operations (AASB1 and AASB11) and AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, effective 1 January 2018.
- AASB 16 *Leases*, effective 1 January 2019.

Council is of the view that these standards not yet effective will not significantly affect any of the amounts recognised in the financial statements, however they may impact certain information otherwise disclosed, or the format in which information is disclosed.

6 Other Matters

Several performance improvement observations were noted during our yearend audit visits. A final management letter has been issued to management. There were no major control deficiencies noted in Council's systems.

6.1 Management Letter

A separate report is issued to Council's management which covers in further detail the audit and accounting issues identified during our audit process.

6.2 Independence

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

6.3 Assistance Provided

We recognise and appreciate the General Manager and staff of Council for their cooperation and courtesy extended to us during the course of the audit.

6.4 Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

Contact Us

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Leeton Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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2. Special Purpose Financial Statements:	
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Income Statement – Other Business Activities	n/a
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Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Leeton Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

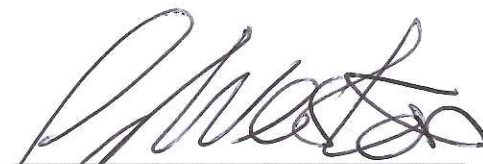
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 24 August 2016.




Cr Paul Maytom
Mayor



Cr George Weston
Councillor



Jacqueline Kruger
General Manager



Duncan McWhirter
Responsible Accounting Officer

Leeton Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,289	1,186
User charges	2,488	2,312
Fees	35	43
Interest	344	260
Grants and contributions provided for non-capital purposes	40	38
Profit from the sale of assets	—	—
Other income	188	16
Total income from continuing operations	4,384	3,855
Expenses from continuing operations		
Employee benefits and on-costs	990	1,071
Borrowing costs	—	4
Materials and contracts	1,146	1,114
Depreciation and impairment	1,159	1,140
Water purchase charges	132	167
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	275	323
Total expenses from continuing operations	3,702	3,819
Surplus (deficit) from continuing operations before capital amounts	682	36
Grants and contributions provided for capital purposes	23	73
Surplus (deficit) from continuing operations after capital amounts	705	109
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	705	109
Less: corporate taxation equivalent (30%) [based on result before capital]	(205)	(11)
SURPLUS (DEFICIT) AFTER TAX	500	98
Plus opening retained profits	18,545	18,742
Plus/less: prior period adjustments	—	(306)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	205	11
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	19,250	18,545
Return on capital %	2.0%	0.1%
Subsidy from Council	65	1,028
Calculation of dividend payable:		
Surplus (deficit) after tax	500	98
Less: capital grants and contributions (excluding developer contributions)	(14)	(64)
Surplus for dividend calculation purposes	486	34
Potential dividend calculated from surplus	243	17

Leeton Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	2,016	1,872
User charges	15	9
Liquid trade waste charges	579	194
Fees	—	1
Interest	325	232
Grants and contributions provided for non-capital purposes	32	31
Profit from the sale of assets	—	—
Other income	1	1
Total income from continuing operations	2,968	2,340
Expenses from continuing operations		
Employee benefits and on-costs	629	605
Borrowing costs	—	—
Materials and contracts	897	813
Depreciation and impairment	764	752
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	228	280
Total expenses from continuing operations	2,518	2,450
Surplus (deficit) from continuing operations before capital amounts	450	(110)
Grants and contributions provided for capital purposes	37	22
Surplus (deficit) from continuing operations after capital amounts	487	(88)
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	487	(88)
Less: corporate taxation equivalent (30%) [based on result before capital]	(135)	—
SURPLUS (DEFICIT) AFTER TAX	352	(88)
Plus opening retained profits	18,090	18,178
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	135	—
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	18,577	18,090
Return on capital %	1.7%	-0.4%
Subsidy from Council	119	885
Calculation of dividend payable:		
Surplus (deficit) after tax	352	(88)
Less: capital grants and contributions (excluding developer contributions)	(37)	(19)
Surplus for dividend calculation purposes	315	—
Potential dividend calculated from surplus	158	—

Leeton Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,265	780
Investments	7,420	6,993
Receivables	339	252
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	9,024	8,025
Non-current assets		
Investments	1,030	272
Receivables	12	10
Inventories	–	–
Infrastructure, property, plant and equipment	34,428	34,977
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	35,470	35,259
TOTAL ASSETS	44,494	43,284
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	19	37
Borrowings	–	2
Provisions	–	–
Total current liabilities	19	39
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	19	39
NET ASSETS	44,475	43,245
EQUITY		
Retained earnings	19,250	18,545
Revaluation reserves	25,225	24,700
Council equity interest	44,475	43,245
Non-controlling equity interest	–	–
TOTAL EQUITY	44,475	43,245

Leeton Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	866	595
Investments	5,073	5,528
Receivables	293	186
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	6,232	6,309
Non-current assets		
Investments	704	215
Receivables	208	290
Inventories	–	–
Infrastructure, property, plant and equipment	26,201	25,676
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	27,113	26,181
TOTAL ASSETS	33,345	32,490
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	15
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	15
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	15
NET ASSETS	33,345	32,475
EQUITY		
Retained earnings	18,577	18,090
Revaluation reserves	14,768	14,385
Council equity interest	33,345	32,475
Non-controlling equity interest	–	–
TOTAL EQUITY	33,345	32,475

Leeton Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Leeton Shire Council

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

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

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

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Comprising the whole of the operations and net assets of Council's water supply activities servicing the towns of Leeton, Yanco, Whitton and Murrumbidgee which are established as a separate Special Rate Fund.

b. Sewerage Service

Comprising the whole of the operations and net assets of Council's sewerage reticulation & treatment activities servicing the towns of Leeton, Whitton & Yanco, which are established as a separate Special Rate Fund.

Category 2

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

Council has no Category 2 Business Activities.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

Leeton Shire Council

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

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

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

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

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

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Leeton Shire Council

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

Note 1. Significant accounting policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Leeton Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	13,329
(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]	243,200
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	133,290
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	477,600

2016 Surplus	486,400	2015 Surplus	34,200	2014 Surplus	(43,000)
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	133,290
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Leeton Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2016

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	4,070
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)]	%	65.87%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	34,403
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,226
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	79
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)]	%	1.99%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- 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

Leeton Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	10,620
(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]	157,500
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	106,200
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	197,000

2016 Surplus	315,000	2015 Surplus	(107,000)	2014 Surplus	(11,000)
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	106,200
(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

Leeton Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) financial performance indicators

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	2,688
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	26,040
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,634
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	901
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)]	%	1.11%
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	6,758
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.07%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	980
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)]	%	1.61%
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%

Leeton Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

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

NWI F22	Net debt to equity (water and sewerage)	%	-21.02%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		975
	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:		- 654
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	1,192
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	72
	Grants for pensioner rebates (w11b + s12b)		

- 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

INDEPENDENT AUDIT REPORT TO LEETON SHIRE COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of Leeton Shire Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2016, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Office of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The NSW Office of Water Guidelines and are appropriate to meet the needs of the Council and the Office of Local Government.

AUDITOR'S RESPONSIBILITY

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

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

OPINION

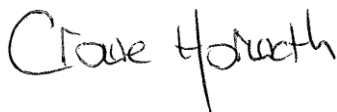
In our opinion the financial statements of Leeton Shire Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) giving a true and fair view of the Council's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Office of Local Government, or for any purpose other than that for which it was prepared.



CROWE HORWATH AUSWILD



BRADLEY D BOHUN

Partner

Dated at Albury this 28 day of September 2016.

Leeton Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

Special Schedules for the year ended 30 June 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Leeton Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	225	–	–	(225)
Administration	1,002	462	2	(538)
Public order and safety				
Fire service levy, fire protection, emergency services	249	145	–	(104)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	294	62	–	(232)
Other	7	4	–	(3)
Total public order and safety	550	211	–	(339)
Health	275	12	–	(263)
Environment				
Noxious plants and insect/vermin control	212	39	–	(173)
Other environmental protection	2	–	–	(2)
Solid waste management	1,888	2,348	–	460
Street cleaning	245	–	–	(245)
Drainage	–	–	–	–
Stormwater management	192	95	2	(95)
Total environment	2,539	2,482	2	(55)
Community services and education				
Administration and education	126	3	–	(123)
Social protection (welfare)	110	179	–	69
Aged persons and disabled	294	200	–	(94)
Children's services	1,521	1,603	–	82
Total community services and education	2,051	1,985	–	(66)
Housing and community amenities				
Public cemeteries	129	153	–	24
Public conveniences	77	–	–	(77)
Street lighting	272	56	–	(216)
Town planning	209	92	–	(117)
Other community amenities	103	59	–	(44)
Total housing and community amenities	790	360	–	(430)
Water supplies	3,702	4,384	23	705
Sewerage services	2,518	2,968	37	487

Leeton Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	534	76	—	(458)
Museums	53	—	—	(53)
Art galleries	—	—	—	—
Community centres and halls	83	—	13	(70)
Performing arts venues	448	171	—	(277)
Other performing arts	—	—	—	—
Other cultural services	23	8	—	(15)
Sporting grounds and venues	993	362	—	(631)
Swimming pools	475	170	—	(305)
Parks and gardens (lakes)	1,360	23	3	(1,334)
Other sport and recreation	—	—	—	—
Total recreation and culture	3,969	810	16	(3,143)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	8	47	—	39
Other mining, manufacturing and construction	1	—	—	(1)
Total mining, manufacturing and const.	9	47	—	38
Transport and communication				
Urban roads (UR) – local	882	—	37	(845)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	1,436	1,367	—	(69)
Sealed rural roads (SRR) – regional	291	230	104	43
Unsealed rural roads (URR) – local	1,266	—	—	(1,266)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	59	—	—	(59)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	32	—	—	(32)
Footpaths	99	1	61	(37)
Aerodromes	39	—	—	(39)
Other transport and communication	191	82	—	(109)
Total transport and communication	4,295	1,680	202	(2,413)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	1,410	1,059	—	(351)
Total economic affairs	1,410	1,059	—	(351)
Totals – functions	23,335	16,460	282	(6,593)
General purpose revenues ⁽¹⁾		10,860		10,860
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	23,335	27,320	282	4,267

(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

Leeton Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	269	2,518	2,787	–	269	–	–	128	280	2,238	2,518
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	269	2,518	2,787	–	269	–	–	128	280	2,238	2,518
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	269	2,518	2,787	–	269	–	–	128	280	2,238	2,518

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Leeton Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]
for the year ended 30 June 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	700	94	290
Water			
Sewer			
Domestic waste management			
Gas			
Other			
Totals	700	94	290

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
General Fund	Sewer Fund	15/06/10	30/06/10	10	30/12/19	3.00%	700	94	290
Totals							700	94	290

Leeton Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	310	302
b. Engineering and supervision	273	275
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	629	691
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	2	2
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	69	69
i. Maintenance expenses	23	22
– Treatment		
j. Operation expenses (excluding chemical costs)	416	360
k. Chemical costs	154	140
l. Maintenance expenses	178	174
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	40	72
o. Purchase of water	132	167
3. Depreciation expenses		
a. System assets	1,151	1,132
b. Plant and equipment	8	8
4. Miscellaneous expenses		
a. Interest expenses	–	4
b. Revaluation decrements	–	–
c. Other expenses	317	401
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	3,702	3,819

Leeton Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	967	902
b. Usage charges	1,866	1,734
7. Non-residential charges		
a. Access (including rates)	322	284
b. Usage charges	622	578
8. Extra charges	7	9
9. Interest income	337	251
10. Other income	223	59
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	40	38
c. Other grants	–	–
12. Contributions		
a. Developer charges	9	9
b. Developer provided assets	–	–
c. Other contributions	14	64
13. Total income	4,407	3,928
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	705	109
15a. Operating result (less grants for acquisition of assets)	705	109

Leeton Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	31	142
b. New assets for growth	–	–
c. Renewals	48	895
d. Plant and equipment	–	–
17. Repayment of debt	2	104
18. Totals	81	1,141
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)	3,865	3,858
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	578	575
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	4 ET	4 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 70,784	\$ 69,515

Leeton Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	13	–	13
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,672	1,030	9,702
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	33	–	33
c. User charges	238	–	238
d. Other	68	12	80
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	34,403	34,403
b. Plant and equipment	–	25	25
29. Other assets	–	–	–
30. Total assets	9,024	35,470	44,494
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	19	–	19
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	19	–	19
36. NET ASSETS COMMITTED	9,005	35,470	44,475
EQUITY			
37. Accumulated surplus			19,250
38. Asset revaluation reserve			25,225
39. TOTAL EQUITY			44,475
Note to system assets:			
40. Current replacement cost of system assets			73,592
41. Accumulated current cost depreciation of system assets			(39,189)
42. Written down current cost of system assets			34,403

Leeton Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	280	272
b. Engineering and supervision	251	254
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	190	187
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	64	70
e. Maintenance expenses	225	254
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	320	222
g. Chemical costs	94	94
h. Energy costs	82	109
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	96	68
– Other		
l. Operation expenses	29	21
m. Maintenance expenses	3	1
3. Depreciation expenses		
a. System assets	730	720
b. Plant and equipment	34	32
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	120	146
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	2,518	2,450

Leeton Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	1,515	1,408
7. Non-residential charges		
a. Access (including rates)	500	473
b. Usage charges	—	—
8. Trade waste charges		
a. Annual fees	16	—
b. Usage charges	579	194
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	8	8
10. Interest income	317	224
11. Other income	1	2
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	32	31
c. Other grants	—	—
13. Contributions		
a. Developer charges	—	3
b. Developer provided assets	—	—
c. Other contributions	37	19
14. Total income	3,005	2,362
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	487	(88)
16a. Operating result (less grants for acquisition of assets)	487	(88)

Leeton Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	1
b. New assets for growth	–	–
c. Renewals	901	1,455
d. Plant and equipment	–	87
18. Repayment of debt	–	1
19. Totals	901	1,544
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)	3,066	3,067
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	474	461
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	– ET	1 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 57,834	\$ 56,861

Leeton Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	5,939	704	6,643
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	52	—	52
c. User charges	53	—	53
d. Other	188	208	396
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	26,040	26,040
b. Plant and equipment	—	161	161
30. Other assets	—	—	—
31. Total assets	6,232	27,113	33,345
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	6,232	27,113	33,345
EQUITY			
38. Accumulated surplus			18,577
39. Asset revaluation reserve			14,768
40. TOTAL EQUITY			33,345
Note to system assets:			
41. Current replacement cost of system assets			56,850
42. Accumulated current cost depreciation of system assets			(30,810)
43. Written down current cost of system assets			26,040

Leeton Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

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.

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	282	–	16	16	239	474	44%	0%	34%	0%	22%
	Buildings – specialised	558	–	119	119	5,518	7,729	11%	52%	25%	10%	2%
	Amenities/Toilets	171	–	26	26	2,495	3,329	37%	10%	31%	22%	0%
	Depot	114	–	45	45	1,776	2,693	3%	20%	66%	11%	0%
	Public Halls/Theatre	485	–	30	30	5,311	9,731	11%	64%	14%	10%	1%
	Museum	731	–	3	3	471	1,876	0%	0%	0%	95%	5%
	Offices / Admin Centre	5	–	71	71	5,238	8,097	13%	86%	1%		0%
	Other	74	–	8	8	4,885	7,804	43%	34%	10%	11%	2%
	Library	–	–	9	9	2,645	3,127	98%	1%	1%	0%	0%
	Sub-total	2,420	–	327	327	28,578	44,860	24.3%	46.3%	16.0%	12.1%	1.4%
Other structures	Other structures	95	–	3	3	977	1,675	48%	14%	26%	12%	0%
	Sub-total	95	–	3	3	977	1,675	48.0%	14.0%	26.0%	12.0%	0.0%
Roads	Sealed roads	569	–	1,041	1,041	48,422	66,371	18%	51%	28%	2%	1%
	Unsealed roads	181	–	572	572	6,665	10,279	83%	6%	8%	1%	2%
	Bridges	–	–	21	21	3,153	3,725	63%	25%	12%	0%	0%
	Footpaths	26	–	33	33	4,893	5,925	76%	17%	5%	1%	1%
	Other road assets	33	–	8	8	2,719	3,604	47%	39%	11%	1%	2%
	Kerb & Guttering	290	–	9	9	14,560	18,304	9%	49%	34%	7%	1%
	Bulk earthworks	–	–	–	–	8,705	8,705	18%	51%	28%	2%	1%
	Sub-total	1,099	–	1,684	1,684	89,117	116,913	27.6%	43.8%	25.0%	2.5%	1.1%

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	2,616	–	629	629	23,020	38,181	17%	32%	23%	12%	16%
	Meters	91	–	30	30	280	872	9%	12%	26%	15%	38%
	Pump Stations	–	–	23	23	2,364	6,234	69%	31%	0%	0%	0%
	Telemetry	–	–	–	–	4	92	0%	0%	100%	0%	0%
	Filtration/Treatment Plant	1,073	–	8	8	4,216	20,301	3%	45%	52%	0%	0%
	Reservoirs	–	–	3	3	4,519	7,912	0%	46%	54%	0%	0%
	Sub-total	3,780	–	693	693	34,403	73,592	15.6%	36.7%	32.5%	6.4%	8.8%
Sewerage network	Sewer Lines	236	–	190	190	12,764	20,275	28%	29%	39%	0%	4%
	Pump Stations	–	–	225	225	3,456	7,977	30%	27%	43%	0%	0%
	Telemetry	108	–	2	2	–	266	0%	5%	0%	0%	95%
	Vent Stacks	166	–	–	–	142	602	18%	15%	12%	54%	1%
	Treatment Plants	48	–	1	1	9,678	27,730	0%	44%	56%	0%	0%
	Sub-total	558	–	418	418	26,040	56,850	14.4%	35.8%	47.4%	0.6%	1.9%

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Pits & Inlets	1	–	20	20	1,146	1,367	93%	6%	0%	0%	1%
	Pipes	8	–	–	–	6,845	8,491	13%	80%	0%	0%	7%
	Pump Stations	–	–	17	17	45	157	62%	23%	15%	0%	0%
	Sub-total	9	–	37	37	8,036	10,015	24.7%	69.0%	0.2%	0.0%	6.1%
Open space/recreational assets	Swimming pools	–	–	25	25	3,322	4,850	0%	0%	100%	0%	0%
	Other Recreation Assets	15	–	1,421	1,421	836	2,348	69%	23%	5%	3%	0%
	Sub-total	15	–	1,446	1,446	4,158	7,198	22.5%	7.5%	69.0%	1.0%	0.0%
	TOTAL – ALL ASSETS	7,976	–	4,608	4,608	191,309	311,103	21.8%	40.8%	29.8%	4.4%	3.2%

Notes:

- a Required maintenance is the amount identified in Council's asset management plans.
- b Disclosure of estimated cost to bring to the agreed level of service set by council is voluntary in 2016 and Council has elected not to complete. as service levels have not been set at this time for all asset classes.

Infrastructure asset condition assessment 'key'

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

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	4,159	73.96%	87.09%	70.08%
Depreciation, amortisation and impairment	5,623			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	7,976	4.34%	4.80%	16.26%
Carrying value of infrastructure assets	183,722			
3. Asset maintenance ratio				
Actual asset maintenance	4,608	1.00	1.35	0.99
Required asset maintenance	4,608			

Notes

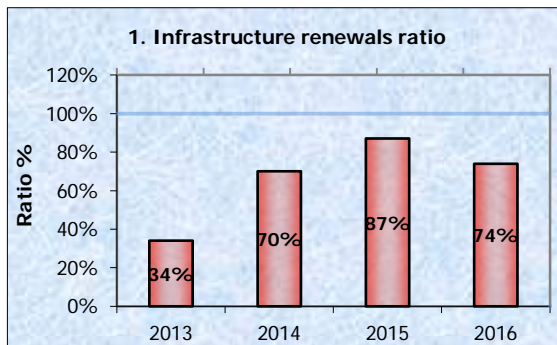
* All asset performance indicators are calculated using the asset classes identified in the previous table.

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

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016



Benchmark: — Minimum $\geq 100.00\%$

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

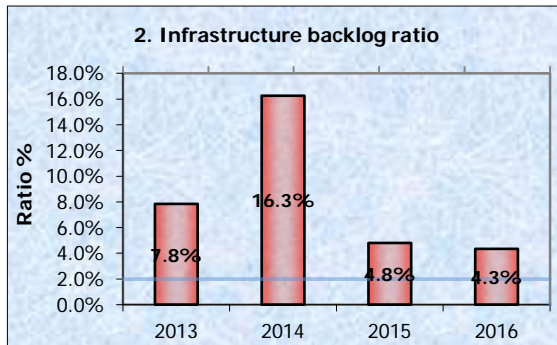
Purpose of asset renewals ratio

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

Commentary on 2015/16 result

2015/16 Ratio 73.96%

Ratio is slightly lower than the previous year due to capital upgrades performed with grant funding from other tiers of Government.



Benchmark: — Maximum $< 2.00\%$

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

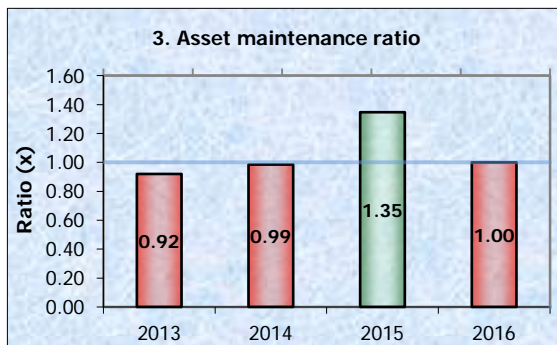
Purpose of infrastructure backlog ratio

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

Commentary on 2015/16 result

2015/16 Ratio 4.34%

Ratio is slightly lower than the previous year which indicates that the backlog is not increasing.



Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

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

Commentary on 2015/16 result

2015/16 Ratio 1.00 x

All required maintenance was undertaken during the financial year.

Ratio achieves benchmark
Ratio is outside benchmark

Ratio achieves benchmark
Ratio is outside benchmark

Ratio achieves benchmark
Ratio is outside benchmark

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	2.78%	123.42%	86.21%
Depreciation, amortisation and impairment			
prior period:	79.06%	202.08%	68.58%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	10.99%	2.14%	2.95%
Carrying value of infrastructure assets			
prior period:	12.62%	3.45%	2.85%
3. Asset maintenance ratio			
Actual asset maintenance	1.00	1.00	1.00
Required asset maintenance			
prior period:	1.11	1.23	1.49

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Leeton Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,598	6,786
Plus or minus adjustments ⁽²⁾	b	28	13
Notional general income	c = (a + b)	6,626	6,799
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	—	—
Or plus rate peg amount	i = c x e	159	122
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	6,785	6,921
Plus (or minus) last year's carry forward total	l	(1)	(2)
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	(1)	(2)
Total permissible income	o = k + n	6,784	6,920
Less notional general income yield	p	6,786	6,919
Catch-up or (excess) result	q = o - p	(2)	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	1
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	(2)	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 8 in the financial data return (FDR) to administer this process.

LEETON SHIRE COUNCIL - SPECIAL SCHEDULE NO. 8 - INDEPENDENT AUDITORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

Report on Special Schedule No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Leeton Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

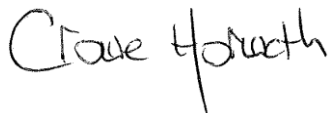
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, Special Schedule No. 8 of Leeton Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.



CROWE HORWATH AUSWILD



BRADLEY D BOHUN
Partner

Dated at Albury this 28 day of September 2016.