

Leeton Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for 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 guiding principles are detailed in Chapter 3 of the LGA and includes:

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

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

- (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 19 October 2017. 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 2017

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 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Leeton Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 August 2017.



Cr Paul Maytom
Mayor

Jacqueline Kruger
General manager

Cr George Weston
Councillor

Craig Bennett
Responsible accounting officer

Leeton Shire Council

Income Statement

for the year ended 30 June 2017

Budget 2017	¹ \$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
11,903	Rates and annual charges	3a	11,683	11,378
6,051	User charges and fees	3b	8,083	7,333
706	Interest and investment revenue	3c	1,119	1,251
611	Other revenues	3d	639	757
6,531	Grants and contributions provided for operating purposes	3e,f	8,541	6,322
408	Grants and contributions provided for capital purposes	3e,f	1,125	282
Other income:				
12	Net gains from the disposal of assets	5	129	279
—	Net share of interests in joint ventures and associates using the equity method	19	—	—
26,222	Total income from continuing operations		31,319	27,602
Expenses from continuing operations				
10,010	Employee benefits and on-costs	4a	9,918	9,764
119	Borrowing costs	4b	114	128
5,989	Materials and contracts	4c	6,558	5,038
6,269	Depreciation and amortisation	4d	6,165	6,106
—	Impairment	4d	—	—
2,550	Other expenses	4e	2,454	2,299
—	Net losses from the disposal of assets	5	—	—
24,937	Total expenses from continuing operations		25,209	23,335
1,285	Operating result from continuing operations		6,110	4,267
Discontinued operations				
—	Operating Result from continuing operations	24	—	—
1,285	Net operating result for the year		6,110	4,267
1,285	Net operating result attributable to Council		6,110	4,267
—	Net operating result attributable to non-controlling interests		—	—
Net operating result for the year before grants and contributions provided for capital purposes				
877			4,985	3,985

¹ Original budget as approved by Council – refer Note 16

Leeton Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		6,110	4,267
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(6,110)	(3,810)
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(2,778)	(289)
Total items which will not be reclassified subsequently to the operating result		(8,888)	(4,099)
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		(8,888)	(1,613)
Total comprehensive income for the year		(2,778)	2,654
Total comprehensive income attributable to Council		(2,778)	2,654
Total comprehensive income attributable to non-controlling interests		—	—

Leeton Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	2,229	4,302
Investments	6b	22,610	25,210
Receivables	7	2,247	1,983
Inventories	8	1,758	2,037
Other	8	—	2
Total current assets		28,844	33,534
Non-current assets			
Investments	6b	13,500	3,500
Receivables	7	119	274
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	197,879	210,131
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	4,236	—
Other	8	—	—
Total non-current assets		215,734	213,905
TOTAL ASSETS		244,578	247,439
LIABILITIES			
Current liabilities			
Payables	10	1,552	1,311
Income received in advance	10	490	293
Borrowings	10	295	280
Provisions	10	2,396	2,591
Liabilities associated with assets classified as 'held for sale'	22	—	—
Total current liabilities		4,733	4,475
Non-current liabilities			
Payables	10	3	5
Borrowings	10	1,943	2,238
Provisions	10	78	122
Total non-current liabilities		2,024	2,365
TOTAL LIABILITIES		6,757	6,840
Net assets		237,821	240,599
EQUITY			
Retained earnings	20	114,163	108,053
Revaluation reserves	20	123,658	132,546
Council equity interest		237,821	240,599
Non-controlling equity interests		—	—
Total equity		237,821	240,599

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

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Leeton Shire Council

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

\$ '000	Notes	2017					2016				
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest
						Total equity					Total equity
Opening balance (as per last year's audited accounts)		108,053	132,546	–	240,599	–	103,786	134,159	–	237,945	–
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
Revised opening balance		108,053	132,546	–	240,599	–	103,786	134,159	–	237,945	–
c. Net operating result for the year		6,110	–	–	6,110	–	4,267	–	–	4,267	–
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	(6,110)	–	(6,110)	–	–	(3,810)	–	(3,810)	–
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	2,486	–	2,486	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(2,778)	–	(2,778)	–	–	(289)	–	(289)	–
Other comprehensive income		–	(8,888)	–	(8,888)	–	–	(1,613)	–	(1,613)	–
Total comprehensive income		6,110	(8,888)	–	(2,778)	–	4,267	(1,613)	–	2,654	–
Closing Balance		114,163	123,658	–	237,821	–	108,053	132,546	–	240,599	–

Leeton Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
11,903	Rates and annual charges		11,670	11,361
6,061	User charges and fees		8,599	7,617
706	Investment and interest revenue received		1,122	1,006
6,939	Grants and contributions		9,593	6,762
–	Bonds, deposits and retention amounts received		304	–
611	Other		1,544	1,594
Payments:				
(10,524)	Employee benefits and on-costs		(10,135)	(10,178)
(5,389)	Materials and contracts		(7,257)	(5,502)
(119)	Borrowing costs		(119)	(133)
–	Bonds, deposits and retention amounts refunded		(45)	(27)
(2,550)	Other		(3,204)	(3,062)
7,638	Net cash provided (or used) in operating activities	11b	12,072	9,438
Cash flows from investing activities				
Receipts:				
1,400	Sale of investment securities		25,210	25,710
90	Sale of real estate assets		265	173
639	Sale of infrastructure, property, plant and equipment		504	398
110	Deferred debtors receipts		63	131
Payments:				
–	Purchase of investment securities		(32,610)	(27,710)
(8,618)	Purchase of infrastructure, property, plant and equipment		(7,297)	(6,356)
(5)	Deferred debtors and advances made		–	(44)
(6,384)	Net cash provided (or used) in investing activities		(13,865)	(7,698)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(281)	Repayment of borrowings and advances		(280)	(269)
(281)	Net cash flow provided (used in) financing activities		(280)	(269)
973	Net increase/(decrease) in cash and cash equivalents		(2,073)	1,471
2,216	Plus: cash and cash equivalents – beginning of year	11a	4,302	2,831
3,189	Cash and cash equivalents – end of the year	11a	2,229	4,302
Additional Information:				
	plus: Investments on hand – end of year	6b	36,110	28,710
	Total cash, cash equivalents and investments		38,339	33,012

Please refer to Note 11 for additional cash flow information

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

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

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

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

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

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

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property and plant and equipment that are accounted for at fair valuation.

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Estimated employee benefits.

Significant judgements in applying the Council's accounting policies

Impairment of Receivables

Council has made a significant 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 the Council and specific criteria have been met for each of the Council's activities as described below.

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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

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

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

(ii) User charges and fees

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- General purpose operations
- Water Supply
- Sewerage service
- Leeton Early Learning Centre.

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

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

(d) Impairment of assets

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

(e) Cash and cash equivalents

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

(f) Inventories

(i) Store and work in progress

Stores and work in progress are stated at the lower of cost and net realisable value.

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

Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(ii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development.

(g) Investments and other financial assets

Classification

Council classifies its financial assets as held-to-maturity investments. Management determines the classification of its investments at initial recognition.

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.

If Council were to sell other than a significant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

than 12 months from the reporting date, which are classified as current assets.

Recognition and de-recognition

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

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

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

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

Subsequent measurement

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

Impairment

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

Investment Policy

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

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

Council maintains an investment policy that complies with the Act and ensures that it, or its

representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(h) Fair value estimation – financial Instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Other structures
- Swimming pools

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Other open space/recreational assets

Internally valued:

- Community land
- Land improvements
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks

As approximated by depreciated historical cost:

- Plant and equipment
- Other assets

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

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Depreciation

Land is not depreciated.

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

Plant and equipment

Office equipment	5 to 10 years
Office furniture	10 to 20 years
Computer equipment	3 to 5 years
Vehicles	5 to 10 years
Heavy plant/road making equipment	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

Water and sewer assets

Dams and reservoirs	100 years
Water Treatment Plants	30 to 70 Years
Sewer Treatment Plants	25 to 90 years
Reticulation pipes: PVC	70 to 80 years
Reticulation pipes: other	45 to 80 years
Pumps and telemetry	10 to 25 years

Stormwater assets

Drains	100 years
Culverts	100 years

Transportation assets

Sealed roads: surface	10 to 18 years
Sealed roads: structure	50 years
Unsealed roads	20 to 150 years
Bridge: concrete	100 years

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Other Road Assets	40 to 100 years
Kerb, gutter and footpaths	100 years

Other infrastructure assets

Bulk earthworks	Infinite
Swimming pools	60 years
Other open space, recreational assets	15 to 200 yrs
Other infrastructure	15 to 100 years

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

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

(j) Payables

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

(k) Borrowings

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

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

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

liabilities assumed, is recognised in other income or finance cost.

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

(l) Borrowing costs

Borrowing costs are expensed.

(m) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

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

(n) Employee benefits

(i) Short-term obligations

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from

membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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.

(o) Intangible assets

Water Licences

Council holds a number of high and general security water licences which it recognises as an intangible asset.

The water licences are individually tradable on the open water licence sales market.

The licences were obtained principally through land acquisitions where the water licence was attached to the land.

The water licences are now individually separated from the land and can be sold on a permanent or temporary transfer basis.

At present Council only trades the water entitlement associated with the water licences on a temporary basis. Income received from the sales of water entitlements are disclosed as other revenue.

The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date.

No amortisation costs are applicable, as high and general security water licences have an indefinite life.

Water licences purchased are initially recorded at cost and are valued at least every 5 years based on

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

market evidence. Water licences are tested for impairment annually based on market sales evidence. If the recoverable amount is less than carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as impairment loss.

(p) 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.

(q) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), *"all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed"*.

Until such time as discussions on this matter have concluded and the legislation changed, Council will only recognise rural fire service land and buildings assets.

(r) Goods and Services Tax (GST)

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

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

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

(s) New accounting standards and interpretations issued but not yet effective

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

AASB 9 - Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the Council elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the Council's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements will not have any financial impact.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime;
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

A financial impact will only arise if any investments become subject to impairment.

Available-for-sale investments will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing.

AASB 15 - Revenue from contracts with customers

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Council expects to be entitled in exchange for those goods or services.

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

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

Council is undertaking a detailed assessment of the impact of AASB 15.

AASB 16 - Leases

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

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

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

Council is undertaking a detailed assessment of the accounting impacts from AASB 16. However, based

on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

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

(t) Rounding of amounts

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

(u) 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.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	319	281	225	(319)	(281)	(225)	–	–	–	–
Administration	314	491	464	2,028	1,608	1,002	(1,714)	(1,117)	(538)	31	36	27,657	26,007
Public order and safety	151	191	211	571	546	550	(420)	(355)	(339)	122	119	1,092	1,061
Health	48	13	12	472	293	275	(424)	(280)	(263)	–	–	–	–
Environment	2,493	2,652	2,484	2,044	2,847	2,539	449	(195)	(55)	41	26	4,728	4,364
Community services and education	1,876	1,815	1,985	2,181	2,159	2,051	(305)	(344)	(66)	166	282	4,661	4,812
Housing and community amenities	419	523	360	874	911	790	(455)	(388)	(430)	57	56	10,351	10,681
Water supplies	3,945	4,716	4,407	3,854	3,617	3,702	91	1,099	705	39	40	36,951	44,494
Sewerage services	2,586	2,817	3,005	2,590	2,492	2,518	(4)	325	487	65	32	36,236	33,345
Recreation and culture	723	930	826	3,992	3,901	3,969	(3,269)	(2,971)	(3,143)	275	100	25,181	25,614
Mining, manufacturing and construction	43	43	47	9	9	9	34	34	38	–	–	322	52
Transport and communication	2,589	2,176	1,882	5,306	4,543	4,295	(2,717)	(2,367)	(2,413)	1,808	1,488	94,499	92,784
Economic affairs	165	1,946	1,059	697	2,002	1,410	(532)	(56)	(351)	74	16	2,900	4,225
Total functions and activities	15,352	18,313	16,742	24,937	25,209	23,335	(9,585)	(6,896)	(6,593)	2,678	2,195	244,578	247,439
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	10,870	13,006	10,860	–	–	–	10,870	13,006	10,860	5,918	3,927	–	–
Net operating result for the year ²	26,222	31,319	27,602	24,937	25,209	23,335	1,285	6,110	4,267	8,596	6,122	244,578	247,439

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

2. As reported in the Income Statement

Leeton Shire Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

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: water services.

SEWERAGE: sewer services.

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits.

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 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		3,401	3,333
Farmland		2,743	2,700
Business		400	396
Total ordinary rates		6,544	6,429
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,000	958
Stormwater management services		89	88
Water supply services		1,329	1,289
Sewerage services		2,042	1,959
Waste management services (non-domestic)		157	152
Recycling		506	487
Trade waste		16	16
Total annual charges		5,139	4,949
TOTAL RATES AND ANNUAL CHARGES		11,683	11,378

Council has used 2016 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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		2,434	2,436
Sewerage services		313	579
Total user charges		2,747	3,015
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		39	42
Private works – section 67		99	81
Regulatory/statutory fees		26	28
Registration fees		17	19
Section 149 certificates (EPA Act)		21	21
Section 603 certificates		18	17
Tapping fees		30	19
Town planning		108	71
Total fees and charges – statutory/regulatory		358	298
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aged care		19	69
Cemeteries		165	153
Child care		1,477	1,455
Fire and emergency services levy (FESL) implementation		73	–
Golf course		264	276
Lease rentals		230	155
Leaseback fees – Council vehicles		54	72
Library and art gallery		15	17
RMS (formerly RTA) charges (state roads not controlled by Council)		1,641	747
Swimming centres		115	108
Tourism		16	34
Waste disposal tipping fees		691	647
Roxy theatre		123	170
Stadium		36	32
User group contributions		41	71
Other		18	14
Total fees and charges – other		4,978	4,020
TOTAL USER CHARGES AND FEES		8,083	7,333

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		35	34
– Interest earned on investments (interest and coupon payment income)		1,068	962
– Interest on deferred debtors		6	11
Dividend income		10	244
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,119</u>	<u>1,251</u>

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	14	15
General Council cash and investments	530	489

Restricted investments/funds – external:

Development contributions		
– Section 94	3	3
Water fund operations	284	344
Sewerage fund operations	202	325
Domestic waste management operations	80	70
Stormwater Levy	6	5

Total interest and investment revenue recognised	1,119	1,251
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(d) Other revenues

Fines – other	24	26
Legal fees recovery – rates and charges (extra charges)	36	54
Child care operations	25	15
Commissions and agency fees	1	–
Community transport reimbursement	45	54
Donations and sponsorship received	4	5
Diesel rebate	93	28
Insurance claim recoveries	69	6
Insurance rebates	76	33
Recycling income (non-domestic)	34	3
RFS reimbursements	47	68
Sales – general	151	435
Other	34	30
<u>TOTAL OTHER REVENUE</u>	<u>639</u>	<u>757</u>

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,347	2,856	–	–
Financial assistance – local roads component	1,474	973	–	–
Pensioners' rates subsidies – general component	97	98	–	–
Total general purpose	5,918	3,927	–	–
Specific purpose (tied)				
Pensioners' rates subsidies:				
– Water	39	40	–	–
– Sewerage	31	32	–	–
– Domestic waste management	26	26	–	–
Sewerage services	–	–	34	–
Aged care	7	–	–	–
Child care	110	103	–	–
Community care	39	148	–	–
Economic development	66	12	–	–
Employment and training programs	23	35	–	–
Environmental protection	2	5	15	–
Flood restoration	500	–	–	–
Heritage and cultural	41	11	85	–
Library	48	50	15	–
LIRS subsidy	81	90	–	–
Noxious weeds	35	38	–	–
NSW rural fire services	85	77	–	–
Public halls	–	–	6	13
Recreation and culture	–	–	46	–
Street lighting	57	56	–	–
Transport (roads to recovery)	1,083	1,340	–	–
Transport (other roads and bridges funding)	79	57	121	61
Youth services	1	1	–	–
Other	3	–	–	–
Total specific purpose	2,356	2,121	322	74
Total grants	8,274	6,048	322	74
Grant revenue is attributable to:				
– Commonwealth funding	6,991	5,385	31	–
– State funding	1,270	657	273	74
– Other funding	13	6	18	–
	8,274	6,048	322	74

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000		2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions					
Developer contributions:					
(s93 & s94 – EP&A Act, s64 of the LGA):					
S 94 – contributions towards amenities/services		–	–	18	11
S 94A – fixed development consent levies		–	–	39	–
S 64 – water supply contributions		–	–	101	9
S 64 – sewerage service contributions		–	–	90	–
Total developer contributions	17	–	–	248	20
Other contributions:					
Community services		3	15	–	–
Dedications (other than by S94)		–	–	10	–
Drainage		–	–	3	–
Kerb and gutter		–	–	–	33
Recreation and culture		7	5	–	–
Roads and bridges		22	24	–	–
RMS contributions (regional roads, block grant)		235	230	107	104
Sewerage (excl. section 64 contributions)		–	–	27	37
Water supplies (excl. section 64 contributions)		–	–	403	14
Other		–	–	5	–
Total other contributions		267	274	555	188
Total contributions		267	274	803	208
TOTAL GRANTS AND CONTRIBUTIONS		8,541	6,322	1,125	282

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	450	180
Add: grants and contributions recognised in the current period but not yet spent:	430	347
Add: grants and contributions received for the provision of goods and services in a future period	46	–
Less: grants and contributions recognised in a previous reporting period now spent:	(349)	(77)
Net increase (decrease) in restricted assets during the period	127	270
Unexpended and held as restricted assets	577	450
Comprising:		
– Specific purpose unexpended grants	432	345
– Developer contributions	145	99
– Other contributions	–	6
	577	450

Leeton Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		8,139	7,890
Travel expenses		35	20
Employee leave entitlements (ELE)		802	911
Superannuation		903	955
Workers' compensation insurance		314	318
Fringe benefit tax (FBT)		38	45
Payroll tax		40	25
Training costs (other than salaries and wages)		148	146
Protective clothing		30	24
Other		103	75
Total employee costs		10,552	10,409
Less: capitalised costs		(634)	(645)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>9,918</u>	<u>9,764</u>
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		114	128
Total interest bearing liability costs expensed		114	128
(ii) Other borrowing costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>114</u>	<u>128</u>
(c) Materials and contracts			
Raw materials and consumables		5,158	3,815
Contractor and consultancy costs			
– Garbage collection charges		776	742
– Other contractor and consultancy costs		243	150
Auditors remuneration ⁽¹⁾		80	49
Legal expenses:			
– Legal expenses: planning and development		7	2
– Legal expenses: debt recovery		38	53
– Legal expenses: other		35	18
Film and other hire expenses		47	37
Water purchases		174	172
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>6,558</u>	<u>5,038</u>

(continued on the next page...)

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
(1) Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		43	–
Remuneration for audit and other assurance services		43	–
Total fees paid or payable to Auditor-General		43	–
b. During the year, the following fees were paid or payable services provided by other audit firms			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		2	36
– Audit and review of financial statements: other consolidated entity Auditors		3	3
– Internal Audit		32	10
Remuneration for audit and other assurance services		37	49
Total fees paid or payable to other audit firms		37	49
Total Auditor remuneration		80	49

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		705	677
Office equipment		29	31
Furniture and fittings		23	22
Land improvements (depreciable)		39	35
Infrastructure:			
– Buildings (non-specialised)		7	9
– Buildings (specialised)		883	852
– Other structures		59	55
– Roads		2,161	2,154
– Bridges		38	37
– Footpaths		65	62
– Stormwater drainage		106	105
– Water supply network		1,128	1,151
– Sewerage network		737	730
– Swimming pools		39	39
– Other open space/recreational assets		145	140
Other assets			
– Library books		–	7
– Other		1	–
Total depreciation and amortisation costs		6,165	6,106
Impairment			
Infrastructure:			
– Buildings – specialised		–	267
– Other structures		–	22
– Roads		2,778	–
Total gross impairment costs		2,778	289
Less: IPP&E impairments (to)/from equity	9a	(2,778)	(289)
Total impairment costs		–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		6,165	6,106

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

Leeton Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		48	46
Bad and doubtful debts		3	2
Bank charges		1	1
Commissions / agency fees		69	68
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		22	20
– NSW fire brigade levy		29	29
– NSW rural fire service levy		111	111
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		100	96
Councillors' expenses (incl. mayor) – other (excluding fees above)		31	33
Donations, contributions and assistance to other organisations (Section 356)			
– Annual donations		15	14
– Discretionary donations, contributions and assistance		14	30
Election expenses		57	–
Electricity and heating		586	563
Insurance		366	365
Licences and permits		17	11
Office expenses (including computer expenses)		219	215
Postage		37	38
Printing and stationery		67	68
Regional arts board		11	11
Street lighting		284	235
Subscriptions and publications		116	89
Telephone and communications		177	180
Valuation fees		40	37
Rental		9	13
<u>TOTAL OTHER EXPENSES</u>		<u>2,454</u>	<u>2,299</u>

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Plant and equipment			
Proceeds from disposal – plant and equipment		425	398
Less: carrying amount of plant and equipment assets sold/written off		(196)	(188)
Net gain/(loss) on disposal		229	210
Infrastructure			
Proceeds from disposal – infrastructure		79	–
Less: carrying amount of infrastructure assets sold/written off		(161)	–
Net gain/(loss) on disposal		(82)	–
Real estate assets held for sale			
Proceeds from disposal – real estate assets		265	173
Less: carrying amount of real estate assets sold/written off		(283)	(104)
Net gain/(loss) on disposal		(18)	69
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		25,210	25,710
Less: carrying amount of financial assets sold/redeemed/matured		(25,210)	(25,710)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		129	279

Leeton Shire Council

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

Note 6a. Cash assets

		2017 Actual Current	2016 Actual Current
\$ '000	Notes		
Cash and cash equivalents			
Cash on hand and at bank		645	1,087
Cash-equivalent assets			
– Deposits at call		1,584	2,215
– Short-term deposits		–	1,000
Total cash and cash equivalents		2,229	4,302

Note 6b. Investments

		2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000	Notes				
Investments					
– Long term deposits		22,610	11,500	25,210	3,500
– NCD's, FRN's (with maturities > 3 months)		–	2,000	–	–
Total investments		22,610	13,500	25,210	3,500

**Investments were classified at year end
in accordance with AASB 139 as follows:**

Investments

a. 'Held to maturity'	22,610	13,500	25,210	3,500
Investments	22,610	13,500	25,210	3,500

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 2017

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

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	24,839	13,500	29,512	3,500
attributable to:				
External restrictions (refer below)	11,709	10,625	16,318	3,500
Internal restrictions (refer below)	11,772	2,875	12,157	–
Unrestricted	1,358	–	1,037	–
	24,839	13,500	29,512	3,500

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	86	177	(133)	130
Developer contributions – water fund	(A)	13	2	–	15
RMS (formerly RTA) contributions	(B)	6	–	(6)	–
Specific purpose unexpended grants	(C)	345	87	–	432
Water supplies	(D)	9,335	1,101	–	10,436
Water supplies – Retention	(D)	20	1	(20)	1
Water supplies – carry over works	(D)	347	677	(288)	736
Sewerage services	(D)	6,611	15	–	6,626
Sewerage services – carry over works	(D)	32	258	(32)	258
Domestic waste management	(D)	2,803	351	–	3,154
Stormwater management	(D)	220	95	(77)	238
Deposits, Retention & Bonds		–	334	(26)	308
External restrictions – other		19,818	3,098	(582)	22,334
Total external restrictions		19,818	3,098	(582)	22,334

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** 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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,538	1,228	(1,318)	1,448
Infrastructure replacement	3,323	161	(259)	3,225
Employees leave entitlement	2,074	109	(70)	2,113
Carry over works	542	731	(542)	731
Deposits, retentions and bonds	31	–	(31)	–
Buildings	344	120	(41)	423
Childcare centre	249	–	(18)	231
Community services	28	–	(12)	16
Emergency services	30	–	–	30
Aged housing	20	76	–	96
Insurance	39	2	–	41
Workers compensation equalisation	344	53	–	397
Aerodrome	125	25	–	150
Roads general	1,742	379	(212)	1,909
Roxy theatre	132	–	(30)	102
Stadium	33	–	(21)	12
Sportsgrounds improvements	215	–	–	215
Swimming pool	1,085	–	(91)	994
Land development	263	270	–	533
Financial Assistance Advance Payment	–	1,981	–	1,981
Total internal restrictions	12,157	5,135	(2,645)	14,647
TOTAL RESTRICTIONS	31,975	8,233	(3,227)	36,981

Leeton Shire Council

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

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		337	—	324	—
Interest and extra charges		45	—	53	—
User charges and fees		533	—	500	—
Accrued revenues					
– Interest on investments		619	—	614	—
– Other income accruals		284	—	216	—
Amounts due from other councils		6	—	7	—
Deferred debtors		212	119	120	274
Government grants and subsidies		31	—	15	—
Net GST receivable		196	—	150	—
Total		2,263	119	1,999	274
Less: provision for impairment					
Rates and annual charges		(11)	—	(11)	—
User charges and fees		(5)	—	(5)	—
Total provision for impairment – receivables		(16)	—	(16)	—
<u>TOTAL NET RECEIVABLES</u>		<u>2,247</u>	<u>119</u>	<u>1,983</u>	<u>274</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		37	—	33	—
– Other		280	8	306	12
Sewerage services					
– Specific purpose grants		34	—	—	—
– Rates and availability charges		53	—	52	—
– Other		249	7	154	4
Domestic waste management		127	—	106	—
Total external restrictions receivables		780	15	651	16
Internally restricted receivables					
Nil					
Unrestricted receivables		1,467	104	1,332	258
TOTAL NET RECEIVABLES		2,247	119	1,983	274

Notes on debtors above:

- Rates and annual charges outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- Please 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 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		1,667	–	1,950	–
Stores and materials		91	–	87	–
Total inventories at cost		1,758	–	2,037	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,758	–	2,037	–
(b) Other assets					
Prepayments		–	–	2	–
TOTAL OTHER ASSETS		–	–	2	–

Externally restricted inventories and other assets

There are no restrictions applicable to the above assets.

Other disclosures**(a) Details for real estate development**

Residential	40	–	40	–
Industrial/commercial	1,482	–	1,665	–
Other properties	145	–	245	–
Total real estate for resale	1,667	–	1,950	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	491	–	537	–
Development costs	1,176	–	1,413	–
Total costs	1,667	–	1,950	–
Total real estate for resale	1,667	–	1,950	–

Movements:

Real estate assets at beginning of the year	1,950	–	2,054	–
– WDV of sales (expense)	(283)	–	(104)	–
Total real estate for resale	1,667	–	1,950	–

(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;

	2017	2016
Real estate for resale	1,467	1,700
	1,467	1,700

Leeton Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	4	–	4	–	168	–	–	–	–	–	–	–	172	–	172
Plant and equipment	7,738	3,880	3,858	–	1,426	–	(196)	(705)	–	–	–	–	8,054	3,671	4,383
Office equipment	447	299	148	–	32	–	–	(29)	–	–	–	–	431	280	151
Furniture and fittings	372	298	74	–	12	–	–	(23)	–	–	–	–	286	223	63
Land:															
– Operational land	2,749	–	2,749	–	–	–	(84)	–	–	–	–	–	2,665	–	2,665
– Community land	6,625	–	6,625	–	10	–	–	–	–	–	–	–	6,635	–	6,635
Land improvements – depreciable	1,727	609	1,118	–	53	–	–	(39)	–	–	–	–	1,780	648	1,132
Infrastructure:															
– Buildings – non-specialised	474	235	239	–	–	–	(77)	(7)	–	–	–	–	275	120	155
– Buildings – specialised	44,386	16,047	28,339	107	82	–	–	(883)	–	1,144	–	–	48,130	19,341	28,789
– Other structures	1,675	698	977	–	233	6	–	(59)	–	15	–	–	2,478	1,306	1,172
– Roads	98,558	26,192	72,366	2,932	588	–	–	(2,161)	(2,778)	–	–	–	99,146	28,199	70,947
– Bridges	3,725	572	3,153	–	–	–	–	(38)	–	–	–	–	3,724	609	3,115
– Footpaths	5,925	1,032	4,893	33	150	–	–	(65)	–	–	–	–	6,075	1,064	5,011
– Bulk earthworks (non-depreciable)	8,705	–	8,705	–	–	–	–	–	–	–	–	–	8,705	–	8,705
– Stormwater drainage	10,015	1,979	8,036	–	43	–	–	(106)	–	–	–	–	10,058	2,085	7,973
– Water supply network	73,592	39,189	34,403	678	76	–	–	(1,128)	–	(1,000)	(8,623)	–	55,353	30,947	24,406
– Sewerage network	56,850	30,810	26,040	626	39	–	–	(737)	–	(159)	–	2,513	62,083	33,761	28,322
– Swimming pools	2,348	1,512	836	–	20	–	–	(39)	–	–	–	–	2,369	1,552	817
– Other open space/recreational assets	4,850	1,528	3,322	14	66	–	–	(145)	–	–	–	–	4,915	1,658	3,257
Other assets:															
– Library books	32	32	–	–	–	–	–	–	–	–	–	–	–	–	–
– Other assets	16	6	10	–	–	–	–	(1)	–	–	–	–	15	6	9
– Water licences	4,236	–	4,236	–	–	–	–	–	–	(4,236)	–	–	–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT	335,049	124,918	210,131	4,390	2,998	6	(357)	(6,165)	(2,778)	(4,236)	(8,623)	2,513	323,349	125,470	197,879

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 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Water supply						
WIP	56	–	56	–	–	–
Plant and equipment	159	142	17	161	136	25
Buildings	2,834	1,875	959	2,834	1,842	992
Other structures	414	414	–	414	407	7
Infrastructure	55,353	30,947	24,406	70,344	36,940	33,404
Total water supply	58,816	33,378	25,438	73,753	39,325	34,428
Sewerage services						
WIP	73	–	73	4	–	4
Plant and equipment	491	295	196	449	292	157
Buildings	829	680	149	829	677	152
Other structures	304	149	155	155	148	7
Infrastructure	62,083	33,761	28,322	55,866	29,985	25,881
Total sewerage services	63,780	34,885	28,895	57,303	31,102	26,201
TOTAL RESTRICTED I,PP&E	122,596	68,263	54,333	131,056	70,427	60,629

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

\$ '000	Notes	Actual 2017	Actual 2016
Impairment losses recognised direct to equity (ARR):			
Racecourse Grandstand – structural damage		–	(267)
Whitton Museum Machinery shed – structural damage		–	(22)
Flood Damage to roads excessive rain July – September 2016		(2,778)	–
Total impairment losses		(2,778)	(289)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	(2,778)	(289)

Refer to Note 9(a) for Impairment Restoration Works totalling \$6K undertaken this year relating to current year or prior year Impairments.

Leeton Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services		973	–	1,012	–
Accrued expenses:					
– Borrowings		39	–	44	–
– Salaries and wages		168	3	116	5
– Other expenditure accruals		59	–	86	–
Security bonds, deposits and retentions		309	–	50	–
Miscellaneous creditor clearing accounts		4	–	3	–
Total payables		1,552	3	1,311	5
Income received in advance					
Payments received in advance		490	–	293	–
Total income received in advance		490	–	293	–
Borrowings					
Loans – secured ¹		295	1,943	280	2,238
Total borrowings		295	1,943	280	2,238
Provisions					
Employee benefits:					
Annual leave		738	–	676	–
Long service leave		1,658	78	1,915	122
Total provisions		2,396	78	2,591	122
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>4,733</u>	<u>2,024</u>	<u>4,475</u>	<u>2,365</u>
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		1	–	19	–
Sewer		53	–	–	–
Liabilities relating to externally restricted assets		54	–	19	–
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		54	–	19	–
Total liabilities relating to unrestricted assets		4,679	2,024	4,456	2,365
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,733	2,024	4,475	2,365

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 2017

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

	Actual 2017	Actual 2016
\$ '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	1,385	1,365
	1,385	1,365

Note 10b. Description of and movements in provisions

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	676	609	(529)	(18)	–	738
Long service leave	2,037	243	(502)	(42)	–	1,736
TOTAL	2,713	852	(1,031)	(60)	–	2,474

- 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent	6a	2,229	4,302
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		2,229	4,302
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,110	4,267
Adjust for non-cash items:			
Depreciation, amortisation and impairment		6,165	6,106
Net losses/(gains) on disposal of assets		(129)	(279)
Non-cash capital grants and contributions		(97)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(172)	(231)
Increase/(decrease) in provision for doubtful debts		–	(42)
Decrease/(increase) in inventories		(4)	(12)
Decrease/(increase) in other assets		2	(2)
Increase/(decrease) in payables		(39)	52
Increase/(decrease) in accrued interest payable		(5)	(5)
Increase/(decrease) in other accrued expenses payable		23	(465)
Increase/(decrease) in other liabilities		457	(22)
Increase/(decrease) in employee leave entitlements		(239)	71
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,072	9,438

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
S64 contributions 'in kind'		72	–
Other dedications		10	–
Recycling shed constructed by Ramroc		15	–
Total non-cash investing and financing activities		97	–
(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		6	17
Total financing arrangements utilised		6	17

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.

Note 12. Commitments for expenditure

Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

	2017	2016
Property, plant and equipment		
Plant and equipment	388	596
Water infrastructure	89	–
Roads and drainage	2,778	462
Parks Improvements	–	27
Library Equipment	–	7
Total commitments	3,255	1,092
These expenditures are payable as follows:		
Within the next year	3,255	1,092
Total payable	3,255	1,092
Sources for funding of capital commitments:		
Unrestricted general funds	116	–
Future grants and contributions	2,662	–
Unexpended grants	–	263
Externally restricted reserves	89	–
Internally restricted reserves	388	829
Total sources of funding	3,255	1,092

Leeton Shire Council

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

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016 2015		Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	4,856	16.15%	13.71%	4.27%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	30,065				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	21,524	69.01%	75.83%	76.08%	>60.00%
Total continuing operating revenue ⁽¹⁾	31,190				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	14,888	4.52x	4.81x	4.68x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,294				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	11,135	28.26x	25.04x	22.47x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	394				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	371	3.06%	3.09%	3.25%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	12,120				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	36,339	20.73 mths	20.7 mths	19.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,753				

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 2017

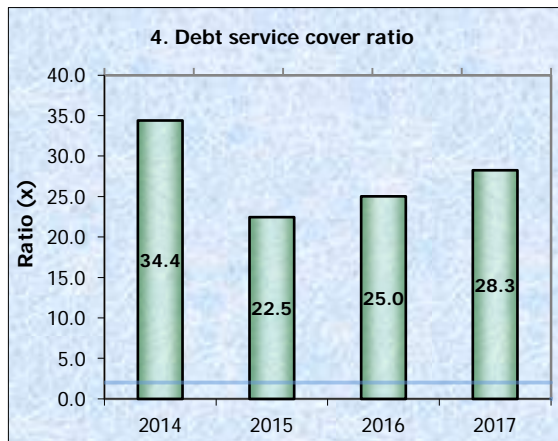
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</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 2016/17 result</p> <p>2016/17 ratio 16.15%</p> <p>Council's Operating Performance Ratio has again improved due to additional grant and fees 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 #25</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 2016/17 result</p> <p>2016/17 ratio 69.01%</p> <p>The Own Source Revenue ratio has decreased due to early payment of 50% of the 2017/18 Financial Assistance Grant.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</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 2016/17 result</p> <p>2016/17 ratio 4.52x</p> <p>Council remains well above the industry benchmark which indicates a strong capacity to pay debts as and when they fall due.</p>

Leeton Shire Council

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

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



Benchmark: — Minimum ≥ 2.00

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

Purpose of debt service cover ratio

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

Commentary on 2016/17 result

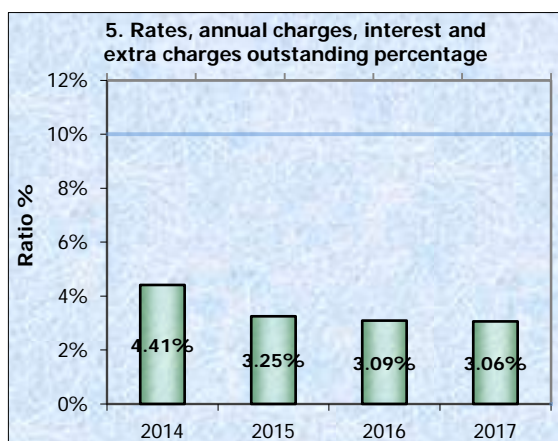
2016/17 ratio 28.26x

Council's Debt Service Cover Ratio is well above the industry benchmark. Council has more than adequate cash to service loan repayments.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

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

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

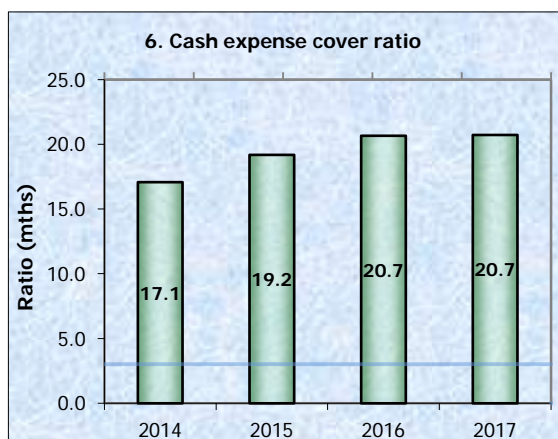
2016/17 ratio 3.06%

The outstanding rates ratio remains very low at 3% and is well below the industry benchmark of 10% for rural councils.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 20.73 mths

Council again has a very strong liquidity ratio to enable it to meet expenses as required with additional cash inflow.



Ratio achieves benchmark

Ratio is outside benchmark

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	16.01%	12.85%	21.63%	15.83%	7.76%	16.21%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	62.19%	67.50%	88.49%	98.57%	93.54%	97.70%	>60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.52x	4.81x	7551.00x	474.26x	90.49x	No liabilities	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

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 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	20.22x	17.30x	0.00x	927.50x	0.00x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.24%	3.27%	2.77%	2.61%	2.54%	2.68%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.98	13.44	55.00	45.81	48.45	45.45	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	2,229	4,302	2,229	4,302
Investments				
– 'Held to maturity'	36,110	28,710	36,110	28,710
Receivables	2,366	2,257	2,366	2,257
Total financial assets	40,705	35,269	40,705	35,269
Financial liabilities				
Payables	1,555	1,316	1,555	1,316
Loans/advances	2,238	2,518	2,238	2,518
Total financial liabilities	3,793	3,834	3,793	3,834

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.

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 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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 make-up and performance of the portfolio.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	383	383	(383)	(383)
2016				
Possible impact of a 1% movement in interest rates	330	330	(330)	(330)

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

The major risk associated with these receivables is credit risk, which is 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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	95%	0%	99%
Overdue debts	100%	5%	100%	1%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	1,756	–	1,775
< 1 year overdue	0 – 30 days overdue	337	79	324	23
1 – 2 years overdue	31 – 60 days overdue	–	14	–	–
> 5 years overdue	> 91 days overdue	–	–	–	1
		337	1,849	324	1,799

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	16	58
– amounts already provided for and written off this year	–	(42)
Balance at the end of the year	16	16

Leeton Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	309	1,246	–	–	–	–	–	1,555	1,555
Loans and advances	–	400	400	400	400	400	647	2,647	2,238
Total financial liabilities	309	1,646	400	400	400	400	647	4,202	3,793
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

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

The following interest rates were applicable

to Council's borrowings at balance date:	2017		2016	
	Carrying value	Weighted Average interest rate	Carrying value	Weighted Average interest rate
Trade/other payables	1,555		1,316	
Loans and advances – fixed interest rate	2,238	4.90%	2,518	4.90%
	<u>3,793</u>		<u>3,834</u>	

Leeton Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 2016/17 was adopted by the Council on 25 May 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance* -----		
REVENUES					
Rates and annual charges	11,903	11,683	(220)	(2%)	U
User charges and fees	6,051	8,083	2,032	34%	F
Additional revenues were received in the following areas; RMS works on State roads \$1,256k, water usage charges \$209k, waste tipping fees \$90k, sewer trade waste charges \$93k, private works income \$69k, Fire and Emergency Services Levy set up \$73k.					
Interest and investment revenue	706	1,119	413	58%	F
Interest revenue was significantly higher than original budget due to a higher level of invested funds partially due to a delay in the commencement of some capital works. Council generally takes a conservative approach when estimating the revenue due to continuing falls in interest rates.					
Other revenues	611	639	28	5%	F
Operating grants and contributions	6,531	8,541	2,010	31%	F
Council received an advance payment of 50% of the 2017/18 Financial Assistance Grant in June, \$1,981k.					
Capital grants and contributions	408	1,125	717	176%	F
Council received capital contributions to water main extensions of \$402k, additional Section 94/64 contributions of \$98k, various capital grants for recreation and cultural facilities totalling \$262k and a budgeted capital grant of \$135k towards the establishment of a waste transfer station was not obtained.					
Net gains from disposal of assets	12	129	117	975%	F
Proceeds from the sales of plant and vehicles were higher than anticipated.					

Leeton Shire Council

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

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	10,010	9,918	92	1%	F
Borrowing costs	119	114	5	4%	F
Materials and contracts	5,989	6,558	(569)	(10%)	U
Materials and contracts expenses were higher due to additional works for RMS on State Roads.					
Depreciation and amortisation	6,269	6,165	104	2%	F
Other expenses	2,550	2,454	96	4%	F

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

Cash flows from operating activities	7,638	12,072	4,434	58.1%	F
Revenue from grants, fees and charges and interest on investments were all higher than budgeted.					
Cash flows from investing activities	(6,384)	(13,865)	(7,481)	117.2%	U
Council purchased additional investment securities during the year that were not budgeted for.					
Cash flows from financing activities	(281)	(280)	1	(0.4%)	F

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	33	1	–	1	–	–	35	–
Open space	37	–	–	1	–	–	38	–
LSC trunk drainage	–	3	–	–	(3)	–	–	–
MIA trunk drainage	–	1	–	–	(1)	–	–	–
Bus shelters	–	1	–	–	(1)	–	–	–
Plan administration	–	11	–	–	(11)	–	–	–
Recreation facilities	16	1	–	1	–	–	18	–
S94 contributions – under a plan	86	18	–	3	(16)	–	91	–
S94A levies – under a plan	–	39	–	–	–	–	39	–
Total S94 revenue under plans	86	57	–	3	(16)	–	130	–
S64 contributions	13	119	72	–	(117)	–	15	–
Total contributions	99	176	72	3	(133)	–	145	–

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

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	33	1	–	1	–	–	35	–
Open space	37	–	–	1	–	–	38	–
MIA trunk drainage	–	1	–	–	(1)	–	–	–
Bus shelters	–	1	–	–	(1)	–	–	–
Plan administration	–	11	–	–	(11)	–	–	–
Recreation facilities	16	1	–	1	–	–	18	–
LSC trunk drainage	–	3	–	–	(3)	–	–	–
Total	86	18	–	3	(16)	–	91	–

S94A LEVIES – UNDER A PLAN

Leeton S94 Fixed Levy Plan

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					
Other	–	39	–	–	–	–	39	–
Total	–	39	–	–	–	–	39	–

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the Local Government Superannuation Scheme Pool B (the scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB119 Employee Benefits. Sufficient information is not available to account for the scheme as a defined benefit plan in accordance with AASB119 because the assets to the scheme are pooled together for all councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2017 was \$165,387. The last valuation of the Scheme was performed by Richard Boyfield, FIAA on 2nd December 2016, and covers the year ended 30 June 2016.

(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.

(ii) Statewide Limited (continued)

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

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.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(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.

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

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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		108,053	103,786
a. Net operating result for the year		6,110	4,267
Balance at end of the reporting period		114,163	108,053
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		121,081	129,969
– Other reserves (high security water licences)		2,577	2,577
Total		123,658	132,546
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		129,969	134,089
– Revaluations for the year	9(a)	(6,110)	(3,810)
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(2,778)	(289)
– Transfer to water licences		–	(21)
– Balance at end of year		121,081	129,969
Other reserves (high security water licences)			
– Opening balance		2,577	70
– Increases/(decreases) for the year		–	2,486
– Transfer from IPP&E		–	21
– Balance at end of year		2,577	2,577
TOTAL VALUE OF RESERVES		123,658	132,546

(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.

Other reserves (high security water licences)

– The reserve for high security water licences is used to record increments/decrements in the value of tradeable water licences.

(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 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,329	2,103	8,251
User charges and fees	2,533	329	5,221
Interest and investment revenue	284	202	640
Other revenues	27	1	611
Grants and contributions provided for operating purposes	39	31	8,471
Grants and contributions provided for capital purposes	504	151	470
Other income			
Net gains from disposal of assets	–	–	137
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	4,716	2,817	23,801
Expenses from continuing operations			
Employee benefits and on-costs	1,170	637	8,111
Borrowing costs	–	–	121
Materials and contracts	847	822	4,889
Depreciation and amortisation	1,176	779	4,210
Impairment	–	–	–
Other expenses	424	246	1,784
Net losses from the disposal of assets	–	8	–
Total expenses from continuing operations	3,617	2,492	19,115
Operating result from continuing operations	1,099	325	4,686
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	1,099	325	4,686
Net operating result attributable to each council fund	1,099	325	4,686
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	595	174	4,216

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	189	115	1,925
Investments	7,060	4,345	11,205
Receivables	317	336	1,683
Inventories	–	–	1,758
Other	–	–	–
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	7,566	4,796	16,571
Non-current assets			
Investments	3,939	2,424	7,137
Receivables	8	121	105
Inventories	–	–	–
Infrastructure, property, plant and equipment	25,438	28,895	143,546
Investments accounted for using the equity method	–	–	–
Intangible assets	–	–	4,236
Total non-current assets	29,385	31,440	155,024
TOTAL ASSETS	36,951	36,236	171,595
LIABILITIES			
Current liabilities			
Payables	1	53	1,498
Income received in advance	–	–	490
Borrowings	–	–	384
Provisions	–	–	2,396
Total current liabilities	1	53	4,768
Non-current liabilities			
Payables	–	–	3
Income received in advance	–	–	–
Borrowings	–	–	2,058
Provisions	–	–	78
Total non-current liabilities	–	–	2,139
TOTAL LIABILITIES	1	53	6,907
Net assets	36,950	36,183	164,688
EQUITY			
Retained earnings	20,349	18,902	74,912
Revaluation reserves	16,601	17,281	89,776
Total equity	36,950	36,183	164,688

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 2017

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 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 19/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is 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'.

Leeton Shire Council

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

Note 25. Intangible assets

\$ '000	2017	2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	–	–
Accumulated amortisation (1/7)	–	–
Accumulated impairment (1/7)	–	–
Net book value – opening balance	–	–
Movements for the year		
– Transfer from IPP&E	4,236	–
Closing values:		
Gross book value (30/6)	4,236	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>4,236</u>	<u>–</u>

¹. The net book value of intangible assets represent:

Water Licences	4,236	–
	<u>4,236</u>	<u>–</u>

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 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances		—	2,238	—	2,238
Total financial liabilities		—	2,238	—	2,238
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	—	—	4,383	4,383
Office furniture	30/06/16	—	—	151	151
Furniture and fittings	30/06/16	—	—	63	63
Operational land	30/06/13	—	2,665	—	2,665
Community land	30/06/16	—	—	6,635	6,635
Land improvements	30/06/16	—	—	1,132	1,132
Buildings – specialised	30/06/13	—	—	28,789	28,789
Buildings – non-specialised	30/06/13	—	155	—	155
Other structures	30/06/13	—	—	1,172	1,172
Roads	1/07/15	—	—	70,947	70,947
Bridges	1/07/15	—	—	3,115	3,115
Footpaths	1/07/15	—	—	5,011	5,011
Bulk earthworks	1/07/15	—	—	8,705	8,705
Stormwater drainage	1/07/15	—	—	7,973	7,973
Water supply network	30/06/17	—	—	24,406	24,406
Sewerage network	30/06/17	—	—	28,322	28,322
Swimming pools	30/06/13	—	—	817	817
Other open space/recreational assets	30/06/13	—	—	3,257	3,257
Other assets	30/06/11	—	—	9	9
Water licences	30/06/16	4,236	—	—	4,236
Work in progress	30/06/16	—	—	172	172
Total infrastructure, property, plant and equipment		4,236	2,820	195,059	202,115

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial 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
Work in progress	30/06/16	—	—	4	4
Total infrastructure, property, plant and equipment		4,236	2,988	202,907	210,131

(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 2017

Note 27. Fair value measurement (continued)

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

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

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 that 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 a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those 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.

Leeton Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Total
Opening balance – 1/7/15	206,994
Transfers from/(to) another asset class	(63)
Purchases (GBV)	6,360
Disposals (WDV)	(188)
Depreciation and impairment	(6,386)
FV gains – other comprehensive income	(3,810)
Closing balance – 30/6/16	<u>202,907</u>
Purchases (GBV)	7,322
Disposals (WDV)	(196)
Depreciation and impairment	(8,936)
FV gains – other comprehensive income	(6,038)
Closing balance – 30/6/17	<u>195,059</u>

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 2017

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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant, equipment, furniture, fittings and office equipment	4,597	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	6,635	Land values obtained from the NSW Valuer General	Land value, land area
Land Improvements	1,132	Cost used to approximate fair value	Asset condition, remaining lives, residual value
Specialised buildings	28,789	Cost approach based on sq metre rate	Asset condition, consumption rate, remaining lives
Other structures	1,172	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Roads, bridges, footpaths, bulkworks	87,778	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Stormwater drainage	7,973	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Water Supply and Sewerage Network	52,857	Based on NSW Office of Water Reference Rates Manual	Asset condition, pattern of consumption, residual value, components, dimensions and specification, unit rates
Swimming Pools	817	Cost used to approximate fair value	Asset condition, consumption rate, remaining lives
Other open space/recreational assets	3,300	Cost used to approximate fair value	Asset condition, consumption rate, remaining lives
Other assets	9	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 2017

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 2017

Note 28. Related party disclosures

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	792,181
Post-employment benefits	57,168
Other long-term benefits	7,254
Termination benefits	41,334
Total	897,937

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note					
Air Conditioner Maintenance and Servicing	1	23,396	—	30 day terms on Invoices	—	—
Corporate Consultancy Services	2	60,830	—	7 day terms on invoices	—	—
Communication Consultancy Services	3	19,967	—	7 day terms on invoices	—	—

- 1 Council entered into a 2 year contract in 2015 with Weston and Weston , a company which is controlled by a member of the KMP of Council . The contract was awarded through a competitive tender process based on market rates for these services
- 2 Council engaged Reilly Consulting Services during the year to provide corporate consulting services, a business that was controlled by a KMP member during the term of the engagement. The period of the engagement was around 4 months. The amounts billed were based upon rates agreed by Council at the commencement of the engagement.
- 3 Council engaged Lynsey Reilly Communications during the year to provide consultancy services, a business controlled by a partner of a KMP Member. The amounts billed were based upon rates agreed by Council at the commencement of the project.

Leeton Shire Council

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

Note 29. 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

Craig Bennett

PUBLIC OFFICER

Craig Bennett

AUDITORS

Audit Office of New South Wales
Level 15
1 Margaret Street
Sydney NSW 2000

Elected members
MAYOR

Cr Paul Maytom

COUNCILLORS

Cr George Weston (Deputy Mayor)
Cr Peter Davidson
Cr Michael Kidd
Cr Tracey Morris
Cr Paul Smith
Cr Tony Ciccica
Cr Tony Reneker
Cr Sandra Nardi

Other information

ABN: 59 217 957 665



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

I have audited the accompanying financial statements of Leeton Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 28 September 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan
Director, Financial Audit Services

19 October 2017
SYDNEY

Cr Paul Maytom
 Mayor
 Leeton Shire Council
 23-25 Chelmsford Place
 LEETON NSW 2705

Contact: Lawrissa Chan
 Phone no: (02) 9275 7255
 Our ref: D1719445/1753

19 October 2017

Dear Mr Maytom

**Report on the Conduct of the Audit
 for the year ended 30 June 2017
 Leeton Shire Council**

We have audited the general purpose financial statements of Leeton Shire Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

We have expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires us to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017	2016	Variance
	\$'000	\$'000	%
Rates and annual charges revenue	11,683	11,378	2.7 ↑
Grants and contributions revenue	9,666	6,604	46.3 ↑
Operating result for the year	6,110	4,267	43.2 ↑
Net operating result before capital amounts	4,985	3,985	25.0 ↑

Council's operating result for the year was a surplus of \$6.1 million. The increase of \$1.8 million (43 per cent) was predominantly due to the receipt of \$2.0 million (50%) of 2017-18 Financial Assistance Grants in advance. The Council budgeted for a surplus of \$1.3 million.

The net operating result for the year before capital grants and contributions was a surplus of \$5.0 million. The increase of \$1 million (25 per cent) was predominantly due to the receipt of \$2.0 million (50%) of 2017-18 Financial Assistance Grants in advance, which has been offset by an increase in raw materials and consumables of \$1.3 million. The Council budgeted for a surplus of \$0.9 million.

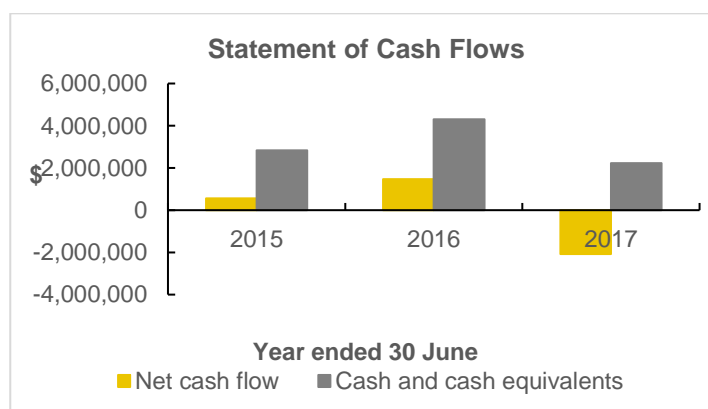
Rates and annual charges have remained steady with a slight increase of \$0.3 million (2.7 per cent) compared with the prior year. The increase is attributable to an increase in rateable properties and the approved rate pegging increase of 1.8 per cent.

Grants and contributions revenue increased by \$3.1 million (46.3 per cent) compared with the prior year. The Council received \$2.0 million (50 per cent) of its Financial Assistance Grants for 2017-18 in advance, increased water supplies (excluding section 64 contributions) of \$0.4 million, increased developer contributions of \$0.2 million and increased State funding of \$0.2 million.

Council's depreciation and amortisation expense remained steady.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents balance at 30 June 2017 is \$2.2 million compared with \$4.3 million in the prior year.
- The net decrease in cash and cash equivalents of \$2.1 million is predominantly due to increased purchases of investment securities of \$4.9 million, which has been offset by an increase in grants and contributions of \$2.9 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	22,334	19,818	<ul style="list-style-type: none"> ○ Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in externally restricted cash is driven by water supplies (\$1.1 million) and water supplies – carry over works (\$0.7 million).
Internal restrictions	14,647	12,157	
Unrestricted	1,358	1,037	
Cash and investments	38,339	33,012	<ul style="list-style-type: none"> ○ Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included an increase of \$2.0 million relating to the Financial Assistance Grant payment received in advance. ○ Unrestricted cash remains steady.

Debt

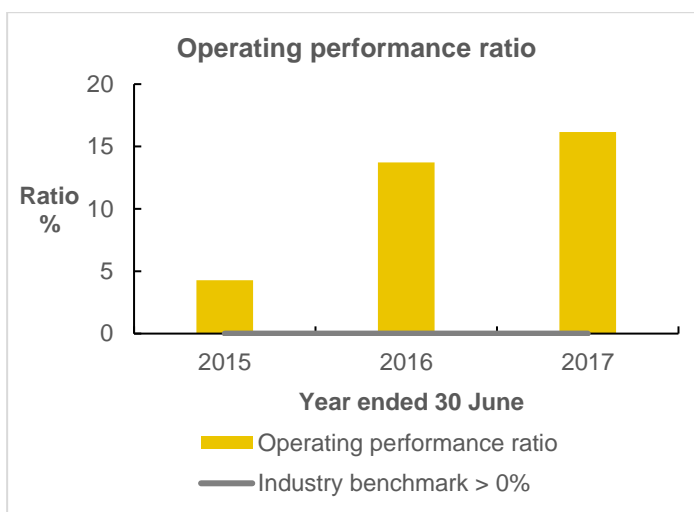
- Council has \$2.2 million in loans secured over the general rating income of Council at 30 June 2017.
- Council maintain a bank overdraft facility of \$0.5 million. As at 30 June 2017 Council had not drawn down on the overdraft (2016: \$nil)

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

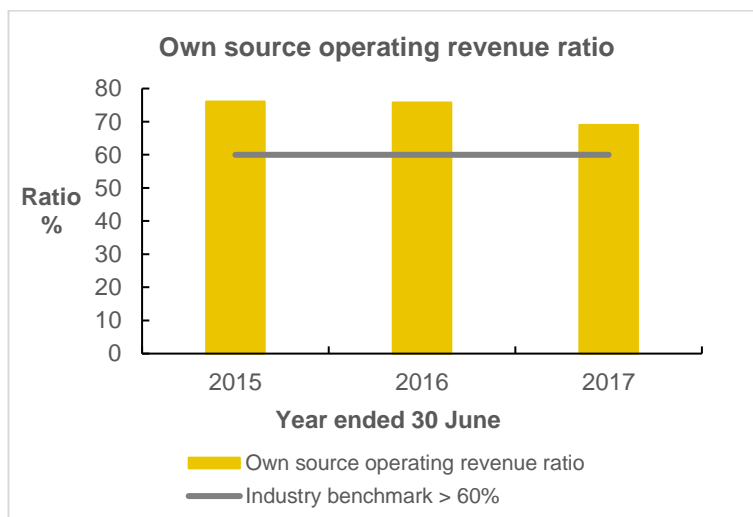
Operating performance ratio

- The Council's operating performance ratio has increased from 13.71 per cent in 2015/16 to 16.15 per cent in 2016/17. This is due to Council receiving \$2 million (50 per cent) of its 2017/18 Financial Assistance Grants in advance.
- The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



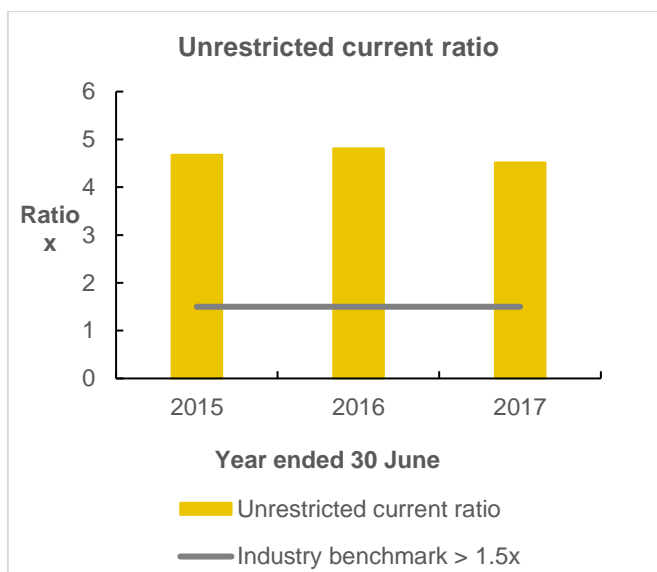
Own source operating revenue ratio

- Council's own source operating revenue has decreased over the last three years, but remains above the industry benchmark. This is predominantly due to the receipt of \$2.0 million (50%) Financial Assistance Grants for 2017-18 in advance.
- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



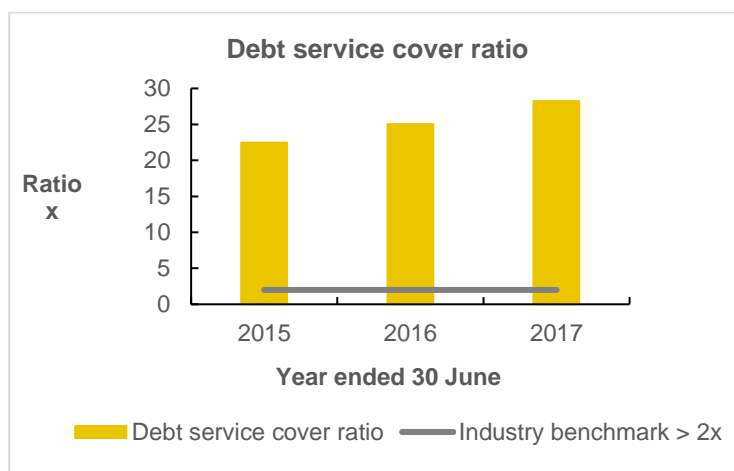
Unrestricted current ratio

- This ratio indicates that Council currently has \$4.52 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities, including loan repayments and payables. A ratio of 4.52x is above the industry benchmark minimum. This indicates that the Council has sufficient liquidity to meet its current liabilities when they fall due.
- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The ratio excludes current assets and liabilities subject to internal and external restrictions.



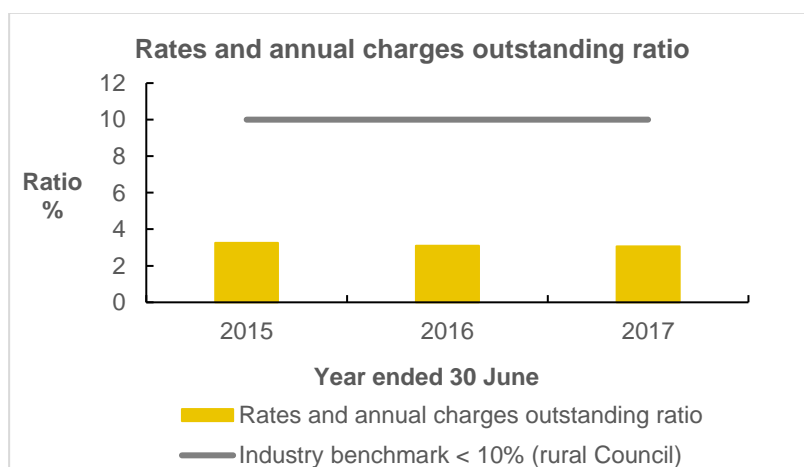
Debt service cover ratio

- The debt service cover ratio of 28.26x indicates the Council has adequate revenue to cover the principal repayments and borrowing costs. The Council has consistently been above the industry minimum benchmark of 2.00x.
- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



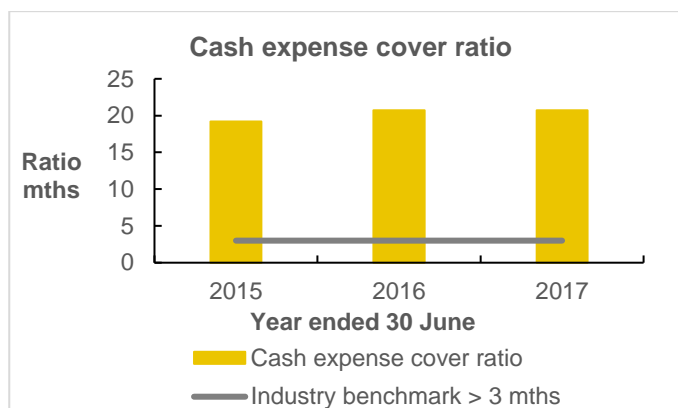
Rates and annual charges outstanding ratio

- The steady decline in the outstanding rates and annual charges ratio over the past three years indicates that Council's rate recovery measures are effective in collecting and reducing outstanding debts.
- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is greater than 10 per cent for rural councils.



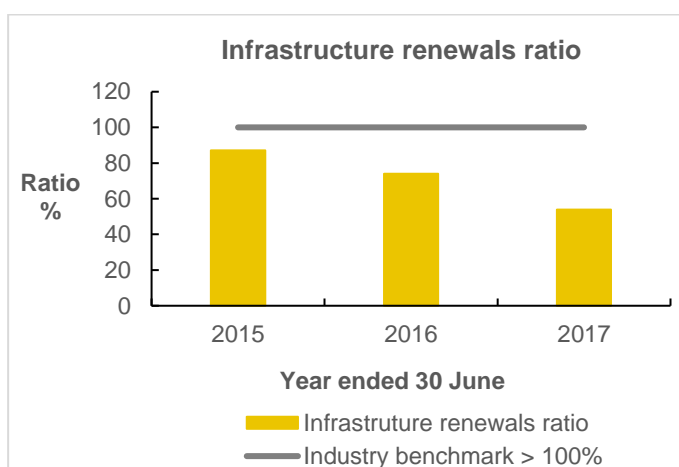
Cash expense cover ratio

- At 30 June 2017, the Council had the capacity to cover 20.73 months of cash expenditure without additional cash inflows. This is in excess of the industry benchmark minimum of 3 months.
- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Infrastructure renewals ratio

- The Council's ratio has decreased to 53.97% in 2016-17 from 73.96% in the prior year. This is below the industry benchmark of greater than 100 per cent.
- The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent. This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

Our audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Lawrissa Chan
Director, Financial Audit Services

19 October 2017

SYDNEY

CC: Ms Jackie Kruger, General Manager
Cr Tracey Morris, Chair of Internal Audit Committee
Mr Craig Bennett, Director Corporate and Community
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Leeton Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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2. Special Purpose Financial Statements:	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
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 2017

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

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

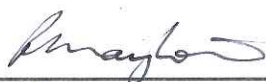
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 23 August 2017.



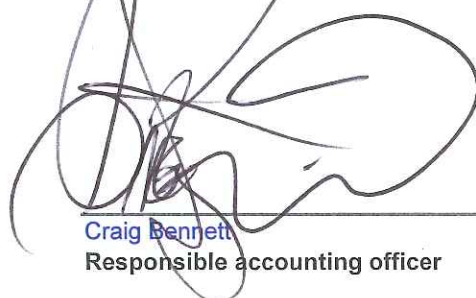
Cr Paul Maytom
Mayor



Jacqueline Kruger
General manager



Cr George Weston
Councillor



Craig Bennett
Responsible accounting officer

Leeton Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,329	1,289
User charges	2,486	2,488
Fees	47	35
Interest	284	344
Grants and contributions provided for non-capital purposes	39	40
Profit from the sale of assets	—	—
Share of profit from equity accounted investment	—	—
Other income	27	188
Total income from continuing operations	4,212	4,384
Expenses from continuing operations		
Employee benefits and on-costs	1,170	990
Borrowing costs	—	—
Materials and contracts	847	1,146
Depreciation, amortisation and impairment	1,176	1,159
Water purchase charges	128	132
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Share of loss from equity accounted investment	—	—
Other expenses	296	275
Total expenses from continuing operations	3,617	3,702
Surplus (deficit) from continuing operations before capital amounts	595	682
Grants and contributions provided for capital purposes	504	23
Surplus (deficit) from continuing operations after capital amounts	1,099	705
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	1,099	705
Less: corporate taxation equivalent (30%) [based on result before capital]	(179)	(205)
SURPLUS (DEFICIT) AFTER TAX	921	500
Plus opening retained profits	19,250	18,545
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	179	205
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	20,349	19,250
Return on capital %	2.3%	2.0%
Subsidy from Council	10	65
Calculation of dividend payable:		
Surplus (deficit) after tax	921	500
Less: capital grants and contributions (excluding developer contributions)	(403)	(14)
Surplus for dividend calculation purposes	518	486
Potential dividend calculated from surplus	259	243

Leeton Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	2,103	2,016
User charges	16	15
Liquid trade waste charges	313	579
Fees	—	—
Interest	202	325
Grants and contributions provided for non-capital purposes	31	32
Profit from the sale of assets	—	—
Share of profit from equity accounted investment	—	—
Other income	1	1
Total income from continuing operations	2,666	2,968
Expenses from continuing operations		
Employee benefits and on-costs	637	629
Borrowing costs	—	—
Materials and contracts	822	897
Depreciation, amortisation and impairment	779	764
Loss on sale of assets	8	—
Calculated taxation equivalents	—	—
Share of loss from equity accounted investment	—	—
Other expenses	246	228
Total expenses from continuing operations	2,492	2,518
Surplus (deficit) from continuing operations before capital amounts	174	450
Grants and contributions provided for capital purposes	151	37
Surplus (deficit) from continuing operations after capital amounts	325	487
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	325	487
Less: corporate taxation equivalent (30%) [based on result before capital]	(52)	(135)
SURPLUS (DEFICIT) AFTER TAX	273	352
Plus opening retained profits	18,577	18,090
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	52	135
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	18,902	18,577
Return on capital %	0.6%	1.7%
Subsidy from Council	514	119
Calculation of dividend payable:		
Surplus (deficit) after tax	273	352
Less: capital grants and contributions (excluding developer contributions)	(61)	(37)
Surplus for dividend calculation purposes	212	315
Potential dividend calculated from surplus	106	158

Leeton Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	189	1,265
Investments	7,060	7,420
Receivables	317	339
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	7,566	9,024
Non-current assets		
Investments	3,939	1,030
Receivables	8	12
Inventories	–	–
Infrastructure, property, plant and equipment	25,438	34,428
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	29,385	35,470
TOTAL ASSETS	36,951	44,494
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1	19
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	1	19
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	1	19
NET ASSETS	36,950	44,475
EQUITY		
Retained earnings	20,349	19,250
Revaluation reserves	16,601	25,225
Other reserves	–	–
TOTAL EQUITY	36,950	44,475

Leeton Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	115	866
Investments	4,345	5,073
Receivables	336	293
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	4,796	6,232
Non-current assets		
Investments	2,424	704
Receivables	121	208
Inventories	–	–
Infrastructure, property, plant and equipment	28,895	26,201
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	31,440	27,113
TOTAL ASSETS	36,236	33,345
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	53	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	53	–
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	53	–
NET ASSETS	36,183	33,345
EQUITY		
Retained earnings	18,902	18,577
Revaluation reserves	17,281	14,768
Other reserves	–	–
TOTAL EQUITY	36,183	33,345

Leeton Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	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 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

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, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

Leeton Shire Council

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

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of **2.0%** applies.

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

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Leeton Shire Council

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

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

Leeton Shire Council

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

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	12,222
(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]	258,750
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	122,220
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,038,100

2017 Surplus	517,500	2016 Surplus	486,400	2015 Surplus	34,200
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	122,220
(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 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

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	4,442
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)]	%	65.42%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	24,406
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,284
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	809
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)]	%	3.86%
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 2017

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	10,668
(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]	105,900
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	106,680
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	419,800

2017 Surplus	211,800	2016 Surplus	315,000	2015 Surplus	(107,000)
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	105,900
(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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

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	2,589
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	28,322
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,615
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	825
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)]	%	0.67%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	34

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	7,023
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.00%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,634
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)]	%	2.17%
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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage)	%	-24.71%
	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):		1,177
	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:		- 468
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	1,390
	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	70
	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 AUDITOR'S REPORT

Report on the special purpose financial statement

Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Leeton Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 28 September 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

19 October 2017
SYDNEY

Leeton Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

Special Schedules for the year ended 30 June 2017

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Special Schedules¹

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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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	281	–	–	(281)
Administration	1,608	491	–	(1,117)
Public order and safety				
Fire service levy, fire protection, emergency services	241	132	–	(109)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	300	56	–	(244)
Other	5	3	–	(2)
Total public order and safety	546	191	–	(355)
Health	293	13	–	(280)
Environment				
Noxious plants and insect/vermin control	225	36	–	(189)
Other environmental protection	1	–	–	(1)
Solid waste management	2,117	2,499	15	397
Street cleaning	251	–	–	(251)
Drainage	–	–	–	–
Stormwater management	253	99	3	(151)
Total environment	2,847	2,634	18	(195)
Community services and education				
Administration and education	175	5	–	(170)
Social protection (welfare)	84	126	–	42
Aged persons and disabled	208	61	–	(147)
Children's services	1,692	1,623	–	(69)
Total community services and education	2,159	1,815	–	(344)
Housing and community amenities				
Public cemeteries	134	165	5	36
Public conveniences	63	–	–	(63)
Street lighting	365	57	–	(308)
Town planning	236	110	57	(69)
Other community amenities	113	129	–	16
Total housing and community amenities	911	461	62	(388)
Water supplies	3,617	4,212	504	1,099
Sewerage services	2,492	2,666	151	325

Leeton Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	459	74	15	(370)
Museums	58	—	—	(58)
Art galleries	—	—	—	—
Community centres and halls	64	—	6	(58)
Performing arts venues	479	157	—	(322)
Other performing arts	—	8	—	8
Other cultural services	26	348	85	407
Sporting grounds and venues	942	172	—	(770)
Swimming pools	501	9	—	(492)
Parks and gardens (lakes)	1,372	—	56	(1,316)
Other sport and recreation	—	—	—	—
Total recreation and culture	3,901	768	162	(2,971)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	8	43	—	35
Other mining, manufacturing and construction	1	—	—	(1)
Total mining, manufacturing and const.	9	43	—	34
Transport and communication				
Urban roads (UR) – local	932	28	32	(872)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	1,606	1,533	—	(73)
Sealed rural roads (SRR) – regional	309	235	107	33
Unsealed rural roads (URR) – local	1,257	50	—	(1,207)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	57	—	—	(57)
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	35	—	—	(35)
Footpaths	114	1	89	(24)
Aerodromes	67	—	—	(67)
Other transport and communication	166	101	—	(65)
Total transport and communication	4,543	1,948	228	(2,367)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	2,002	1,946	—	(56)
Total economic affairs	2,002	1,946	—	(56)
Totals – functions	25,209	17,188	1,125	(6,896)
General purpose revenues ⁽¹⁾		13,006		13,006
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	25,209	30,194	1,125	6,110

(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 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	280	2,238	2,518	–	280	–	–	114	295	1,943	2,238
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	280	2,238	2,518	–	280	–	–	114	295	1,943	2,238
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	280	2,238	2,518	–	280	–	–	114	295	1,943	2,238

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 2017

\$'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	204
Water			
Sewer			
Domestic waste management			
Gas			
Other			
Totals	700	94	204

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	204
Totals							700	94	204

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	300	310
b. Engineering and supervision	271	273
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	617	629
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	–	2
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	144	69
i. Maintenance expenses	45	23
– Treatment		
j. Operation expenses (excluding chemical costs)	403	416
k. Chemical costs	129	154
l. Maintenance expenses	205	178
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	42	40
o. Purchase of water	128	132
3. Depreciation expenses		
a. System assets	1,128	1,151
b. Plant and equipment	48	8
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	157	317
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	3,617	3,702

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	986	967
b. Usage charges	1,865	1,866
7. Non-residential charges		
a. Access (including rates)	343	322
b. Usage charges	621	622
8. Extra charges	10	7
9. Interest income	274	337
10. Other income	74	223
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	39	40
c. Other grants	–	–
12. Contributions		
a. Developer charges	59	9
b. Developer provided assets	42	–
c. Other contributions	403	14
13. Total income	4,716	4,407
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	1,099	705
15a. Operating result (less grants for acquisition of assets)	1,099	705

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	55	31
b. New assets for growth	76	–
c. Renewals	678	48
d. Plant and equipment	–	–
17. Repayment of debt	–	2
18. Totals	809	81
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)	3,607	3,865
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	467	578
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	24 ET	4 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 69,242	\$ 70,784

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	15	–	15
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,234	3,939	11,173
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	37	–	37
c. User charges	275	–	275
d. Other	5	8	13
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	24,406	24,406
b. Plant and equipment	–	1,032	1,032
29. Other assets	–	–	–
30. Total assets	7,566	29,385	36,951
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	1	–	1
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	1	–	1
36. NET ASSETS COMMITTED	7,565	29,385	36,950
EQUITY			
37. Accumulated surplus			20,349
38. Asset revaluation reserve			16,601
39. Other reserves			–
40. TOTAL EQUITY			36,950
Note to system assets:			
41. Current replacement cost of system assets			55,353
42. Accumulated current cost depreciation of system assets			(30,947)
43. Written down current cost of system assets			24,406

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	244	280
b. Engineering and supervision	260	251
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	128	190
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	74	64
e. Maintenance expenses	255	225
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	211	320
g. Chemical costs	83	94
h. Energy costs	82	82
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	224	96
– Other		
l. Operation expenses	53	29
m. Maintenance expenses	1	3
3. Depreciation expenses		
a. System assets	738	730
b. Plant and equipment	41	34
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	90	120
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	2,484	2,518

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	1,582	1,515
7. Non-residential charges		
a. Access (including rates)	521	500
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	16	16
b. Usage charges	313	579
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	8	8
10. Interest income	194	317
11. Other income	1	1
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	34	–
b. Grants for pensioner rebates	31	32
c. Other grants	–	–
13. Contributions		
a. Developer charges	60	–
b. Developer provided assets	30	–
c. Other contributions	27	37
14. Total income	2,817	3,005
15. Gain (or loss) on disposal of assets	(8)	–
16. Operating result	325	487
16a. Operating result (less grants for acquisition of assets)	291	487

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	69	–
b. New assets for growth	39	–
c. Renewals	626	901
d. Plant and equipment	91	–
18. Repayment of debt	–	–
19. Totals	825	901
Non-operating funds employed		
20. Proceeds from disposal of assets	6	–
21. Borrowing utilised	–	–
22. Totals	6	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	3,089	3,066
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	467	474
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	20 ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 56,051	\$ 57,834

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 2017

\$'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	4,460	2,424	6,884
27. Receivables			
a. Specific purpose grants	34	—	34
b. Rates and availability charges	53	—	53
c. User charges	156	—	156
d. Other	93	121	214
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	28,322	28,322
b. Plant and equipment	—	573	573
30. Other assets	—	—	—
31. Total assets	4,796	31,440	36,236
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	53	—	53
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	53	—	53
37. NET ASSETS COMMITTED	4,743	31,440	36,183
EQUITY			
38. Accumulated surplus			18,902
39. Asset revaluation reserve			17,281
40. Other reserves			—
41. TOTAL EQUITY			36,183
Note to system assets:			
42. Current replacement cost of system assets			62,083
43. Accumulated current cost depreciation of system assets			(33,761)
44. Written down current cost of system assets			28,322

Leeton Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

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 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	2	2	155	275	2%	98%			0%
	Buildings – specialised	419	419	128	128	5,458	7,791	23%	46%	16%	10%	5%
	Amenities/Toilets	85	85	20	20	2,447	3,329	37%	9%	31%	23%	0%
	Depot	56	56	53	53	1,727	2,693	2%	20%	67%	12%	0%
	Public Halls/Theatre	239	239	24	24	5,155	9,737	9%		79%	10%	2%
	Museum	359	359	7	7	431	1,876			1%	95%	4%
	Offices / Admin Centre	–	–	55	55	5,086	8,105	12%	88%			0%
	Water buildings	537	537	2	2	959	2,834	3%	6%	3%	89%	0%
	Sewer Buildings	24	24	1	1	149	829	25%	8%	34%	25%	7%
	Library	–	–	9	9	2,583	3,130	100%				0%
	Other	17	17	11	11	4,794	7,806	22%	16%	55%	1%	6%
	Sub-total	1,736	1,736	312	312	28,944	48,405	20.8%	27.5%	33.9%	15.4%	2.5%
Other structures	Other structures	125	125	3	3	1,172	2,478	47%	11%	25%	17%	0%
	Sub-total	125	125	3	3	1,172	2,478	46.5%	11.2%	25.0%	17.0%	0.3%
Roads	Sealed roads	260	260	1,162	1,162	48,383	66,773	12%	51%	27%	2%	9%
	Unsealed roads	16	16	563	563	5,196	10,279	66%	6%	7%	1%	20%
	Bridges	–	–	5	18	3,115	3,724	63%	25%	12%		0%
	Footpaths	27	27	35	35	5,011	6,075	80%	14%	4%	1%	0%
	Other road assets	33	33	10	10	2,827	3,736	50%	37%	11%	1%	1%
	Kerb & Guttering	290	290	4	4	14,541	18,358	10%	49%	33%	7%	1%
	Bulk earthworks	–	–	–	–	8,705	8,705	100%				0%
	Sub-total	626	626	1,779	1,792	87,778	117,650	29.1%	39.7%	22.0%	2.1%	7.1%

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	1,667	1,667	617	617	15,019	27,752	44%	19%	19%	11%	7%
	Dams/Weirs	–	–	–	–	2,070	3,421		11%	88%		1%
	Pump Stations	–	–	45	45	108	797	3%	75%			22%
	Telemetry	–	–	–	–	40	135			100%		0%
	Filtration/Treatment Plant	–	–	6	6	2,058	12,705	3%	37%	49%		11%
	Reservoirs	–	–	1	1	5,061	9,979		63%	38%		0%
	Water Meters	272	272	36	36	50	564	3%	4%	6%	6%	81%
	Sub-total	1,939	1,939	705	705	24,406	55,353	22.8%	30.9%	33.4%	5.6%	7.3%
Sewerage network	Sewer Lines	763	763	128	128	19,991	33,911	25%	28%	42%	0%	5%
	Pump Stations	–	–	255	255	2,842	5,610	35%	27%	38%		0%
	Telemetry	173	173	–	–	6	311		4%			97%
	Vent Stacks	168	168	–	–	106	560		18%	18%	12%	52%
	Treatment Plants	–	–	1	1	5,377	21,691		28%	68%	4%	0%
	Sub-total	1,104	1,104	384	384	28,322	62,083	17.0%	27.4%	50.2%	1.7%	3.7%

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Pits & Inlets	1	1	13	13	1,132	1,367	91%	6%	1%		2%
	Pipes	8	8	–	–	6,798	8,528	13%	76%	9%		2%
	Pump Stations	–	–	–	23	43	163	64%	21%	14%		0%
	Sub-total	9	9	13	36	7,973	10,058	24.3%	65.9%	8.2%	0.0%	1.7%
Open space/recreational assets	Swimming pools	–	–	48	48	817	2,369			100%		0%
	Other Recreation Assets	15	15	1,340	1,340	3,257	4,915	74%	18%	5%	3%	0%
	Sub-total	15	15	1,388	1,388	4,074	7,284	50.1%	12.1%	35.6%	2.3%	0.0%
	TOTAL – ALL ASSETS	5,554	5,554	4,584	4,620	182,669	303,311	24.6%	33.6%	31.6%	4.8%	5.3%

Notes:

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

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 2017

\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	4,396	53.97%	>= 100%	73.96%	87.09%
Depreciation, amortisation and impairment	8,146				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	5,554	3.04%	<2%	4.17%	4.80%
Net carrying amount of infrastructure assets	182,669				
3. Asset maintenance ratio					
Actual asset maintenance	4,620	1.01	> 1.00	1.00	1.35
Required asset maintenance	4,584				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	5,554	1.83%		2.56%	2.70%
Gross replacement cost	303,311				

Notes

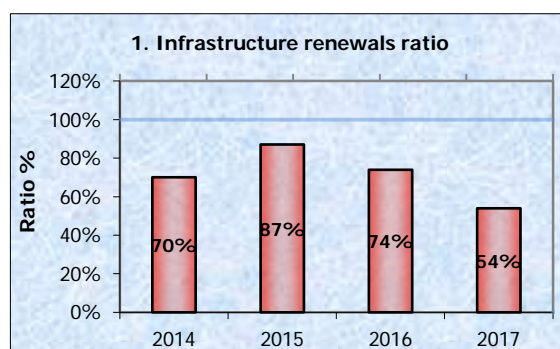
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(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 2017



Benchmark: — Minimum $\geq 100.00\%$

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

Purpose of asset renewals ratio

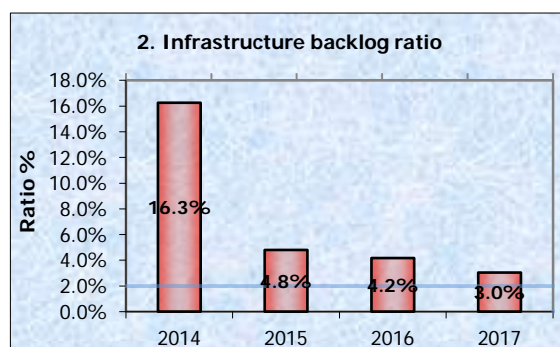
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 53.97%

Council's Infrastructure Renewal Ratio has been significantly impacted by the roads impairment of \$2,778,000, as a result of flood damage. Excluding this impairment the ratio would be 81.89% an increase on the prior year. The impaired assets will be reinstated in 2017/18.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

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

Purpose of infrastructure backlog ratio

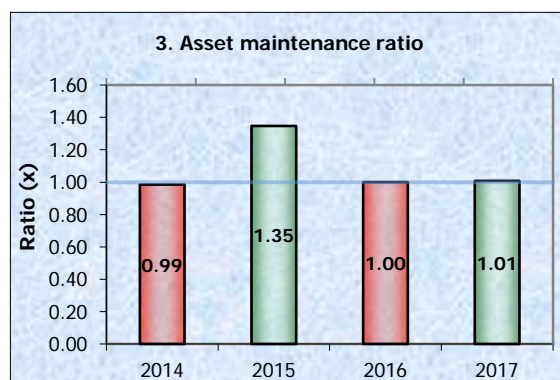
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 3.04%

With councils focus on asset renewal the infrastructure backlog continues to reduce.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

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

Commentary on 2016/17 result

2016/17 Ratio 1.01 x

All required maintenance was undertaken during the financial year.

Ratio achieves benchmark
Ratio is outside benchmark

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000		Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund					
1. Infrastructure renewals ratio					
Asset renewals ⁽²⁾					
Depreciation, amortisation and impairment		>= 100%	58.05%	84.48%	49.58%
		2016	2.78%	123.42%	86.21%
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard					
Net carrying amount of infrastructure assets		<2%	7.94%	3.90%	2.07%
		2016	10.99%	2.14%	2.98%
3. Asset maintenance ratio					
Actual asset maintenance					
Required asset maintenance		> 1.00	1.00	1.00	1.01
		2016	1.00	1.00	1.00
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council					
Gross replacement cost			3.50%	1.78%	1.35%

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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,786	6,919
Plus or minus adjustments ⁽²⁾	b	13	21
Notional general income	c = (a + b)	6,799	6,940
Permissible income calculation			
Special variation percentage ⁽³⁾	d		
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f		
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	—	—
Or plus rate peg amount	i = c x e	122	104
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	6,921	7,044
Plus (or minus) last year's carry forward total	l	(2)	2
Less valuation objections claimed in the previous year	m	—	(1)
Sub-total	n = (l + m)	(2)	1
Total permissible income	o = k + n	6,920	7,045
Less notional general income yield	p	6,919	7,038
Catch-up or (excess) result	q = o – p	1	7
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	7

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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Leeton Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Leeton Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 28 September 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Lawrissa Chan
Director, Financial Audit Services

19 October 2017
SYDNEY\