

Leeton Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

23-25 Chelmsford Place
Leeton NSW 2705

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

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

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

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

Leeton Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Leeton Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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


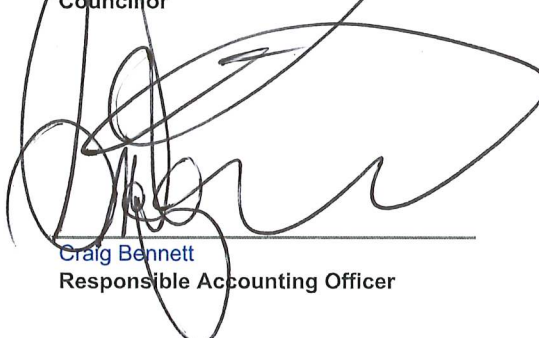
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2018.


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 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
12,239	Rates and annual charges	3a	12,102	11,683
6,397	User charges and fees	3b	9,005	8,083
833	Interest and investment revenue	3c	1,027	1,119
588	Other revenues	3d	613	639
5,900	Grants and contributions provided for operating purposes	3e,f	7,919	8,541
3,165	Grants and contributions provided for capital purposes	3e,f	999	1,125
Other income:				
12	Net gains from the disposal of assets	5	187	129
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	210	–
29,134	Total income from continuing operations		32,062	31,319
Expenses from continuing operations				
11,180	Employee benefits and on-costs	4a	10,335	9,918
110	Borrowing costs	4b	101	114
5,416	Materials and contracts	4c	7,877	6,558
6,255	Depreciation and amortisation	4d	5,914	6,165
2,513	Other expenses	4e	2,496	2,454
25,474	Total expenses from continuing operations		26,723	25,209
3,660	Operating result from continuing operations		5,339	6,110
3,660	Net operating result for the year		5,339	6,110
3,660	Net operating result attributable to Council		5,339	6,110
Net operating result for the year before grants and contributions provided for capital purposes				
495			4,340	4,985

Leeton Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		5,339	6,110
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	3,537	(6,110)
Impairment (loss) reversal relating to IPP&E	9a	–	(2,778)
Other movements in reserves - Intangible Assets Reval	10	1,791	–
Total items which will not be reclassified subsequently to the operating result		5,328	(8,888)
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		–	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	–
Total other comprehensive income for the year		5,328	(8,888)
Total comprehensive income for the year		10,667	(2,778)
Total comprehensive income attributable to Council		10,667	(2,778)

Leeton Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	2,788	2,229
Investments	6b	29,610	22,610
Receivables	7	2,496	2,247
Inventories	8	1,529	1,758
Total current assets		36,423	28,844
Non-current assets			
Investments	6b	9,500	13,500
Receivables	7	71	119
Infrastructure, property, plant and equipment	9	203,133	197,879
Intangible assets	10	6,027	4,236
Total non-current assets		218,731	215,734
TOTAL ASSETS		255,154	244,578
LIABILITIES			
Current liabilities			
Payables	11	2,061	1,552
Income received in advance	11	345	490
Borrowings	11	309	295
Provisions	12	2,171	2,396
Total current liabilities		4,886	4,733
Non-current liabilities			
Payables	11	—	3
Borrowings	11	1,634	1,943
Provisions	12	146	78
Total non-current liabilities		1,780	2,024
TOTAL LIABILITIES		6,666	6,757
Net assets		248,488	237,821
EQUITY			
Accumulated surplus	13	119,502	114,163
Revaluation reserves	13	128,986	123,658
Total equity		248,488	237,821

Leeton Shire Council

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

\$ '000	Notes	2018			2017		
		Accumulated surplus	Revaluation reserves	Total equity	Accumulated surplus	Revaluation reserves	Total equity
Opening balance		114,163	123,658	237,821	108,053	132,546	240,599
Net operating result for the year		5,339	–	5,339	6,110	–	6,110
Net operating result for the year		5,339	–	5,339	6,110	–	6,110
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	3,537	3,537	–	(6,110)	(6,110)
– Gain (loss) on revaluation of Intangible Assets	10	–	1,791	1,791	–	–	–
– Impairment (loss) reversal relating to IPP&E	9a	–	–	–	–	(2,778)	(2,778)
Other comprehensive income		–	5,328	5,328	–	(8,888)	(8,888)
Total comprehensive income (c&d)		5,339	5,328	10,667	6,110	(8,888)	(2,778)
Equity – balance at end of the reporting period		119,502	128,986	248,488	114,163	123,658	237,821

Leeton Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
12,239	Rates and annual charges		11,990	11,670
6,407	User charges and fees		8,871	8,599
833	Investment and interest revenue received		1,109	1,122
9,065	Grants and contributions		8,495	9,593
–	Bonds, deposits and retention amounts received		–	304
588	Other		674	1,544
Payments:				
(11,086)	Employee benefits and on-costs		(10,320)	(10,135)
(5,416)	Materials and contracts		(7,551)	(7,257)
(110)	Borrowing costs		(106)	(119)
–	Bonds, deposits and retention amounts refunded		–	(45)
(2,513)	Other		(2,465)	(3,204)
10,007	Net cash provided (or used in) operating activities	14b	10,697	12,072
Cash flows from investing activities				
Receipts:				
1,400	Sale of investment securities		22,610	25,210
90	Sale of real estate assets		329	265
459	Sale of infrastructure, property, plant and equipment		456	504
110	Deferred debtors receipts		180	63
Payments:				
–	Purchase of investment securities		(25,610)	(32,610)
(11,940)	Purchase of infrastructure, property, plant and equipment		(7,805)	(7,297)
–	Purchase of real estate assets		(3)	–
(5)	Deferred debtors and advances made		–	–
(9,886)	Net cash provided (or used in) investing activities		(9,843)	(13,865)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(296)	Repayment of borrowings and advances		(295)	(280)
(296)	Net cash flow provided (used in) financing activities		(295)	(280)
(175)	Net increase/(decrease) in cash and cash equivalents		559	(2,073)
3,122	Plus: cash and cash equivalents – beginning of year	14a	2,229	4,302
2,947	Cash and cash equivalents – end of the year	14a	2,788	2,229
Additional Information:				
	plus: Investments on hand – end of year	6b	39,110	36,110
	Total cash, cash equivalents and investments		41,898	38,339

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29/10/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

Leeton Shire Council

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

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated fair value of intangible assets (water licences) – Refer Note 10
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (iii) Impairment of receivables

Council has made no significant judgements about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

AASB 9 *Financial Instruments* - This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. As Council already values investments at fair value, Council does not expect any financial impact from these developments.

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

AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities* - AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council has reviewed the way that income is measured and recognised and does not believe there will be any material impact arising from these standards, apart from affecting the timing of the recognition of some grants and donations.

AASB 16 *Leases* - Council is currently a party to leases that are not recognised in the Statement of Financial Position. It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. This standard is not expected to have a material impact on Council's future financial statements.

Leeton Shire Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	1,169	281	(1,169)	(281)	–	–	–	–
Administration	12,314	13,497	1,820	1,608	10,494	11,889	4,226	5,949	27,132	27,657
Public order and safety	137	191	578	546	(441)	(355)	–	122	1,127	1,092
Health	19	13	163	293	(144)	(280)	–	–	–	–
Environment	2,698	2,652	2,789	2,847	(91)	(195)	26	41	5,334	4,728
Community services and education	1,691	1,815	1,957	2,159	(266)	(344)	114	166	4,820	4,661
Housing and community amenities	702	523	1,139	911	(437)	(388)	58	57	9,834	10,351
Water supplies	4,926	4,716	3,735	3,617	1,191	1,099	38	39	38,581	36,951
Sewerage services	3,031	2,817	2,351	2,492	680	325	86	65	37,367	36,236
Recreation and culture	814	930	3,728	3,901	(2,914)	(2,971)	289	275	30,206	25,181
Mining, manufacturing and construction	58	43	11	9	47	34	–	–	360	322
Transport and communication	3,746	2,176	5,219	4,543	(1,473)	(2,367)	3,508	1,808	96,581	94,499
Economic affairs	1,926	1,946	2,064	2,002	(138)	(56)	5	74	3,812	2,900
Total functions and activities	32,062	31,319	26,723	25,209	5,339	6,110	8,350	8,596	255,154	244,578

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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, Crown Land administration, 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 supplies

Includes the supply of water services.

Sewerage services

Includes the supply of sewerage 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; events; real estate development and other business undertakings.

Leeton Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	3,745	3,673
Farmland	2,788	2,743
Business	408	400
Less: pensioner rebates (mandatory)	(96)	(97)
Less: pensioner rebates (Council policy)	(173)	(175)
Total ordinary rates	6,672	6,544
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,040	1,000
Stormwater management services	90	89
Water supply services	1,447	1,437
Sewerage services	2,346	2,129
Waste management services (non-domestic)	161	157
Recycling	526	506
Trade waste	14	16
Less: pensioner rebates (mandatory)	(69)	(70)
Less: pensioner rebates (Council policy)	(125)	(125)
Total annual charges	5,430	5,139
TOTAL RATES AND ANNUAL CHARGES	12,102	11,683
Accounting policy for rates and annual charges		
Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.		
Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates		
(b) User charges and fees		
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Water supply services	3,046	2,434
Sewerage services	306	313
Total specific user charges	3,352	2,747
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	53	39
Inspection services	13	–
Private works – section 67	302	99
Regulatory/ statutory fees	25	26
Registration fees	17	17
Section 149 certificates (EPA Act)	22	21
Section 603 certificates	24	18
Tapping fees	21	30
Town planning	135	108
Total fees and charges – statutory/regulatory	612	358

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	–	19
Cemeteries	243	165
Child care	1,514	1,477
Fire and emergency services levy (FESL) implementation	2	73
Golf course	281	264
Lease rentals	247	230
Leaseback fees – Council vehicles	70	54
Library and art gallery	13	15
RMS (formerly RTA) charges (state roads not controlled by Council)	1,663	1,641
Swimming centres	120	115
Tourism	14	16
Waste disposal tipping fees	675	691
Roxy theatre	109	123
Stadium	41	36
User group contributions	34	41
Other	15	18
Total fees and charges – other	5,041	4,978
TOTAL USER CHARGES AND FEES	9,005	8,083

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest		
– Overdue rates and annual charges (incl. special purpose rates)	43	35
– Cash and investments	979	1,068
– Deferred debtors	5	6
Dividend income	–	10
TOTAL INTEREST AND INVESTMENT REVENUE	1,027	1,119

Accounting policy for interest and investment revenue

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

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(d) Other revenues		
Fines – other	24	24
Legal fees recovery – rates and charges (extra charges)	31	36
Child care operations	15	25
Commissions and agency fees	3	1
Community transport reimbursement	8	45
Diesel rebate	51	93
Donations and sponsorship received	14	4
Insurance claim recoveries	3	69
Insurance rebates	55	76
Recycling income (non-domestic)	51	34
RFS reimbursements	(1)	47
Sales – general	299	151
Other	60	34
<u>TOTAL OTHER REVENUE</u>	<u>613</u>	<u>639</u>

Accounting policy for other revenue

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

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

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

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

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

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,517	2,866	–	–
Financial assistance – local roads component	508	974	–	–
Payment in advance – future year allocation				
Financial assistance – general component	1,556	1,481	–	–
Financial assistance – local roads component	523	500	–	–
Other				
Pensioners' rates subsidies – general component	97	97	–	–
Total general purpose	4,201	5,918	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	38	39	–	–
– Sewerage	31	31	–	–
– Domestic waste management	26	26	–	–
Sewerage services	–	–	55	34
Aged care	–	7	–	–
Child care	109	110	–	–
Community care	–	39	–	–
Economic development	5	66	–	–
Employment and training programs	5	23	–	–
Environmental protection	2	2	–	15
Flood restoration	1,948	500	–	–
Heritage and cultural	12	41	338	85
Library	1	48	–	15
Library – per capita	40	–	–	–
Library – special projects	8	–	–	–
LIRS subsidy	71	81	–	–
Noxious weeds	39	35	–	–
NSW rural fire services	76	85	–	–
Public halls	–	–	–	6
Recreation and culture	15	–	189	46
Street lighting	58	57	–	–
Transport (roads to recovery)	941	1,083	–	–
Transport (other roads and bridges funding)	31	79	110	121
Youth services	1	1	–	–
Other	–	3	–	–
Total specific purpose	3,457	2,356	692	322
Total grants	7,658	8,274	692	322
Grant revenue is attributable to:				
– Commonwealth funding	5,097	6,991	283	31
– State funding	2,560	1,270	409	273
– Other funding	1	13	–	18
	7,658	8,274	692	322

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S94 – contributions towards amenities/services		–	–	5	18
S94A – fixed development consent levies		–	–	114	39
S 64 – water supply contributions		–	–	16	101
S 64 – sewerage service contributions		–	–	12	90
Total developer contributions – cash		–	–	147	248
Total developer contributions	21	–	–	147	248
Other contributions:					
Cash contributions					
Community services		–	3	–	–
Dedications – subdivisions (other than by s7.11)		–	–	–	10
Drainage		–	–	–	3
Other councils – joint works/services	21	–	–	–	–
Recreation and culture		–	7	20	–
Roads and bridges		–	22	–	–
RMS contributions (regional roads, block grant)	240	235	119	107	
Sewerage (excl. section 64 contributions)	–	–	10	27	
Water supplies (excl. section 64 contributions)	–	–	11	403	
Other		–	–	–	5
Total other contributions – cash		261	267	160	555
Total other contributions		261	267	160	555
Total contributions		261	267	307	803
TOTAL GRANTS AND CONTRIBUTIONS		7,919	8,541	999	1,125

Accounting policy for contributions

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

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

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

Leeton Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	577	450
Add: operating grants recognised in the current period but not yet spent	6	430
Add: operating grants received for the provision of goods and services in a future period	2,079	46
Less: operating grants recognised in a previous reporting period now spent	(282)	(349)
Unexpended and held as restricted assets (operating grants)	2,380	577
Capital grants		
Add: capital grants recognised in the current period but not yet spent	183	—
Add: capital grants received for the provision of goods and services in a future period	16	—
Unexpended and held as restricted assets (capital grants)	199	—
Contributions		
Add: contributions recognised in the current period but not yet spent	280	—
Unexpended and held as restricted assets (contributions)	280	—

Leeton Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	8,228	8,139
Employee termination costs	369	–
Travel expenses	32	35
Employee leave entitlements (ELE)	898	802
Superannuation	912	903
Workers' compensation insurance	80	314
Fringe benefit tax (FBT)	30	38
Payroll tax	44	40
Training costs (other than salaries and wages)	135	148
Protective clothing	27	30
Relocation Cost	5	–
Other	84	103
Total employee costs	10,844	10,552
Less: capitalised costs	(509)	(634)
TOTAL EMPLOYEE COSTS EXPENSED	10,335	9,918
Number of 'full-time equivalent' employees (FTE) at year end	117	131
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	136	136

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	101	114
Total interest bearing liability costs expensed	101	114
TOTAL BORROWING COSTS EXPENSED	101	114

Accounting policy for borrowing costs

Borrowing costs are expensed when incurred.

Leeton Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	6,322	5,158
Contractor and consultancy costs		
– Garbage collection charges	791	776
– Contractor and consultancy costs - Administration	179	–
– Contractor and consultancy costs - Building & Planning	48	–
– Contractor and consultancy costs - Engineering	87	–
– Other contractor and consultancy costs	78	243
Auditors remuneration ⁽¹⁾	44	80
Legal expenses:		
– Legal expenses: planning and development	9	7
– Legal expenses: debt recovery	31	38
– Legal expenses: other	34	35
Film and other hire expenses	45	47
Water purchases	209	174
TOTAL MATERIALS AND CONTRACTS	7,877	6,558

1. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	41	43
Remuneration for audit and other assurance services	41	43
Total Auditor-General remuneration	41	43

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Other audit and assurance services	3	5
Internal Audit	–	32
Remuneration for audit and other assurance services	3	37
Total remuneration of non NSW Auditor-General audit firms	3	37
Total Auditor remuneration	44	80

Leeton Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	723	705
Office Furniture and Equipment	54	52
Land improvements (depreciable)	42	39
Infrastructure:		
– Buildings – non-specialised	5	7
– Buildings – specialised	871	883
– Other structures	254	243
– Roads	2,171	2,161
– Bridges	37	38
– Footpaths	67	65
– Stormwater drainage	107	106
– Water supply network	927	1,128
– Sewerage network	655	737
Other assets:		
– Other	1	1
Total depreciation and amortisation costs	5,914	6,165

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Depreciation, amortisation and impairment (continued)		
Impairment / revaluation decrement of IPP&E		
Infrastructure:		
– Buildings – specialised	(194)	–
– Other structures	(16)	–
Total IPP&E impairment / revaluation decrement costs / (reversals)	(210)	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>	<u>5,704</u>	<u>6,165</u>

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Impairment of financial assets

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	51	48
Bad and doubtful debts	2	3
Bank charges	1	1
Commissions / agency fees	81	69
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	20	22
– NSW fire brigade levy	30	29
– NSW rural fire service levy	114	111
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	104	100
Councillors' expenses (incl. mayor) – other (excluding fees above)	45	31
Donations, contributions and assistance to other organisations (Section 356)		
– Annual donations	14	15
– Discretionary donations, contributions and assistance	15	14
Election expenses	–	57
Electricity and heating	564	586
Insurance	322	366
Licences and permits	22	17
Office expenses (including computer expenses)	310	219
Postage	39	37
Printing and stationery	72	67
Regional arts board	3	11
Street lighting	285	284
Subscriptions and publications	99	116
Telephone and communications	179	177
Valuation fees	95	40
Rental	4	9
<u>TOTAL OTHER EXPENSES</u>	<u>2,496</u>	<u>2,454</u>

Accounting policy for other expenses

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

Leeton Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	9		
Proceeds from disposal – plant and equipment		456	425
Less: carrying amount of plant and equipment assets sold/written off		(384)	(196)
Net gain/(loss) on disposal		72	229
Infrastructure	9		
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	8		
Proceeds from disposal – real estate assets		329	265
Less: carrying amount of real estate assets sold/written off		(214)	(283)
Net gain/(loss) on disposal		115	(18)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		187	129

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	687	645
Cash-equivalent assets		
– Deposits at call	2,101	1,584
Total cash and cash equivalents	2,788	2,229

Accounting policy for cash and cash equivalents

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

Leeton Shire Council

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Held to maturity'	29,610	9,500	22,610	13,500
Total investments	29,610	9,500	22,610	13,500
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>32,398</u>	<u>9,500</u>	<u>24,839</u>	<u>13,500</u>
Held to maturity investments				
Long term deposits	29,610	6,500	22,610	11,500
NCD's, FRN's (with maturities > 3 months)	–	3,000	–	2,000
Total	29,610	9,500	22,610	13,500

Accounting policy for investments

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Leeton Shire Council

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

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	32,398	9,500	24,839	13,500
attributable to:				
External restrictions (refer below)	15,478	9,500	11,709	10,625
Internal restrictions (refer below)	14,798	–	11,772	2,875
Unrestricted	2,122	–	1,358	–
	32,398	9,500	24,839	13,500

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	247	130
Developer contributions – water fund	17	15
Specific purpose unexpended grants	500	432
Water supplies	12,599	10,436
Water supplies – retention	1	1
Water supplies – carry over works	110	736
Sewerage services	7,189	6,626
Sewerage services – carry over works	220	258
Domestic waste management	3,475	3,154
Stormwater management	312	238
Deposits, retention and bonds	308	308
External restrictions – other	24,978	22,334
Total external restrictions	24,978	22,334

Leeton Shire Council

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

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	1,176	1,448
Infrastructure replacement	2,658	3,225
Employees leave entitlement	2,113	2,113
Unfinished Works	1,486	731
Golf Club Committee	15	–
Buildings	296	423
Childcare centre	231	231
Community services - Youth	16	16
Financial assistance advance payment	2,079	1,981
Emergency services	30	30
Aged housing	95	96
Insurance	41	41
Workers compensation equalisation	397	397
Aerodrome	165	150
Roads general	1,962	1,909
Roxy theatre	102	102
Stadium	12	12
Sportsgrounds improvements	215	215
Swimming pool	994	994
Land development	615	533
Renewable Energy Efficiencies	100	–
Total internal restrictions	14,798	14,647
TOTAL RESTRICTIONS	39,776	36,981

Leeton Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	449	–	337	–
Interest and extra charges	54	–	45	–
User charges and fees	522	–	533	–
Accrued revenues				
– Interest on investments	528	–	619	–
– Other income accruals	209	–	284	–
Amounts due from other councils	–	–	6	–
Deferred debtors	80	71	212	119
Government grants and subsidies	454	–	31	–
Net GST receivable	215	–	196	–
Other debtors - Rental Bonds	1	–	–	–
Total	2,512	71	2,263	119
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>2,496</u>	<u>71</u>	<u>2,247</u>	<u>119</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	53	–	37	–
– Other	306	–	280	8
Sewerage services				
– Specific purpose grants	59	–	34	–
– Rates and availability charges	256	–	53	–
– Other	67	4	249	7
Domestic waste management	137	–	127	–
Total external restrictions	878	4	780	15
Unrestricted receivables	1,618	67	1,467	104
TOTAL NET RECEIVABLES	2,496	71	2,247	119

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	16	16
Balance at the end of the year	16	16

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in inventories and other assets (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	1,456	–	1,667	–
Stores and materials	73	–	91	–
Total inventories at cost	1,529	–	1,758	–
TOTAL INVENTORIES	1,529	–	1,758	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Leeton Shire Council

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

Note 8. Inventories (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		40	–	40	–
Industrial/commercial		1,381	–	1,482	–
Other properties		35	–	145	–
Total real estate for resale		1,456	–	1,667	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		280	–	491	–
Development costs		1,176	–	1,176	–
Total costs		1,456	–	1,667	–
Total real estate for resale		1,456	–	1,667	–
Movements:					
Real estate assets at beginning of the year		1,667	–	1,950	–
– Purchases and other costs		3	–	–	–
– WDV of sales (expense)	5	(214)	–	(283)	–
Total real estate for resale		1,456	–	1,667	–

(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;

	2018	2017
Real estate for resale	1,421	1,467
	1,421	1,467

Accounting policy**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2018

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

Asset class	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Reinstatement Costs for Impaired Assets	Impairment Reversal (Recognised in P & I)	Other movements Reclass	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000															
Capital work in progress	172	–	172		648	–	–		–	–	–	–	820	–	820
Plant and equipment	8,054	3,671	4,383		1,846	(373)	(723)		–	–	–	837	5,970	–	5,970
Office Furniture & Equipment	717	503	214	16	85	–	(54)		–	–	–	15	275	–	275
Land:															
– Operational land	2,665	–	2,665		–	–	–		–	86	–	1,081	3,832	–	3,832
– Community land	6,635	–	6,635		–	–	–		–	(86)	–	2,122	8,671	–	8,671
Land improvements – depreciable	1,780	648	1,132	19	38	–	(42)		–	(134)	–		1,524	511	1,013
Infrastructure:															
– Buildings – non-specialised	275	120	155		–	–	(5)		–	–	–	47	197	–	197
– Buildings – specialised	48,130	19,341	28,789	216	24	–	(871)		194	–	(3,372)	–	24,981	–	24,981
– Other structures	9,762	4,516	5,246	6	132	–	(254)		16	134	–	1,699	6,980	–	6,980
– Roads	99,146	28,199	70,947	2,290	207	–	(2,171)	1,402	–	–	–	–	101,643	28,968	72,675
– Bridges	3,724	609	3,115		–	–	(37)		–	–	–	–	3,725	647	3,078
– Footpaths	6,075	1,064	5,011	34	51	–	(67)		–	–	–	–	6,159	1,130	5,029
– Bulk earthworks (non-depreciable)	8,705	–	8,705		–	–	–		–	–	–	–	8,705	–	8,705
– Stormwater drainage	10,058	2,085	7,973	42		–	(107)		–	–	–	–	10,100	2,192	7,908
– Water supply network	55,353	30,947	24,406	217	182	–	(927)		–	–	–	513	56,915	32,524	24,391
– Sewerage network	62,083	33,761	28,322	309	2	–	(655)		–	–	–	595	63,708	35,135	28,573
Other assets:															
– Other assets	15	6	9		30	(3)	(1)		–	–	–	–	39	4	35
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	323,349	125,470	197,879	3,149	3,245	(376)	(5,914)	1,402	210	–	(3,372)	6,909	304,244	101,111	203,133

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

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	3 to 5		
Vehicles	5 to 10	Buildings	
Heavy plant/road making equipment	5 to 15	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 150
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	100
Water Treatment Plants	30 to 70	Culverts	100
Sewer Treatment Plants	25 to 90		
Reticulation pipes: PVC	70 to 80		
Reticulation pipes: other	45 to 80		
Pumps and telemetry	10 to 25		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	Infinite
Sealed roads: structure	50	Swimming pools	60
Unsealed roads	20 to 150	Other open space/recreational assets	15 to 200
Bridge: concrete	100	Other infrastructure	15 to 100
Other Road assets	40 to 100		
Road pavements	60		
Kerb, gutter and footpaths	100		

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.

Leeton Shire Council

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

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

Accounting policy for infrastructure, property, plant and equipment(continued)

Land under roads

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise the rural fire service's plant and vehicles.

Capitalisation Thresholds

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

Land:	All purchases are capitalised, but land resumed for public works need not be capitalised if the resumption costs are less than \$5,000.
Buildings and Land Improvements:	Capital expenses totalling less than \$2,000 need not be capitalised.
Plant & Equipment and Office Furniture & Equipment;	Capital expenses totalling less than \$1,000 need not be capitalised.
Water & Sewer Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Stormwater Assets:	Capital expense totalling less than \$5,000 need not be capitalised.
Transport Assets:	Capital expense totalling less than \$10,000 on any road or other asset need not be capitalised.
Other Infrastructure Assets:	Capital expenses on swimming pools less than \$10,000 or on any other recreational asset less than \$1,000 need not be capitalised.

Leeton Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018Note 9(b). Infrastructure, property, plant and equipment – current year
impairments

\$ '000	Notes	2018	2017
(i) Reversal of impairment losses previously recognised in the Income Statement:			
Racecourse Grandstand - Revaluation 2017/18		194	–
Whitton Museum Shelter - Revaluation 2017/18		16	–
Total impairment reversals		210	–
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	210	–
(ii) Impairment losses recognised direct to equity (ARR):			
Flood Damage to roads excessive rain July – September 2016		–	(2,778)
Total impairment losses		–	(2,778)
(iii) Reversals of impairment losses previously recognised direct to equity (ARR):			
Reinstatement of Flood Damaged roads		1,402	–
Total impairment reversals		1,402	–
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		1,402	(2,778)

Leeton Shire Council

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

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	4,236	–
Net book value – opening balance	4,236	–
Movements for the year		
– Revaluation	1,791	–
– Transfer from IPP&E	–	4,236
Closing values:		
Gross book value (30/6)	6,027	4,236
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>6,027</u>	<u>4,236</u>

¹ The net book value of intangible assets represent:

Water Licences	6,027	4,236
	<u>6,027</u>	<u>4,236</u>

Accounting policy for 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 individually tradable 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 sale 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 revalued at least every 5 years based on market evidence. Water licences are tested for impairment annually based on market sales evidence. If the recoverable amount is less than the carrying amount the carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss.

Leeton Shire Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services	1,281	–	973	–
Accrued expenses:				
– Borrowings	34	–	39	–
– Salaries and wages	343	–	168	3
– Other expenditure accruals	94	–	59	–
Security bonds, deposits and retentions	309	–	309	–
Miscellaneous creditor clearing accounts	–	–	4	–
Total payables	2,061	–	1,552	3
Income received in advance				
Payments received in advance	345	–	490	–
Total income received in advance	345	–	490	–
Borrowings				
Loans – secured ¹	309	1,634	295	1,943
Total borrowings	309	1,634	295	1,943
TOTAL PAYABLES AND BORROWINGS	2,715	1,634	2,337	1,946

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1	–	1	–
Sewer	(67)	(114)	53	–
Payables and borrowings relating to externally restricted assets	(66)	(114)	54	–
Total payables and borrowings relating to restricted assets	(66)	(114)	54	–
Total payables and borrowings relating to unrestricted assets	2,781	1,748	2,283	1,946
TOTAL PAYABLES AND BORROWINGS	2,715	1,634	2,337	1,946

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 17.

Leeton Shire Council

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

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

NIL

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,238	(295)	–	–	–	1,943
TOTAL	2,238	(295)	–	–	–	1,943

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

(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
Drawn facilities as at balance date:		
– Credit cards/purchase cards	11	6
Total drawn financing arrangements	11	6
Undrawn facilities as at balance date:		
– Bank overdraft facilities	545	545
– Credit cards/purchase cards	39	44
Total undrawn financing arrangements	584	589

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

Leeton Shire Council

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

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Leeton Shire Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	662	–	738	–
Long service leave	1,509	105	1,658	78
ELE on-costs	–	41	–	–
<u>TOTAL PROVISIONS</u>	<u>2,171</u>	<u>146</u>	<u>2,396</u>	<u>78</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Internally restricted assets				
Child Care Centre	50	109	–	–
Provisions relating to internally restricted assets	50	109	–	–
Total provisions relating to restricted assets	50	109	–	–
Total provisions relating to unrestricted assets	2,121	37	2,396	78
<u>TOTAL PROVISIONS</u>	<u>2,171</u>	<u>146</u>	<u>2,396</u>	<u>78</u>

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

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

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

Provisions – employees benefits	1,309	1,385
	<u>1,309</u>	<u>1,385</u>

Leeton Shire Council

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

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	738	—	1,736	—	—	2,474
Remeasurement effects	(76)	—	(122)	—	—	(198)
Other - Oncosts	—	—	—	41	—	41
Total ELE provisions at end of year	662	—	1,614	41	—	2,317

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	676	—	2,037	—	—	2,713
Additional provisions	609	—	243	—	—	852
Amounts used (payments)	(529)	—	(502)	—	—	(1,031)
Remeasurement effects	(18)	—	(42)	—	—	(60)
Total ELE provisions at end of year	738	—	1,736	—	—	2,474

Employee Leave Entitlements

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

Accounting policy for provisions

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

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

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

Leeton Shire Council

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

Note 12. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 month 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.

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Water Licences

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

Leeton Shire Council

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	2,788	2,229
Balance as per the Statement of Cash Flows		2,788	2,229
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,339	6,110
Adjust for non-cash items:			
Depreciation and amortisation		5,914	6,165
Net losses/(gains) on disposal of assets		(187)	(129)
Non-cash capital grants and contributions		–	(97)
Reversal of prior year IPP&E revaluation decrements / impairment previously costed direct to the P&L		(210)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(381)	(172)
Decrease/(increase) in inventories		18	(4)
Decrease/(increase) in other assets		–	2
Increase/(decrease) in payables		308	(39)
Increase/(decrease) in accrued interest payable		(5)	(5)
Increase/(decrease) in other accrued expenses payable		207	23
Increase/(decrease) in other liabilities		(149)	457
Increase/(decrease) in employee leave entitlements		(157)	(239)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,697	12,072
(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

Leeton Shire Council

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

Note 15. Commitments for expenditure

\$ '000	2018	2017
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	593	—
Plant and equipment	35	388
Water infrastructure	31	89
Sewer infrastructure	175	—
Roads and drainage	967	2,778
Other Structures	70	—
Total commitments	1,871	3,255
These expenditures are payable as follows:		
Within the next year	1,871	3,255
Total payable	1,871	3,255
Sources for funding of capital commitments:		
Unrestricted general funds	9	116
Future grants and contributions	—	2,662
Unexpended grants	447	—
Externally restricted reserves	237	89
Internally restricted reserves	1,178	388
Total sources of funding	1,871	3,255

Details of capital commitments

Capital commitments includes Purchase Orders raised but items not yet supplied, unfinished works and revoked works.

Leeton Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$81,000.00.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 99,800.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.215% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

Leeton Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94/94A Plans

Council levies section 94/94A contributions upon various developments across the Council area through the required contribution 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.

(iii) Tips and quarries

Council operates tips and quarries and will have to rehabilitate the sites at some future date. As at 30 June 2018 Council is unable to reliably estimate the financial cost of such work.

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.

Leeton Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):**(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.

Leeton Shire Council

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

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices whether their 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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	274	274	(274)	(274)
2017				
Possible impact of a 1% movement in interest rates	383	383	(383)	(383)

Leeton Shire Council

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

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	78%	0%	95%
Overdue	100%	22%	100%	5%
	100%	100%	100%	100%

(ii) Ageing of receivables – value**Rates and annual charges**

< 1 year overdue

2018	2017
449	337
449	337

Other receivables

Current

0 – 30 days overdue

31 – 60 days overdue

> 91 days overdue

1,698	1,756
424	79
–	14
12	–
2,134	1,849

Leeton Shire Council

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

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables		309	1,750	-	-	2,059	2,061
Loans and advances	4.90%	-	400	1,529	318	2,247	1,943
Total financial liabilities		309	2,150	1,529	318	4,306	4,004
2017							
Trade/other payables		309	1,246	-	-	1,555	1,555
Loans and advances	4.90%	-	400	1,600	647	2,647	2,238
Total financial liabilities		309	1,646	1,600	647	4,202	3,793

Leeton Shire Council

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

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 April 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	12,239	12,102	(137)	(1%)	U
User charges and fees	6,397	9,005	2,608	41%	F
Additional revenues were received in the following areas: Development applications, property sales reports and construction certificates gave Council an increase of approx 50%. Council had a \$1,287k increase in RMS income, Water consumption charges increased by \$775k due mainly to a drier summer.					
Interest and investment revenue	833	1,027	194	23%	F
Better than budgeted returns on investments by balancing the needs of Council, monitoring cashflow and investing any surplus funds for better returns.					
Other revenues	588	613	25	4%	F
Operating grants and contributions	5,900	7,919	2,019	34%	F
During the 2017/18 year Council received \$1,948k of funding to restore flood damaged roads.					
Capital grants and contributions	3,165	999	(2,166)	(68%)	U
Council failed to secure budgeted grant funding on the following projects: Leeton Pool \$1,000k Whitton transfer station \$270k, Golf Club reticulation project \$400k, Roller Derby \$80k and footpaths \$60k.					
Net gains from disposal of assets	12	187	175	1458%	F
Proceeds from sale of plant and vehicles were higher than anticipated.					
Reversal of revaluation decrements / impairment of IPP&E previously expensed	–	210	210	0%	F
Council carried out the revaluation of its Property, Plant and Equipment during the year which affected previous impairments. This is the reversal of those impairments.					

Leeton Shire Council

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

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	11,180	10,335	845	8%	F
Borrowing costs	110	101	9	8%	F
Materials and contracts	5,416	7,877	(2,461)	(45%)	U
Contractor and consultancy costs were higher than budgeted in the following areas, Financial reporting, Contract Information Technology Manager, Contract Property Co-ordinator, Asset Management, Asset Revaluation, Relief Planning Officer and Various design projects.					
Material expenses were higher than budgeted due to additional works for RMS and flood damaged road restoration.					
Depreciation and amortisation	6,255	5,914	341	5%	F
Other expenses	2,513	2,496	17	1%	F

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

Cash flows from operating activities	10,007	10,688	681	6.8%	F
Cash flows from investing activities	(9,886)	(9,834)	52	(0.5%)	F
Cash flows from financing activities	(296)	(295)	1	(0.3%)	F

Leeton Shire Council

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

Note 19. 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
- Water Licences

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

Fair values:		Fair value measurement hierarchy			
2018		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	30/06/18	–	1,943	–	1,943
Total financial liabilities		–	1,943	–	1,943
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–		5,970	5,970
Office Furniture & Equipment	30/06/18	–		275	275
Operational land	30/06/18	–	3,832	–	3,832
Community land	30/06/18	–	–	8,671	8,671
Land improvements	30/06/16	–	–	1,013	1,013
Buildings – specialised	30/06/18	–		24,981	24,981
Buildings – non-specialised	30/06/18	–	197	–	197
Other structures	30/06/18	–	–	6,980	6,980
Roads	7/01/15	–	–	72,675	72,675
Bridges	7/01/15	–	–	3,078	3,078
Footpaths	7/01/15	–	–	5,029	5,029
Bulk earthworks	7/01/15	–	–	8,705	8,705
Stormwater drainage	7/01/15	–	–	7,908	7,908
Water supply network	30/06/18	–	–	24,391	24,391
Sewerage network	30/06/18	–	–	28,573	28,573
Other assets	30/06/11	–	–	35	35
Work in progress	30/06/18	–	–	820	820
Total infrastructure, property, plant and equipment		–	4,029	199,104	203,133
Intangible assets					
Water Licences	30/06/18	6,027			6,027
Total intangible assets		6,027	–	–	6,027

Leeton Shire Council

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

Note 19. 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 values: (continued)		Fair value measurement hierarchy			Total
2017	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 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

(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 2018

Note 19. Fair value measurement (continued)

\$ '000

(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 (ie. 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 on all its asset classes.

Cost Approach

A valuation technique that reflects the amount that could be required to replace the service capacity of an asset.

Income Approach

Valuation technique that converts future amounts (cash flows or income and expenses) to a single current (discount) 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 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 2018

Note 19. 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 – 1/7/16	202,907
Purchases (GBV)	7,322
Disposals (WDV)	(196)
Depreciation and impairment	(8,936)
FV gains – other comprehensive income	(6,038)
Closing balance – 30/6/17	195,059
Transfers from/(to) another asset class	(85)
Purchases (GBV)	7,796
Disposals (WDV)	(376)
Depreciation and impairment	(5,699)
FV gains – other comprehensive income	2,409
Closing balance – 30/6/18	199,104

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 2018

Note 19. 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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Plant, equipment, furniture, fittings and office equipment	6,245	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	8,671	Rate per square metre. \$0.03 - \$120.15	Land value, land area
Land Improvements	1,013	Cost used to approximate fair value	Asset condition, remaining lives, residual value
Specialised buildings	24,981	Cost approach based on sq metre rate	Asset condition, consumption rate, remaining lives
Other structures (Includes Swimming Pools and other Recreational assets)	6,980	Cost used to approximate fair value	Gross replacement cost, useful life and residual value or Asset Condition, consumption rate and remaining life.
Roads, bridges, footpaths, bulkworks	89,487	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Stormwater drainage	7,908	Unit rates per sq metre or length	Asset condition, remaining lives, residual value
Water Supply and Sewerage Network	52,964	Based on NSW Office of Water Reference Rates Manual	Asset condition, pattern of consumption, residual value, components, dimensions and specification, unit rates
Other assets	35	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 2018

Note 19. 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 explained.

(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 2018

Note 20. Related party transactions

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:

Compensation:	2018	2017
Short-term benefits	743	792
Post-employment benefits	51	57
Other long-term benefits	35	7
Termination benefits	18	41
Total	848	898

Leeton Shire Council

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

Note 20. Related party transactions

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
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Airconditioning Maintenance and Servicing	1	45,406	-	30 day terms on Invoices	-	-
2017						
Air Conditioner Maintenance and Servicing	1	23,396	-	30 day terms on Invoices	-	-
Corporate Consultancy Services		60,830	-	7 day terms on invoices	-	-
Communication Consultancy Services		19,967	-	7 day terms on invoices	-	-

- 1 Council enters into an as needs basis with Weston and Weston after they lost the service agreement contract , 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.

Leeton Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	–	2	–	–	(2)	–	–	–
Traffic facilities	35	1	–	1	(1)	–	36	–
Open space	38	–	–	1	(2)	–	37	–
Plan administration	–	1	–	–	–	–	1	–
Recreation facilities	18	1	–	–	–	–	19	–
S94 contributions – under a plan	91	5	–	2	(5)	–	93	–
S94A levies – under a plan	39	114	–	1	–	–	154	–
Total S7.11 and S7.12 revenue under plans	130	119	–	3	(5)	–	247	–
S64 contributions	15	28	–	1	(27)	–	17	–
Total contributions	145	147	–	4	(32)	–	264	–

Leeton Shire Council

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

Note 21. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – 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					
Drainage	–	2	–	–	(2)	–	–	–
Traffic facilities	35	1	–	1	(1)	–	36	–
Open space	38	–	–	2	(2)	–	38	–
Plan administration	–	1	–	–	–	–	1	–
Recreation facilities	18	1	–	–	–	–	19	–
Total	91	5	–	3	(5)	–	94	–

S94A LEVIES – UNDER A PLAN

LEETON S94A 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	114	–	1	–	–	154	–
Total	39	114	–	1	–	–	154	–

Leeton Shire Council

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

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,340	2,273	8,489
User charges and fees	3,149	375	5,481
Interest and investment revenue	302	196	529
Other revenues	43	1	569
Grants and contributions provided for operating purposes	38	31	7,850
Grants and contributions provided for capital purposes	27	77	895
Other income			
Net gains from disposal of assets	–	–	187
Reversal of revaluation decrements on IPPE previously expensed	–	–	210
Total income from continuing operations	4,899	2,953	24,210
Expenses from continuing operations			
Employee benefits and on-costs	1,711	964	7,660
Borrowing costs	–	–	101
Materials and contracts	555	419	6,903
Depreciation and amortisation	966	699	4,249
Other expenses	503	270	1,723
Net losses from the disposal of assets	3	–	(3)
Total expenses from continuing operations	3,738	2,352	20,633
Operating result from continuing operations	1,161	601	3,577
 Net operating result attributable to each council fund	 1,161	 601	 3,577
 Net operating result for the year before grants and contributions provided for capital purposes	 1,134	 524	 2,682

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 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	223	139	2,425
Investments	9,475	5,560	14,575
Receivables	359	400	1,737
Inventories	–	–	1,529
Total current assets	10,057	6,099	20,266
Non-current assets			
Investments	3,029	1,710	4,761
Receivables	–	4	67
Infrastructure, property, plant and equipment	25,438	29,654	148,042
Intangible assets	–	–	6,027
Total non-current assets	28,467	31,368	158,897
TOTAL ASSETS	38,524	37,467	179,163
LIABILITIES			
Current liabilities			
Payables	1	–	2,060
Income received in advance	–	–	345
Borrowings	–	–	309
Provisions	–	–	2,171
Total current liabilities	1	–	4,885
Non-current liabilities			
Borrowings	–	–	1,634
Provisions	–	–	146
Total non-current liabilities	–	–	1,780
TOTAL LIABILITIES	1	–	6,665
Net assets	38,523	37,467	172,498
EQUITY			
Accumulated surplus	21,510	19,504	78,488
Revaluation reserves	17,013	17,963	94,010
Total equity	38,523	37,467	172,498

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 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3,943	12.86%	16.15%	13.71%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	30,666				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	22,747	71.84%	69.01%	75.83%	> 60.00%
Total continuing operating revenue ⁽¹⁾	31,665				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	18,646	5.12x	4.52x	4.81x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,643				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	9,958	25.15x	28.26x	25.04x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	396				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	492	3.92%	3.06%	3.09%	< 10% regional & rural
Rates, annual and extra charges collectible	12,547				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	38,898	22.51 mths	20.7 mths	20.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	20,737				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

⁽⁴⁾ Refer to Note 11(b) and 12(b) – 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 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	9.87%	16.01%	23.45%	21.63%	18.64%	7.76%	> 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	63.26%	62.19%	98.67%	88.49%	96.48%	93.54%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	5.22x	4.52x	8492.00x	7,551.00x	72.93x	90.49x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 23a 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 2018

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark	
	2018	2017	2018	2017	2018	2017		
Local government industry indicators – by fund (continued)								
4. Debt service cover ratio								
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	16.69x	20.22x	0.00x	0.00x	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	4.00%	3.24%	4.04%	2.77%	3.56%	2.54%	< 10% regional & rural	
Rates, annual and extra charges collectible								
6. Cash expense cover ratio								
Current year's cash and cash equivalents plus all term deposits	x12	13.79	12.98	55.15	55.00	53.79	48.45	> 3 months
Payments from cash flow of operating and financing activities		months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 23a above.

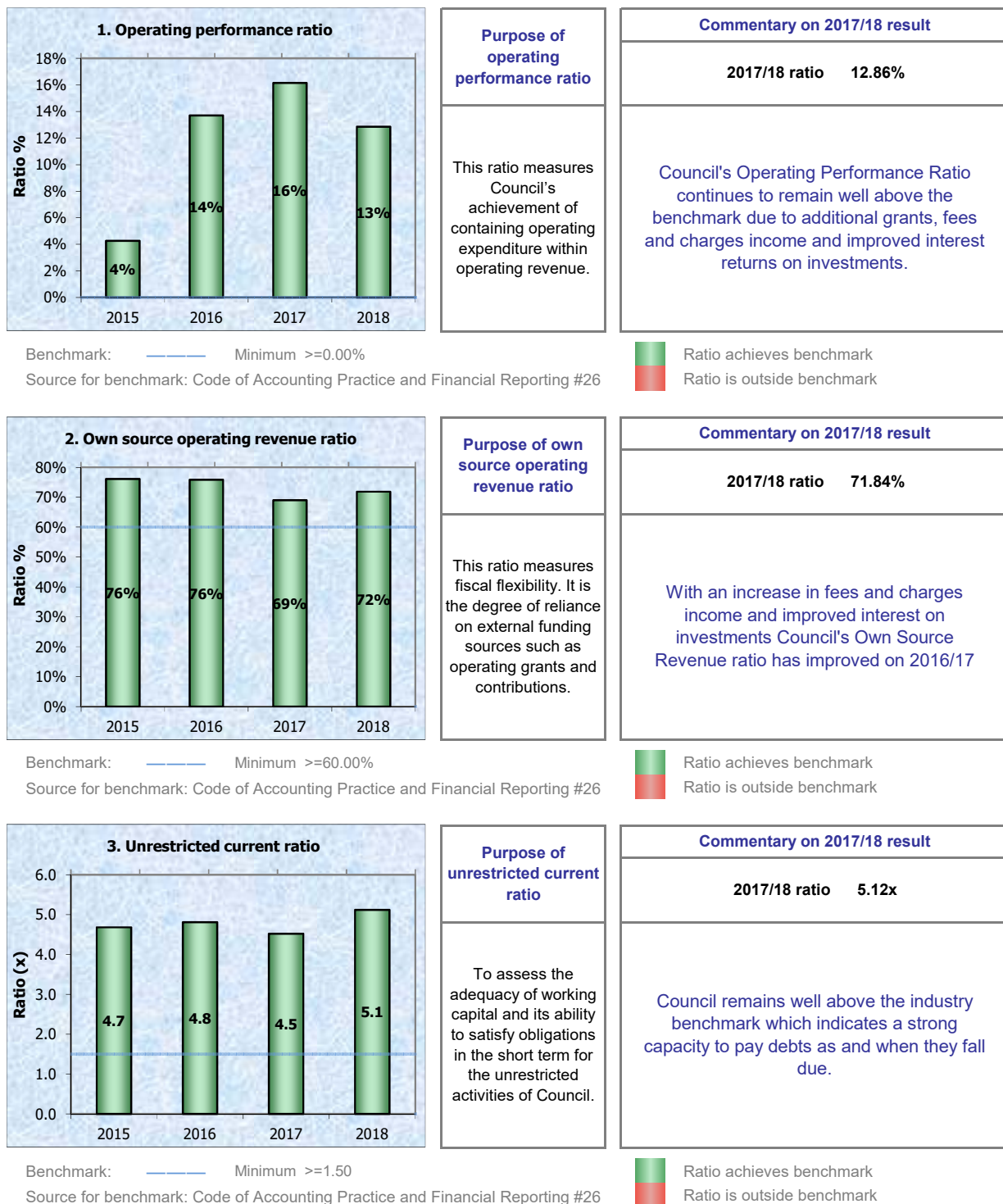
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Leeton Shire Council

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

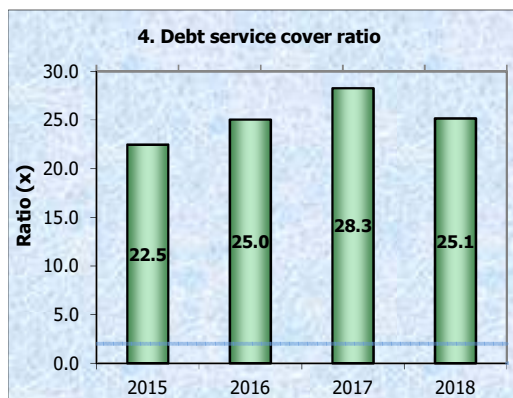
Note 23(c). Statement of performance measures – consolidated results (graphs)



Leeton Shire Council

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

Note 23(c). Statement of performance measures – consolidated results (graphs)

Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of debt service cover ratio

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

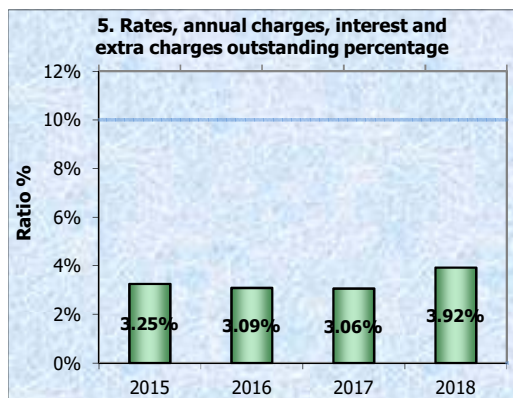
Commentary on 2017/18 result**2017/18 ratio 25.15x**

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



Ratio achieves benchmark

Ratio is outside benchmark

Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

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.

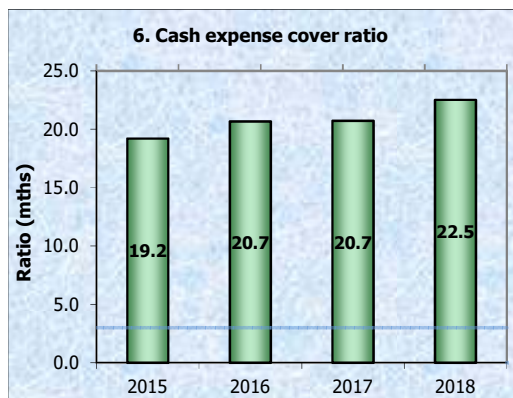
Commentary on 2017/18 result**2017/18 ratio 3.92%**

The Outstanding Rates ratio remains very low at 3.92% and is well below the industry benchmark of 10% for Rural Councils and is due to the stringent debt recovery actions carried out.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

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 2017/18 result**2017/18 ratio 22.51 mths**

Council 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 2018

Note 24. 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

NSW Audit Office
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 Ciccio

Cr Tony Reneker

Cr Sandra Nardi

Other information

ABN: 59 217 957 665

INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

I have audited the accompanying financial report of Leeton Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the 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 report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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 Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan
Director, Financial Audit Services

29 October 2018
SYDNEY

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

Contact: Lawrissa Chan
Phone no: (02) 9275 7255
Our ref: D1825642/FA1753

29 October 2018

Dear Cr Maytom

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Leeton Shire Council**






I have audited the general purpose financial statements of the Leeton Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I 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 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

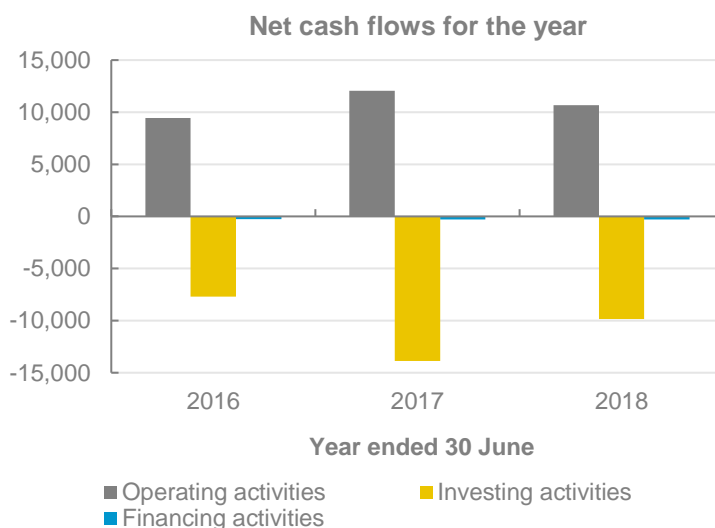
	2018 \$'000	2017 \$'000	Variance %
Rates and annual charges revenue	12,102	11,683	 3.6
User charges and fees	9,005	8,083	 11.4
Grants and contributions revenue	8,918	9,666	 7.7
Operating result for the year	5,339	6,110	 12.6
Net operating result before capital amounts	4,340	4,985	 12.9

The following comments are made in respect of Council's operating result for the year:

- The Council's operating result for the year was a surplus of \$5.3 million (\$6.1 million surplus for the year ended 30 June 2017). This is mainly attributed to a decrease in grants and contributions and an increase in materials and contracts expenses. The Council budgeted for a surplus of \$3.7 million.
- The Council's net operating result before capital grants and contributions was a surplus of \$4.3 million (\$4.9 million surplus for the year ended 30 June 2017). This is mainly attributed to a decrease in operating grants and contributions and an increase in materials and contracts expenses.
- Rates and annual charges revenue was \$12.1 million (\$11.7 million for the year ended 30 June 2017). The movement is mainly due to the permissible rate increase of 1.5% granted by the Minister for Local Government and the rise in the total number of rateable properties.
- User charges and fees was \$9.0 million (\$8.1 million for the year ended 30 June 2017). The movement is mainly due to the increase in water supply services.
- Grants and contributions revenue was \$8.9 million (\$9.7 million for the year ended 30 June 2017). The movement is mainly due to the reduction in financial assistance grants.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$2.8 million (\$2.2 million for the year ended 30 June 2017). There was a net increase in cash and cash equivalents of \$0.6 million at 30 June 2018 (2017: net decrease of \$2.1 million).
- Net cash provided by operating activities has decreased by \$1.4 million. This is mainly due to the reduction in receipts from grants and contributions of \$1.1 million.
- Net cash used in investing activities decreased by \$4.0 million. This is due to the reduction in purchases of investment securities.
- There was minimal movement in net cash used in financing activities. The repayments of borrowings remain consistent compared with the prior year (2018: \$0.3 million, 2017: \$0.3 million).



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	24,978	22,334	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$2.6 million primarily due to Council's water supplies (\$2.1 million) and sewerage services (\$0.6 million). Internally restricted cash and investments have been restricted in their use by resolution or policy of Council. Internal restrictions are consistent with the prior year. Unrestricted cash was \$2.1 million, which is available to provide liquidity for day-to-day operations of the Council.
Internal restrictions	14,798	14,647	
Unrestricted	2,122	1,358	
Cash and investments	41,898	38,339	

Debt

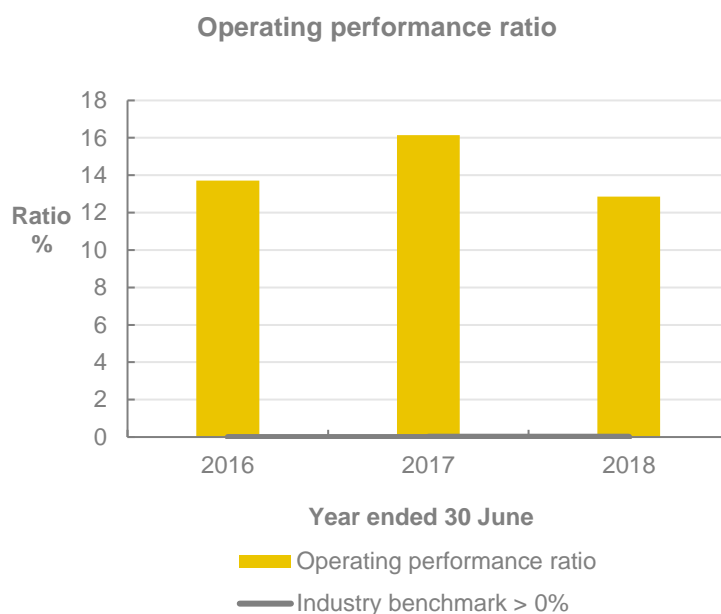
- Council has \$1.9 million of borrowings as at 30 June 2018 (2017: \$2.2 million).
- Council have an unrestricted overdraft facility of \$0.5 million which was undrawn as at 30 June 2018.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

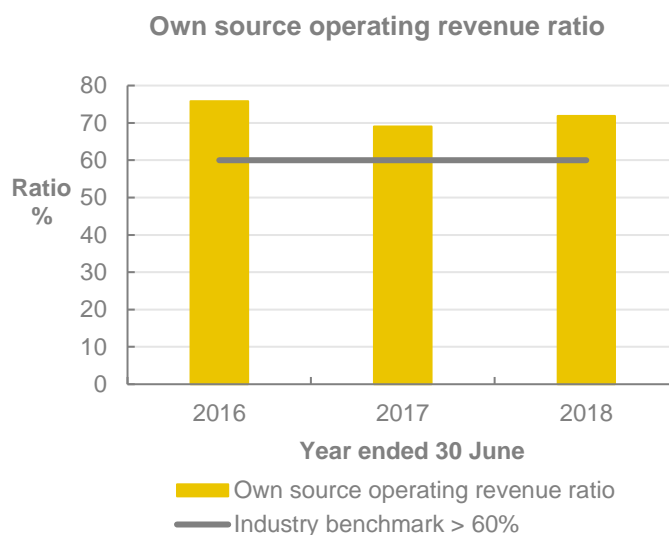
Operating performance ratio

- 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 0%.
- The operating performance ratio of 12.9% is above the industry benchmark of greater than 0%.
- The operating performance ratio decreased to 12.9% (2017: 16.2%) due to the reduction in operating grant income from financial assistance grants.



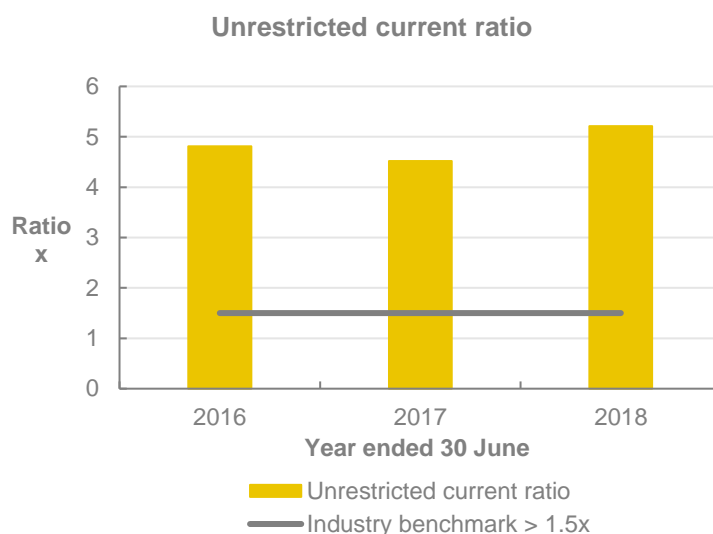
Own source operating revenue ratio

- 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.
- The Council's own source operating revenue ratio of 71.8% is above the industry benchmark of 60%. Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.
- The own source operating revenue ratio increased to 71.8% (2017: 69.0%) due to the reduction in grant income in the current financial year.



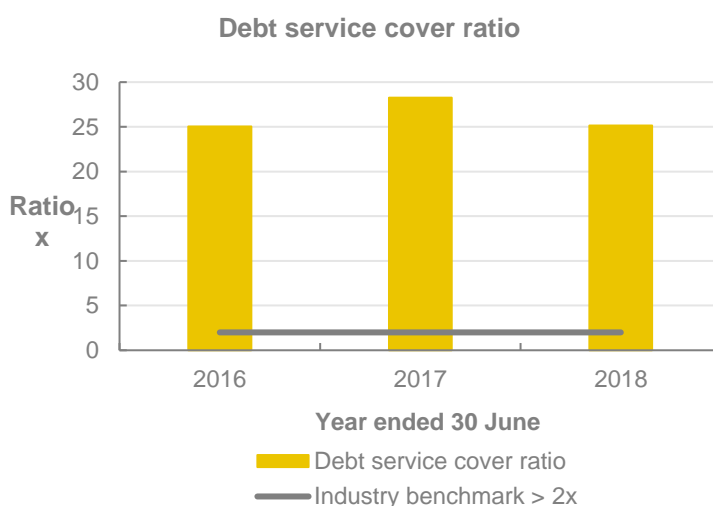
Unrestricted current ratio

- 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 Council's liquidity ratio of 5.2 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The unrestricted current ratio increased to 5.2 times (2017: 4.5 times) due to an increase in current investments.



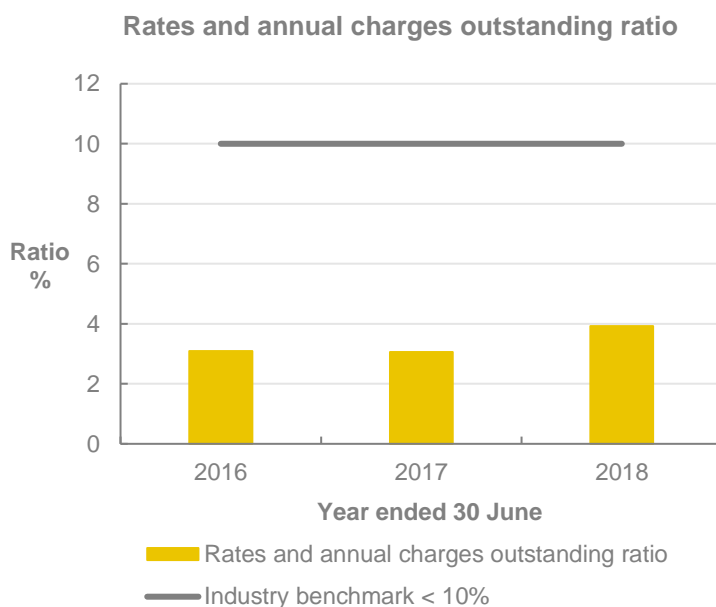
Debt service cover ratio

- 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.
- The Council's debt service cover ratio is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- The Council's debt service cover ratio of 25.2 times (2017: 28.3 times) has decreased due to the reduction in the operating result.



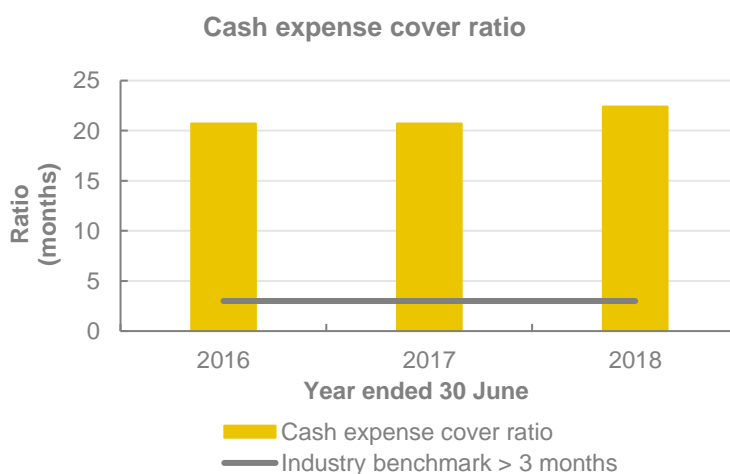
Rates and annual charges outstanding ratio

- 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 less than 10 per cent for regional and rural Councils.
- The Council's rates and annual charges outstanding ratio of 3.9% meets the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has remained consistent over the last three years, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts



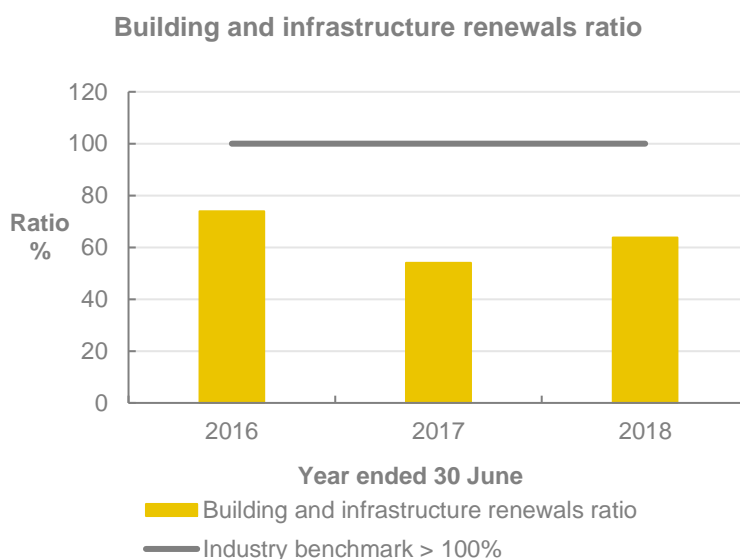
Cash expense cover ratio

- The cash expense cover 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.
- The Council's cash expense cover ratio was 22.5 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 22.5 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The Council's cash expense cover ratio increased to 22.5 months (2017: 20.7 months) due to the increase in cash and cash equivalents.



Building and infrastructure renewals ratio (unaudited)

- 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.
- The Council's building and infrastructure renewals ratio of 63.8% is below the industry benchmark of greater than 100%. This indicates the Council is renewing assets at a ratio of less than 1:1 to its depreciation, amortisation and impairment expenses.
- The Council's building and infrastructure renewals ratio increased to 63.8% (2017: 54.0%) due to the reduction in depreciation and amortisation expense.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11(c).

AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 116 & 136

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

Legislative compliance

My 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; and
- staff provided all accounting records and information relevant to the audit.



Lawrissa Chan
Director, Financial Audit Services

cc: Jackie Kruger, General Manager
Craig Bennett, Director Corporate and Community
Graham Bradley, Chair of the Audit, Risk and Improvement Committee
Tim Hurst, Chief Executive of the Office of Local Government

Leeton Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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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 2018

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

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

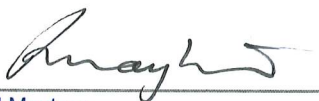
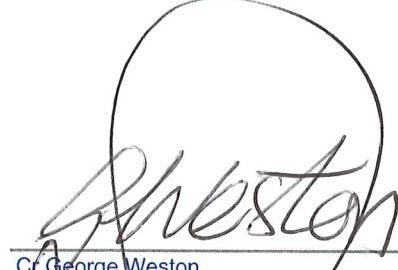
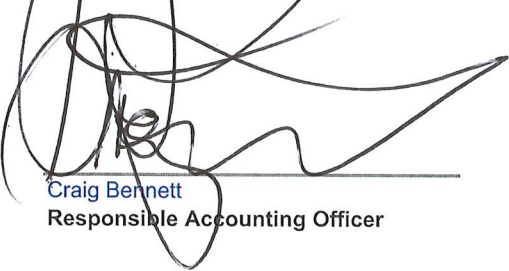
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2018.


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 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,340	1,329
User charges	3,149	2,486
Fees	–	47
Interest	302	284
Grants and contributions provided for non-capital purposes	38	39
Other income	43	27
Total income from continuing operations	4,872	4,212
Expenses from continuing operations		
Employee benefits and on-costs	1,711	1,170
Materials and contracts	555	847
Depreciation, amortisation and impairment	966	1,176
Water purchase charges	205	128
Loss on sale of assets	3	–
Other expenses	298	296
Total expenses from continuing operations	3,738	3,617
Surplus (deficit) from continuing operations before capital amounts	1,134	595
Grants and contributions provided for capital purposes	27	504
Surplus (deficit) from continuing operations after capital amounts	1,161	1,099
Surplus (deficit) from all operations before tax	1,161	1,099
Less: corporate taxation equivalent (30%) [based on result before capital]	(340)	(179)
SURPLUS (DEFICIT) AFTER TAX	821	921
Plus opening retained profits	20,349	19,250
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	340	179
Closing retained profits	21,510	20,349
Return on capital %	4.5%	2.3%
Subsidy from Council	–	10
Calculation of dividend payable:		
Surplus (deficit) after tax	821	921
Less: capital grants and contributions (excluding developer contributions)	(11)	(403)
Surplus for dividend calculation purposes	810	518
Potential dividend calculated from surplus	405	259

Leeton Shire Council

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

\$ '000	2018	2017
Income from continuing operations		
Access charges	2,273	2,103
User charges	1	16
Liquid trade waste charges	375	313
Interest	196	202
Grants and contributions provided for non-capital purposes	31	31
Other income	1	1
Total income from continuing operations	2,877	2,666
Expenses from continuing operations		
Employee benefits and on-costs	964	637
Materials and contracts	419	822
Depreciation, amortisation and impairment	699	779
Loss on sale of assets	—	8
Other expenses	270	246
Total expenses from continuing operations	2,352	2,492
Surplus (deficit) from continuing operations before capital amounts	525	174
Grants and contributions provided for capital purposes	77	151
Surplus (deficit) from continuing operations after capital amounts	602	325
Surplus (deficit) from all operations before tax	602	325
Less: corporate taxation equivalent (30%) [based on result before capital]	(158)	(52)
SURPLUS (DEFICIT) AFTER TAX	445	273
Plus opening retained profits	18,902	18,577
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	158	52
Closing retained profits	19,504	18,902
Return on capital %	1.8%	0.6%
Subsidy from Council	243	514
Calculation of dividend payable:		
Surplus (deficit) after tax	445	273
Less: capital grants and contributions (excluding developer contributions)	(65)	(61)
Surplus for dividend calculation purposes	380	212
Potential dividend calculated from surplus	190	106

Leeton Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	223	189
Investments	9,475	7,060
Receivables	359	317
Total current assets	10,057	7,566
Non-current assets		
Investments	3,029	3,939
Receivables	–	8
Infrastructure, property, plant and equipment	25,438	25,438
Total non-current assets	28,467	29,385
TOTAL ASSETS	38,524	36,951
LIABILITIES		
Current liabilities		
Payables	1	1
Total current liabilities	1	1
Total non-current liabilities	–	–
TOTAL LIABILITIES	1	1
NET ASSETS	38,523	36,950
EQUITY		
Accumulated surplus	21,510	20,349
Revaluation reserves	17,013	16,601
TOTAL EQUITY	38,523	36,950

Leeton Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	139	115
Investments	5,560	4,345
Receivables	284	336
Total current Assets	5,983	4,796
Non-current assets		
Investments	1,710	2,424
Receivables	121	121
Infrastructure, property, plant and equipment	29,653	28,895
Total non-current assets	31,484	31,440
TOTAL ASSETS	37,467	36,236
LIABILITIES		
Current liabilities		
Payables	–	53
Total current liabilities	–	53
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	53
NET ASSETS	37,467	36,183
EQUITY		
Accumulated surplus	19,504	18,902
Revaluation reserves	17,963	17,281
TOTAL EQUITY	37,467	36,183

Leeton Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

Leeton Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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.

Leeton Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Leeton Shire Council

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

Note 1. Significant accounting policies (continued)

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 the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

Leeton Shire Council

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

Note 1. Significant accounting policies (continued)

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 2.63% at 30/6/18.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Leeton Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	13,452
(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]	404,900
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	134,520
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,813,700

2018 Surplus	809,800	2017 Surplus	517,500	2016 Surplus	486,400
		2017 Dividend	–	2016 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	134,520
(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 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,597
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)]	%	70.06%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	24,446
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,640
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	557
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)]	%	4.03%
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 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="10,701"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text"/>

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="189,750"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="107,010"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	<input type="text" value="906,300"/>

2018 Surplus	<input type="text" value="379,500"/>	2017 Surplus	<input type="text" value="211,800"/>	2016 Surplus	<input type="text" value="315,000"/>
		2017 Dividend	<input type="text" value="–"/>	2016 Dividend	<input type="text"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="107,010"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="text" value="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)	<input type="text" value="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]	<input type="text" value="YES"/>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="YES"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="YES"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="YES"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="YES"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="YES"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="YES"/>

Leeton Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

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	2,699
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	29,653,138
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,579
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	776
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)]	%	0.00%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	55

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	7,293
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.95%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,333
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.00%
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 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage)	%	-26.74%
	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):		1,413
	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:		(498)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	1,705
	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	69
	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 report

Leeton Shire Council

To the Councillors of the Leeton Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Leeton Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, 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 report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its 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.

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 Report' 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 the 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.

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 Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan
Director, Financial Audit Services

29 October 2018
SYDNEY

Leeton Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

“Preserving the Past, Enhancing the Future”



Leeton Shire Council

Special Schedules for the year ended 30 June 2018

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

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

Leeton Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,169	–	–	(1,169)
Administration	1,820	1,005	–	(815)
Public order and safety				
Fire service levy, fire protection, emergency services	264	70	–	(194)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	314	66	–	(248)
Other	–	1	–	1
Total public order and safety	578	137	–	(441)
Health	163	19	–	(144)
Environment				
Noxious plants and insect/vermin control	122	41	–	(81)
Other environmental protection	–	–	–	–
Solid waste management	2,242	2,558	–	316
Street cleaning	236	–	–	(236)
Drainage	–	–	–	–
Stormwater management	189	97	2	(90)
Total environment	2,789	2,696	2	(91)
Community services and education				
Administration and education	192	22	1	(169)
Social protection (welfare)	30	12	–	(18)
Aged persons and disabled	73	59	–	(14)
Children's services	1,662	1,597	–	(65)
Total community services and education	1,957	1,690	1	(266)
Housing and community amenities				
Public cemeteries	170	241	–	71
Public conveniences	112	–	–	(112)
Street lighting	512	58	–	(454)
Town planning	141	158	114	131
Other community amenities	204	131	–	(73)
Total housing and community amenities	1,139	588	114	(437)
Water supplies	3,735	4,899	27	1,191
Sewerage services	2,351	2,954	77	680

Leeton Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	459	69	5	(385)
Museums	37	(1)	—	(38)
Art galleries	—	—	—	—
Community centres and halls	65	(6)	—	(71)
Performing arts venues	428	107	153	(168)
Other performing arts	—	—	—	—
Other cultural services	29	12	—	(17)
Sporting grounds and venues	861	307	10	(544)
Swimming pools	439	145	5	(289)
Parks and gardens (lakes)	1,410	(28)	36	(1,402)
Other sport and recreation	—	—	—	—
Total recreation and culture	3,728	605	209	(2,914)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	9	59	—	50
Other mining, manufacturing and construction	2	(1)	—	(3)
Total mining, manufacturing and const.	11	58	—	47
Transport and communication				
Urban roads (UR) – local	983	965	1	(17)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	1,596	224	—	(1,372)
Sealed rural roads (SRR) – regional	288	240	119	71
Unsealed rural roads (URR) – local	1,709	1,724	—	15
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	244	—	110	(134)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	43	(4)	—	(47)
Footpaths	120	—	—	(120)
Aerodromes	119	(3)	—	(122)
Other transport and communication	117	31	339	253
Total transport and communication	5,219	3,177	569	(1,473)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	2,064	1,926	—	(138)
Total economic affairs	2,064	1,926	—	(138)
Totals – functions	26,723	19,754	999	(5,970)
General purpose revenues ⁽¹⁾		11,309		11,309
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	26,723	31,063	999	5,339

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	7,038	6,919
Plus or minus adjustments ⁽²⁾	b	8	21
Notional general income	c = (a + b)	7,046	6,940
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	—	—
Or plus rate peg amount	i = c x e	162	104
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	7,208	7,044
Plus (or minus) last year's carry forward total	l	7	2
Less valuation objections claimed in the previous year	m	—	(1)
Sub-total	n = (l + m)	7	1
Total permissible income	o = k + n	7,215	7,045
Less notional general income yield	p	7,215	7,038
Catch-up or (excess) result	q = o - p	(0)	7
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	(0)	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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Leeton Shire Council

To the Councillors of Leeton Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Leeton Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

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 Schedule' 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 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 2 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule 2 may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule 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 the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', with a stylized, cursive script.

Lawrissa Chan
Director, Financial Audit Services

29 October 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	300	300
b. Engineering and supervision	485	271
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	530	617
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	169	144
i. Maintenance expenses	23	45
– Treatment		
j. Operation expenses (excluding chemical costs)	582	403
k. Chemical costs	108	129
l. Maintenance expenses	200	205
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	38	42
o. Purchase of water	205	128
3. Depreciation expenses		
a. System assets	927	1,128
b. Plant and equipment	39	48
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	129	157
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	3,735	3,617

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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	997	986
b. Usage charges	2,333	1,865
7. Non-residential charges		
a. Access (including rates)	343	343
b. Usage charges	777	621
8. Extra charges	9	10
9. Interest income	302	274
10. Other income	73	74
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	38	39
c. Other grants	–	–
12. Contributions		
a. Developer charges	16	59
b. Developer provided assets	–	42
c. Other contributions	11	403
13. Total income	4,899	4,716
14. Gain (or loss) on disposal of assets	(3)	–
15. Operating result	1,161	1,099
15a. Operating result (less grants for acquisition of assets)	1,161	1,099

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	16	55
b. New assets for growth	147	76
c. Renewals	269	678
d. Plant and equipment	125	–
17. Repayment of debt	–	–
18. Totals	557	809
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)	3,908	3,607
b. Residential (unoccupied, ie. vacant lot)		–
c. Non-residential (occupied)	576	467
d. Non-residential (unoccupied, ie. vacant lot)		–
23. Number of ETs for which developer charges were received	24 ET	24 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 69,081	\$ 69,242

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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	17	–	17
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,135	4,575	12,710
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	55	–	55
c. User charges	298	–	298
d. Other	5	1	6
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	25,300	25,300
b. Plant and equipment	–	138	138
29. Other assets	–	–	–
30. Total assets	8,510	30,014	38,524
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	8,509	30,014	38,523
EQUITY			
37. Accumulated surplus			21,510
38. Asset revaluation reserve			17,013
39. Other reserves			–
40. TOTAL EQUITY			38,523
Note to system assets:			
41. Current replacement cost of system assets			56,970
42. Accumulated current cost depreciation of system assets			(32,524)
43. Written down current cost of system assets			24,446

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	203	244
b. Engineering and supervision	220	260
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	249	128
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	62	74
e. Maintenance expenses	318	255
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	161	211
g. Chemical costs	85	83
h. Energy costs	75	82
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	175	224
– Other		
l. Operation expenses	31	53
m. Maintenance expenses	–	1
3. Depreciation expenses		
a. System assets	666	738
b. Plant and equipment	32	41
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	74	90
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	2,351	2,484

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,682	1,582
7. Non-residential charges		
a. Access (including rates)	577	521
b. Usage charges	—	—
8. Trade waste charges		
a. Annual fees	14	16
b. Usage charges	375	313
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	1	8
10. Interest income	196	194
11. Other income	1	1
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	55	34
b. Grants for pensioner rebates	31	31
c. Other grants	—	—
13. Contributions		
a. Developer charges	8	60
b. Developer provided assets	—	30
c. Other contributions	10	27
14. Total income	2,950	2,817
15. Gain (or loss) on disposal of assets	—	(8)
16. Operating result	599	325
16a. Operating result (less grants for acquisition of assets)	544	291

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	391	69
b. New assets for growth	103	39
c. Renewals	200	626
d. Plant and equipment	82	91
18. Repayment of debt	–	–
19. Totals	776	825
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)	3,100	3,089
b. Residential (unoccupied, ie. vacant lot)		–
c. Non-residential (occupied)	467	467
d. Non-residential (unoccupied, ie. vacant lot)		–
24. Number of ETs for which developer charges were received	ET	20 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 56,022	\$ 56,051

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,743	2,667	7,410
27. Receivables			
a. Specific purpose grants	29	–	29
b. Rates and availability charges	81	–	81
c. User charges	28	85	113
d. Other	67	114	181
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	29,377	29,377
b. Plant and equipment	–	276	276
30. Other assets	–	–	–
31. Total assets	4,948	32,519	37,467
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	–	–	–
37. NET ASSETS COMMITTED	4,948	32,519	37,467
EQUITY			
38. Accumulated surplus			19,504
39. Asset revaluation reserve			17,963
40. Other reserves			–
41. TOTAL EQUITY			37,467
Note to system assets:			
42. Current replacement cost of system assets			64,777,947
43. Accumulated current cost depreciation of system assets			(35,124,809)
44. Written down current cost of system assets			29,653,138

Leeton Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contribution 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 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	285	285	310	310	23,946	38,713	27%	22%	30%	19%	2%
	Buildings – non-specialised					197	203	2%	98%			0%
	Water buildings	3	3	5	5	846	1,959	3%	6%	3%	88%	0%
	Sewer Buildings	5	5	3	3	189	345	25%	8%	34%	26%	7%
	Sub-total	293	293	318	318	25,178	41,220	25.7%	21.5%	28.6%	22.2%	1.9%
Other structures	Other structures	29	29	65	65	3,190	4,281	47%	11%	25%	17%	0%
	Sub-total	29	29	65	65	3,190	4,281	47.0%	11.0%	25.0%	17.0%	0.0%
Roads	Sealed roads	461	461	1,047	1,047	49,494	69,028	12%	50%	27%	2%	9%
	Unsealed roads	258	258	455	455	5,705	10,230	66%	6%	7%	1%	20%
	Bridges	415	415	205	205	3,078	3,724	63%	25%	12%		0%
	Footpaths	19	19	45	45	5,030	6,160	80%	14%	4%	2%	0%
	Other road assets	13	13	19	19	2,905	3,875	50%	37%	11%	1%	1%
	Bulk earthworks					8,706	8,706	100%				0%
	Kerb & Guttering	30	30	26	26	14,571	18,510	10%	49%	33%	7%	1%
	Sub-total	1,196	1,196	1,797	1,797	89,489	120,233	28.9%	39.4%	22.1%	2.4%	7.1%

Leeton Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Mains	329	329	586	586	15,280	28,628	44%	19%	19%	11%	7%
	Dams/Weirs					2,079	3,492		11%	88%		1%
	Pump Stations	51	51	23	23	78	814	3%	75%			22%
	Telemetry	63	63	2	2	36	139			100%		0%
	Filtration/Treatment Plant	86	86	343	343	1,746	12,978	3%	37%	49%		11%
	Reservoirs	26	26	–	–	5,143	10,260		63%	37%		0%
	Water Meters	50	50	34	34	29	604	3%	4%	6%	6%	81%
	Sub-total	605	605	988	988	24,391	56,915	22.9%	31.1%	33.1%	5.6%	7.3%
Sewerage network	Sewer Lines	449	449	187	187	20,099	34,625	25%	28%	42%	5%	0%
	Pump Stations	149	149	317	317	2,838	5,738	35%	27%	38%		0%
	Telemetry	150	150	–	–	205	528		4%			96%
	Vent Stacks	63	63	–	–	101	572		18%	18%	12%	52%
	Treatment Plants	38	38	129	129	5,331	22,247		28%	68%	4%	0%
	Sub-total	849	849	633	633	28,574	63,710	16.7%	27.6%	50.2%	4.2%	1.3%

Leeton Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Pits & Inlets	50	50	29	29	1,160	1,410	91%	6%	1%		2%
	Pipes	–	–	–	–	6,712	8,527	13%	76%	9%		2%
	Pump Stations	93	93	26	26	35	162	64%	22%	14%		0%
	Sub-total	143	143	55	55	7,907	10,100	24.7%	65.4%	8.0%	0.0%	2.0%
Open space/recreational assets	Swimming pools	330	330	31	31	995	2,599			50%	50%	0%
	Other Recreation Assets	509	509	1,426	1,426	2,795	4,522	74%	18%	5%	3%	0%
	Sub-total	839	839	1,457	1,457	3,790	7,121	47.0%	11.4%	21.4%	20.2%	0.0%
	TOTAL – ALL ASSETS	3,954	3,954	5,313	5,313	182,519	303,580	25.3%	32.8%	30.5%	6.6%	4.7%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Leeton Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	3,114	63.76%	53.97%	73.96%	>= 100%
Depreciation, amortisation and impairment	4,884				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	3,954	2.17%	3.04%	4.17%	< 2.00%
Net carrying amount of infrastructure assets	182,519				
3. Asset maintenance ratio					
Actual asset maintenance	5,313	100.00%	100.79%	100.00%	> 100%
Required asset maintenance	5,313				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	3,954	1.30%	1.83%	2.56%	
Gross replacement cost	303,580				

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Leeton Shire Council

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

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 63.76%</p> <p>Council's Infrastructure Renewal ratio has been significantly impacted by the roads impairment of \$1,375,442 as a result of flood damage. The balance of these impaired assets will be reinstated in 2018/19.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 2.17%</p> <p>With Council's continued focus on asset renewal the infrastructure backlog is slowing reducing.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 100.00%</p> <p>All required maintenance was carried out during the year.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 1.30%</p> <p>Council is actively addressing the agreed level of service and the condition of the asset portfolio.</p>

Leeton Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	49.40%	49.58%	65.59%	58.05%	130.38%	84.48%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	1.93%	2.07%	2.48%	7.94%	2.97%	3.90%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	100.00%	101.03%	100.00%	100.00%	100.00%	100.00%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.37%	1.35%	1.06%	3.50%	1.33%	1.78%	
Gross replacement cost							

Notes

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

⁽²⁾ Excludes Work In Progress (WIP)

⁽³⁾ 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.