



Liverpool Plains Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Vision - That the Liverpool Plains Shire area achieves higher levels of growth & generates improved quality of life through expanded opportunities for economic and social development being realised within an environmentally and financially sustainable framework.



Liverpool Plains Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
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Liverpool Plains Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Liverpool Plains Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management

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

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

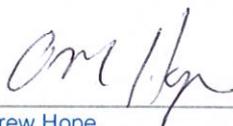
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2017.



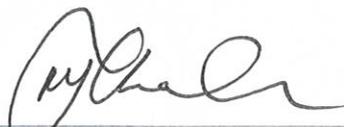
Andrew Hope
Mayor



Doug Hawkins
Councillor



Ron Van Katwyk
General manager



Michael Chalmers
Responsible accounting officer

Liverpool Plains Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
11,173	Rates and annual charges	3a	10,872	10,820
3,589	User charges and fees	3b	4,093	3,487
634	Interest and investment revenue	3c	902	985
1,540	Other revenues	3d	673	861
6,313	Grants and contributions provided for operating purposes	3e,f	10,213	7,628
2,830	Grants and contributions provided for capital purposes	3e,f	3,177	6,220
26,079	Total income from continuing operations		29,930	30,001
Expenses from continuing operations				
7,823	Employee benefits and on-costs	4a	8,860	8,247
410	Borrowing costs	4b	414	64
6,703	Materials and contracts	4c	7,031	6,796
6,229	Depreciation and amortisation	4d	6,296	6,085
–	Impairment	4d	–	–
1,803	Other expenses	4e	2,942	2,865
–	Net losses from the disposal of assets	5	92	242
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
22,968	Total expenses from continuing operations		25,635	24,299
3,111	Operating result from continuing operations		4,295	5,702
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
3,111	Net operating result for the year		4,295	5,702
3,111	Net operating result attributable to Council		4,295	5,702
–	Net operating result attributable to non-controlling interests		–	–
281	Net operating result for the year before grants and contributions provided for capital purposes		1,118	(518)

¹ Original budget as approved by Council – refer Note 16

Liverpool Plains Shire Council

Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		4,295	5,702
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	8,217	867
Adjustment to correct prior period errors		–	1,384
Total items which will not be reclassified subsequently to the operating result		8,217	2,251
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		8,217	2,251
Total comprehensive income for the year		12,512	7,953
Total comprehensive income attributable to Council		12,512	7,953
Total comprehensive income attributable to non-controlling interests		–	–

Liverpool Plains Shire Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	5,265	4,287
Investments	6b	12,500	11,000
Receivables	7	2,616	2,820
Inventories	8	368	1,497
Other	8	–	–
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		20,749	19,604
Non-current assets			
Investments	6b	8,000	7,500
Receivables	7	1	1
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	541,092	530,630
Investments accounted for using the equity method	19	–	–
Investment property	14	836	–
Intangible assets	25	–	–
Total non-current assets		549,929	538,131
TOTAL ASSETS		570,678	557,735
LIABILITIES			
Current liabilities			
Payables	10	1,158	614
Income received in advance	10	–	–
Borrowings	10	209	201
Provisions	10	2,378	2,396
Total current liabilities		3,745	3,211
Non-current liabilities			
Payables	10	4	8
Borrowings	10	4,533	4,742
Provisions	10	1,540	1,430
Total non-current liabilities		6,077	6,180
TOTAL LIABILITIES		9,822	9,391
Net assets		560,856	548,344
EQUITY			
Retained earnings	20	219,673	215,378
Revaluation reserves	20	341,183	332,966
Other reserves	20	–	–
Council equity interest		560,856	548,344
Non-controlling equity interests		–	–
Total equity		560,856	548,344

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

Liverpool Plains Shire Council

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

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		215,378	332,966	–	548,344	–	548,344	208,292	332,099	–	540,391	–	540,391
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
Revised opening balance		215,378	332,966	–	548,344	–	548,344	208,292	332,099	–	540,391	–	540,391
c. Net operating result for the year		4,295	–	–	4,295	–	4,295	5,702	–	–	5,702	–	5,702
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	8,217	–	8,217	–	8,217	–	867	–	867	–	867
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Adjustment to correct prior period errors	20b (ii)	–	–	–	–	–	–	1,384	–	–	1,384	–	1,384
Other comprehensive income		–	8,217	–	8,217	–	8,217	1,384	867	–	2,251	–	2,251
Total comprehensive income (c&d)		4,295	8,217	–	12,512	–	12,512	7,086	867	–	7,953	–	7,953
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		219,673	341,183	–	560,856	–	560,856	215,378	332,966	–	548,344	–	548,344

Liverpool Plains Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
11,151	Rates and annual charges		10,785	10,738
3,552	User charges and fees		4,340	3,584
648	Investment and interest revenue received		913	975
9,143	Grants and contributions		13,390	14,021
1,550	Other		2,391	2,174
Payments:				
(7,815)	Employee benefits and on-costs		(8,874)	(7,992)
(6,735)	Materials and contracts		(6,232)	(8,795)
(412)	Borrowing costs		(267)	(357)
(1,803)	Other		(4,635)	(2,772)
9,279	Net cash provided (or used in) operating activities	11b	11,811	11,576
Cash flows from investing activities				
Receipts:				
400	Sale of infrastructure, property, plant and equipment		177	260
–	Deferred debtors receipts		1	3
Payments:				
–	Purchase of investment securities		(2,000)	(1,500)
(12,607)	Purchase of infrastructure, property, plant and equipment		(8,810)	(8,644)
(12,207)	Net cash provided (or used in) investing activities		(10,632)	(9,881)
Cash flows from financing activities				
Receipts:				
7,000	Proceeds from borrowings and advances		–	–
Payments:				
(422)	Repayment of borrowings and advances		(201)	(193)
6,578	Net cash flow provided (used in) financing activities		(201)	(193)
3,650	Net increase/(decrease) in cash and cash equivalents		978	1,502
3,344	Plus: cash and cash equivalents – beginning of year	11a	4,287	2,785
6,994	Cash and cash equivalents – end of the year	11a	5,265	4,287

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

(iv) Early adoption of accounting standards

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

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated.

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying the Council's accounting policies include the impairment of its receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General Purpose Operations
- Quirindi Water Fund
- Werris Creek Water Fund
- Village Water Fund
- Quirindi Sewerage Fund
- Werris Creek Sewerage Fund
- Blackville Hall Committee
- Currabubula Hall & Reserve Committee
- Warrah Creek Hall Committee
- Werris Creek Sporting Complex Committee
- Wallabadah Hall Committee
- Werris Creek Festival Committee
- Werris Creek Railway Institute Committee
- Liverpool Plains Arts Council.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(ii) The Trust Fund

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

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Joint Ventures

Council is a partner in a regional library service – Central Northern Regional Library (CNRL) with other regional councils. CNRL operates under a deed of agreement between the participating Councils for the purpose of providing library services.

Council acknowledges that non-disclosure of the assets and liabilities is a departure from Australian Accounting Standards.

Associates

Council has no interest in any associates.

County Councils

Council is not a member of any county councils.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and cash equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes:

Liverpool Plains Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short-term.'

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

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

Impairment

Council assesses at each balance date 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.

(iii) Types of investments

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same

instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

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

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

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

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

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

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Inventories

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

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

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

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

(ii) Inventory held for distribution

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

(iii) 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.

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

Acquisition of assets

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Initial recognition

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

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against

revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

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

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

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

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

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation thresholds

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

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

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

Buildings and Land Improvements	
Park Furniture and Equipment	> \$1,000
Building	
- construction/extensions	> \$10,000
- renovations	> \$10,000
Other Structures	> \$1,000

Liverpool Plains Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Water and Sewer Assets

Reticulation extensions	> \$1,000
Other	> \$1,000

Stormwater Assets

Drains and Culverts	> \$1,000
Other	> \$1,000

Transport Assets

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

Other Infrastructure Assets

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

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: Other	25 to 100 years
- Pumps and telemetry	15 to 20 years
- Culverts	50 to 80 years

Stormwater Assets

- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads: Surface	25 years
- Sealed Roads: Structure	40 to 80 years
- Unsealed roads	40 to 80 years
- Bridge: Concrete	20 to 80 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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Depreciation

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

Land is not depreciated.

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

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 to 5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

At present Council records all firefighting buildings and equipment, purchased or constructed within the statement of financial position.

(p) Investment property

Investment property comprising of land/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by the Council

Investment property is carried at fair value, representing an in-house valuation (performed by a licenced valuer) based on market capitalisation rates.

Annual changes in the fair value of investment properties are recorded in the income statement as part of "other income".

Full revaluations are carried out every year.

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

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on

Liverpool Plains Shire Council

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

Note 1. Summary of significant accounting policies (continued)

feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

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

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

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

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

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

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

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

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life, or are not yet available for use and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 02 December 2016.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$205,618.34.

Council's expected contributions to the plan for the next annual reporting period is \$239,209.28. The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$81,790.72 as at 30 June 2017.

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

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

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

Defined Contribution Plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2017.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Goods and Services Tax (GST)

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

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

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

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

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

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement

and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

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

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

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

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

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

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

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

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

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

liabilities will now be included in financing activities rather than operating activities.

(ac) Rounding of amounts

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

(ad) Comparative figures

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

(ae) Disclaimer

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	35	12	1,184	892	765	(1,184)	(857)	(753)		12	492,233	486,985
Administration	389	276	360	2,339	3,529	1,796	(1,950)	(3,253)	(1,436)	–	–	–	–
Public order and safety	405	2,988	471	900	672	1,317	(495)	2,316	(846)	2,979	319	–	–
Health	11	2	3	11	48	11	–	(46)	(8)	–	–	–	–
Environment	1,854	1,834	1,922	3,163	2,372	2,809	(1,309)	(538)	(887)	176	124	–	–
Community services and education	1,067	985	957	965	958	826	102	27	131	309	294	–	–
Housing and community amenities	100	305	255	264	344	776	(164)	(39)	(521)		–	–	–
Water supplies	3,238	3,958	7,741	2,613	2,219	2,317	625	1,739	5,424	663	4,401	51,245	44,239
Sewerage services	1,447	1,418	1,414	1,048	549	725	399	869	689	24	25	27,200	26,511
Recreation and culture	308	611	428	2,150	2,340	2,095	(1,842)	(1,729)	(1,667)	30	95	–	–
Mining, manufacturing and construction	1,006	136	13	561	828	345	445	(692)	(332)		–	–	–
Transport and communication	5,458	4,179	5,461	7,218	9,676	9,907	(1,760)	(5,497)	(4,446)	3,835	4,876	–	–
Economic affairs	140	1,058	519	552	1,208	610	(412)	(150)	(91)	45	–	–	–
Total functions and activities	15,423	17,785	19,556	22,968	25,635	24,299	(7,545)	(7,850)	(4,743)	8,061	10,146	570,678	557,735
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	10,656	12,145	10,445	–	–	–	10,656	12,145	10,445	5,177	3,408	–	–
Operating result from continuing operations	26,079	29,930	30,001	22,968	25,635	24,299	3,111	4,295	5,702	13,238	13,554	570,678	557,735

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Liverpool Plains Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		1,860	1,812
Farmland		4,067	3,971
Mining		286	279
Business		351	458
Total ordinary rates		6,564	6,520
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		970	910
Water supply services		1,961	1,839
Sewerage services		1,021	1,142
Waste management services (non-domestic)		356	409
Total annual charges		4,308	4,300
TOTAL RATES AND ANNUAL CHARGES		10,872	10,820

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		154	–
Water supply services		1,061	1,150
Sewerage services		167	–
Waste management services (non-domestic)		–	173
Total user charges		1,382	1,323
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		9	–
Building services – other		113	138
Inspection services		15	1
Planning and building regulation		–	1
Private works – section 67		1,002	246
Section 603 certificates		15	16
Total fees and charges – statutory/regulatory		1,154	402
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		108	105
Aged care		69	54
Cemeteries		163	181
Child care		645	606
Community centres		1	–
Corporate		1	2
Gravel pits		136	13
Halls		34	13
Headworks and sundry charges		1	23
Leaseback fees – Council vehicles		48	38
RMS (formerly RTA) charges (state roads not controlled by Council)		–	439
Septic tanks		–	4
Sporting and recreation		218	140
Swimming centres		107	109
Water connection fees		8	7
Other		18	28
Total fees and charges – other		1,557	1,762
TOTAL USER CHARGES AND FEES		4,093	3,487

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		105	95
– Interest earned on investments (interest and coupon payment income)		797	890
TOTAL INTEREST AND INVESTMENT REVENUE		902	985
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		105	95
General Council cash and investments		299	422
Restricted investments/funds – external:			
Development contributions			
– Section 94		32	27
– Section 64		17	12
Water fund operations		244	223
Sewerage fund operations		205	206
Total interest and investment revenue recognised		902	985
(d) Other revenues			
Rental income – other council properties		257	206
Fines		1	–
Fines – other		–	2
Legal fees recovery – rates and charges (extra charges)		116	140
Commissions and agency fees		147	171
Computer bureau income		–	73
Insurance discounts		–	51
Sale of land for overdue rates		–	138
Sales – general		19	24
Theatre		48	39
Other		85	17
TOTAL OTHER REVENUE		673	861

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	5,105	3,335	–	–
Pensioners' rates subsidies – general component	72	73	–	–
Total general purpose	5,177	3,408	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	32	33	–	–
– Sewerage	24	25	–	–
– Domestic waste management	35	36	–	–
Water supplies	320	25	311	4,343
Child care	29	32	–	–
Community care	236	262	–	–
Economic development	45	12	–	–
Heritage and cultural	6	14	42	–
Library	44	38	–	–
Noxious weeds	93	77	–	–
NSW rural fire services	255	319	2,724	–
Recreation and culture	–	45	30	10
Roads and bridges	3,798	3,141	–	1,734
Street lighting	37	–	–	–
Total specific purpose	4,954	4,059	3,107	6,087
Total grants	10,131	7,467	3,107	6,087
Grant revenue is attributable to:				
– Commonwealth funding	1,563	3,380	–	1,734
– State funding	8,475	4,010	3,107	4,353
– Other funding	93	77	–	–
	10,131	7,467	3,107	6,087

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	22	79	–	–
S 94A – fixed development consent levies	59	60	–	–
S 64 – water supply contributions	–	–	–	92
S 64 – sewerage service contributions	–	–	–	41
Total developer contributions	81	139	–	133
Other contributions:				
Community services	–	3	–	–
Recreation and culture	1	2	70	–
Roads and bridges	–	1	–	–
Tourism	–	1	–	–
Other	–	15	–	–
Total other contributions	1	22	70	–
Total contributions	82	161	70	133
TOTAL GRANTS AND CONTRIBUTIONS	10,213	7,628	3,177	6,220

\$ '000	Actual 2017	Actual 2016
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Add: grants and contributions recognised in the current period but not yet spent:	362	1,040
Add: grants and contributions received for the provision of goods and services in a future period	–	–
Less: grants and contributions recognised in a previous reporting period now spent:	(734)	(575)

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		7,386	6,529
Employee termination costs		–	511
Travel expenses		53	107
Employee leave entitlements (ELE)		697	767
ELE on-costs		56	–
Superannuation		873	814
Superannuation – defined contribution plans		96	–
Workers' compensation insurance		197	250
Fringe benefit tax (FBT)		25	37
Training costs (other than salaries and wages)		215	139
Total employee costs		9,598	9,154
Less: capitalised costs		(738)	(907)
TOTAL EMPLOYEE COSTS EXPENSED		8,860	8,247
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		267	282
Total interest bearing liability costs expensed		267	282
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	147	(218)
Total other borrowing costs		147	(218)
TOTAL BORROWING COSTS EXPENSED		414	64
(c) Materials and contracts			
Raw materials and consumables		3,403	5,538
Contractor and consultancy costs		3,265	872
Auditors remuneration ⁽¹⁾		121	148
Legal expenses:			
– Legal expenses: other		242	217
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		–	21
TOTAL MATERIALS AND CONTRACTS		7,031	6,796

(continued on the next page...)

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		67	–
Remuneration for audit and other assurance services		67	–
Total Auditor-General remuneration		67	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		49	48
– Other assurance services: Council's Auditor		5	100
Remuneration for audit and other assurance services		54	148
Total remuneration of other Council's Auditors		54	148
Total Auditor remuneration		121	148
2. Operating lease payments are attributable to:			
Other		–	21
		–	21
(d) Depreciation, amortisation and impairment			
Plant and equipment		717	712
Office equipment		1	4
Furniture and fittings		2	7
Infrastructure:			
– Buildings – non-specialised		407	413
– Buildings – specialised		20	14
– Other structures		44	40
– Roads		3,634	3,486
– Bridges		357	357
– Footpaths		29	24
– Stormwater drainage		176	148
– Water supply network		692	642
– Sewerage network		172	172
– Other infrastructure		–	47
Other assets			
– Other		19	19
Asset reinstatement costs	9 & 26	26	–
Total depreciation and amortisation costs		6,296	6,085
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		6,296	6,085

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		44	54
Bad and doubtful debts		55	(36)
Bank charges		1	18
Cleaning		30	58
Computer software charges		151	121
Contributions/levies to other levels of government			
– Bushfire fighting fund		439	820
Councillor expenses – mayoral fee		21	21
Councillor expenses – councillors' fees		82	80
Councillors' expenses (incl. mayor) – other (excluding fees above)		24	27
Donations, contributions and assistance to other organisations (Section 356)		8	27
Election expenses		49	–
Electricity and heating		386	305
Insurance		455	355
Library costs		5	5
Office expenses (including computer expenses)		173	155
Plant operation expenditure		261	226
Postage		25	24
Printing and stationery		58	97
Promotions		39	41
Security services		–	7
Street lighting		110	150
Subscriptions and publications		241	107
Telephone and communications		171	167
Valuation fees		35	36
Other		79	–
<u>TOTAL OTHER EXPENSES</u>		<u>2,942</u>	<u>2,865</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		177	359
Less: carrying amount of plant and equipment assets sold/written off		(214)	(601)
Net gain/(loss) on disposal		(37)	(242)
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(55)	–
Net gain/(loss) on disposal		(55)	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(92)</u>	<u>(242)</u>

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		5,265	–	4,269	–
Cash-equivalent assets ¹					
– Other financial assets		–	–	18	–
Total cash and cash equivalents		5,265	–	4,287	–
Investments (Note 6b)					
– Long term deposits		12,500	8,000	11,000	7,500
Total investments		12,500	8,000	11,000	7,500
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>		<u>17,765</u>	<u>8,000</u>	<u>15,287</u>	<u>7,500</u>

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	5,265	–	4,287	–
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Investments

a. 'Held to maturity'	12,500	8,000	11,000	7,500
Investments	12,500	8,000	11,000	7,500

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	17,765	8,000	15,287	7,500
attributable to:				
External restrictions (refer below)	11,097	8,000	6,617	7,500
Internal restrictions (refer below)	5,427	–	5,196	–
Unrestricted	1,241	–	3,474	–
	17,765	8,000	15,287	7,500

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

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	1,247	130	(113)	1,264
Specific purpose unexpended grants	(B)	734	345	(734)	345
Water supplies	(C)	6,698	2,020	–	8,718
Sewerage services	(C)	5,275	1,596	–	6,871
Domestic waste management	(C)	69	–	–	69
Federal Assistance Grant		–	1,736	–	1,736
Other		94	–	–	94
External restrictions – other		14,117	5,827	(847)	19,097
Total external restrictions		14,117	5,827	(847)	19,097

Internal restrictions

Employees leave entitlement		1,115	–	–	1,115
Corporate services		1,454	3	–	1,457
Economic development and tourism		279	102	–	381
Environmental		1,419	–	–	1,419
Office equipment		103	–	–	103
Transport and road infrastructure		826	126	–	952
Total internal restrictions		5,196	231	–	5,427
TOTAL RESTRICTIONS		19,313	6,058	(847)	24,524

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

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

C Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		989	–	902	–
Interest and extra charges		210	–	153	–
User charges and fees		897	–	1,144	–
Contributions to works		3	–	–	–
Accrued revenues					
– Interest on investments		297	–	365	–
Deferred debtors		25	1	26	1
Other levels of government		254	–	306	–
Total		2,675	1	2,896	1
Less: provision for impairment					
Other debtors		(59)	–	(76)	–
Total provision for impairment – receivables		(59)	–	(76)	–
TOTAL NET RECEIVABLES		2,616	1	2,820	1
Externally restricted receivables					
Water supply					
– Rates and availability charges		245	–	252	–
– User Fees & Charges		480	–	523	–
Sewerage services					
– Rates and availability charges		125	–	125	–
– User Fees & Charges		–	–	74	–
Domestic waste management		–	–	178	–
Total external restrictions		850	–	1,152	–
Internally restricted receivables					
Nil					
Unrestricted receivables		1,766	1	1,668	1
TOTAL NET RECEIVABLES		2,616	1	2,820	1

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		49	–	885	–
Stores and materials		319	–	612	–
Total inventories at cost		368	–	1,497	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		368	–	1,497	–

(b) Other assets

Nil

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

(a) Details for real estate development

Residential		49	–	819	–
Industrial/commercial		–	–	66	–
Total real estate for resale		49	–	885	–

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

Represented by:

Acquisition costs		49	–	885	–
Total costs		49	–	885	–
Total real estate for resale		49	–	885	–

(b) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

Liverpool Plains Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period					as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	–	–	–	3,794	–	–	–	–	3,794	–	3,794
Plant and equipment	14,644	8,169	6,475	1,028	(214)	(717)	–	–	15,348	8,772	6,576
Office equipment	1,565	1,330	235	–	–	(1)	–	–	1,565	1,330	235
Furniture and fittings	445	349	96	–	–	(2)	–	–	445	351	94
Land:											
– Operational land	8,653	–	8,653	11	–	–	–	–	8,664	–	8,664
– Community land	4,284	–	4,284	–	–	–	–	–	4,284	–	4,284
Infrastructure:											
– Buildings – non-specialised	35,903	8,034	27,869	181	–	(407)	–	–	36,085	8,441	27,644
– Buildings – specialised	1,245	43	1,202	–	–	(20)	–	–	1,245	63	1,182
– Other structures	4,594	517	4,077	156	(46)	(44)	195	–	4,992	653	4,339
– Roads	278,693	39,331	239,362	2,827	–	(3,634)	–	–	281,520	42,964	238,556
– Bridges	73,733	3,949	69,784	–	–	(357)	–	–	73,733	4,306	69,427
– Footpaths	2,639	217	2,422	215	–	(29)	–	–	2,854	246	2,608
– Bulk earthworks (non-depreciable)	78,016	–	78,016	–	–	–	–	–	78,016	–	78,016
– Stormwater drainage	19,554	4,219	15,335	44	–	(176)	–	–	19,598	4,395	15,203
– Water supply network	59,879	15,640	44,239	528	(9)	(692)	(195)	7,373	72,334	21,089	51,245
– Sewerage network	28,991	2,480	26,511	17	–	(172)	–	844	31,233	4,033	27,200
Other assets:											
– Other	3,317	1,918	1,399	–	–	(19)	–	–	3,317	1,937	1,380
Reinstatement, rehabilitation and restoration assets (refer Note 26):											
– Tip assets	659	214	445	–	–	(11)	–	–	659	225	434
– Quarry assets	486	260	226	–	–	(15)	–	–	486	275	211
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	617,300	86,670	530,630	8,801	(269)	(6,296)	–	8,217	640,172	99,080	541,092

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
Land						
– Community land	136	–	136	136	–	136
Buildings – non-specialised	459	116	343	459	111	348
Infrastructure	72,334	21,089	51,245	59,879	15,640	44,239
Total water supply	72,929	21,205	51,724	60,474	15,751	44,723
Sewerage services						
WIP	102	–	102	–	–	–
Infrastructure	31,233	4,033	27,200	28,991	2,480	26,511
Total sewerage services	31,335	4,033	27,302	28,991	2,480	26,511
Domestic waste management						
Office equipment	8	7	1	8	7	1
Land						
– Operational land	240	–	240	240	–	240
– Community land	102	–	102	102	–	102
Buildings	319	70	249	268	67	201
Other structures	10	–	10	10	–	10
Total DWM	679	77	602	628	74	554
Stormwater drainage						
– Stormwater drainage	19,598	4,395	15,203	19,554	4,219	15,335
– Operational	32	–	32	32	–	32
Total other restrictions	19,630	4,395	15,235	19,586	4,219	15,367
TOTAL RESTRICTED I,PP&E	124,573	29,710	94,863	109,679	22,524	87,155

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

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		963	–	457	–
Accrued expenses:					
– Borrowings		1	–	1	–
– Salaries and wages		198	2	157	2
Super owing year end pay		(4)	–	(1)	–
Other		–	2	–	6
Total payables		1,158	4	614	8
Income received in advance					
Nil					
Borrowings					
Loans – secured ¹		209	4,533	201	4,742
Total borrowings		209	4,533	201	4,742
Provisions					
Employee benefits:					
Annual leave		706	–	714	–
Sick leave		19	–	18	–
Long service leave		1,467	45	1,651	83
ELE on-costs		187	–	13	–
Sub-total – aggregate employee benefits		2,379	45	2,396	83
Asset remediation/restoration (future works)	26	(1)	1,495	–	1,347
Total provisions		2,378	1,540	2,396	1,430
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		3,745	6,077	3,211	6,180
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		148	3,777	139	3,924
Liabilities relating to externally restricted assets		148	3,777	139	3,924
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		148	3,777	139	3,924
Total liabilities relating to unrestricted assets		3,597	2,300	3,072	2,256
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		3,745	6,077	3,211	6,180

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,627	1,711
	<u>1,627</u>	<u>1,711</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Asset remediation	1,347	147	–	–	–	1,494
TOTAL	1,347	147	–	–	–	1,494

- a. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,265	4,287
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		5,265	4,287
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,295	5,702
Adjust for non-cash items:			
Depreciation and amortisation		6,296	6,085
Net losses/(gains) on disposal of assets		92	242
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other		–	387
Unwinding of discount rates on reinstatement provisions		147	(219)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		220	(183)
Increase/(decrease) in provision for doubtful debts		(17)	6
Decrease/(increase) in inventories		293	(288)
Increase/(decrease) in payables		506	(310)
Increase/(decrease) in accrued interest payable		–	(74)
Increase/(decrease) in other accrued expenses payable		41	20
Increase/(decrease) in other liabilities		(7)	(19)
Increase/(decrease) in employee leave entitlements		(55)	227
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		11,811	11,576
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		150	150
Credit cards/purchase cards		30	30
Total financing arrangements		180	180

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

(ii) Secured loan liabilities

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Emergency services precinct – 88.3% funded – gross amount shown		587	3,995
Total commitments		587	3,995
These expenditures are payable as follows:			
Within the next year		4	3,708
Later than one year and not later than 5 years		583	287
Total payable		587	3,995
Sources for funding of capital commitments:			
Unrestricted general funds		4	1,165
Future grants and contributions		583	2,830
Total sources of funding		587	3,995

Details of capital commitments

Emergency service precinct development
Construction of a pipeline to Willow Tree village to provide water security

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,210</u>	4.52%	-1.16%	-3.36%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>26,753</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>16,540</u>	55.26%	53.84%	63.87%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>29,930</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>8,802</u>	4.47x	8.70x	2.11x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>1,970</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>7,920</u>	12.88x	22.85x	2.11x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>615</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>1,199</u>	9.87%	8.79%	8.45%	<10% Rural
Rates, annual and extra charges collectible	<u>12,148</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>25,765</u>	15.30 mths	13.6 mths	10.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,684</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

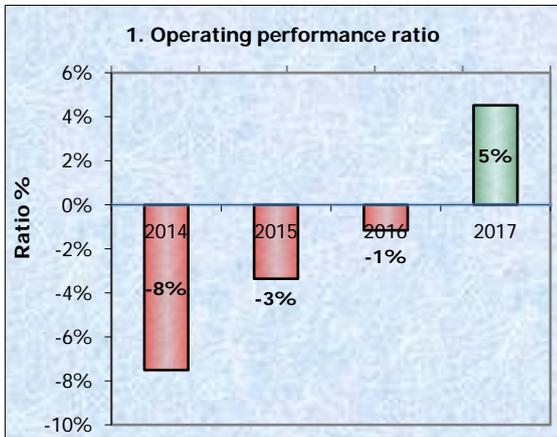
⁽³⁾ Refer to Note 10(a).

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

Liverpool Plains Shire Council

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

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



Purpose of operating performance ratio

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

Commentary on 2016/17 result

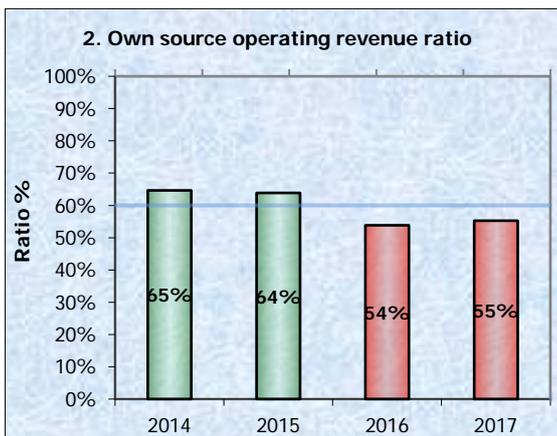
2016/17 ratio 4.52%

Council continues to work pro-actively to containing operating expenditure within operating revenue.

Benchmark: — Minimum $\geq 0.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2016/17 result

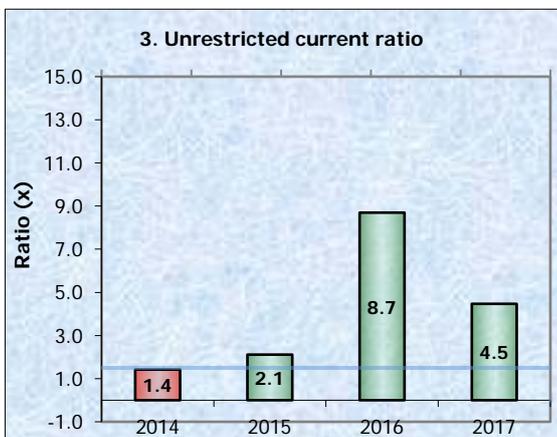
2016/17 ratio 55.26%

Council continues to be successful with operational and capital grants. This is a positive outcome for Council's infrastructure but in the short-term it has impacted the own source operating revenue ratio.

Benchmark: — Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2016/17 result

2016/17 ratio 4.47x

Council Continues to perform well in this area and is positioned well to meet current liabilities.

Benchmark: — Minimum ≥ 1.50

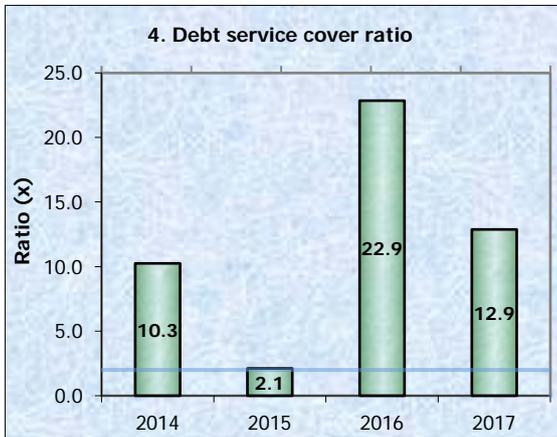
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Liverpool Plains Shire Council

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

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



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

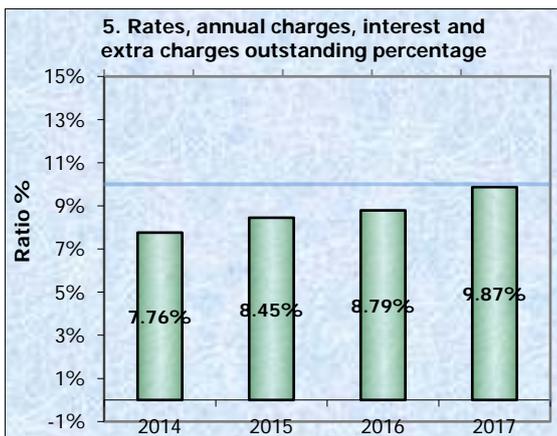
2016/17 ratio 12.88x

Council has borrowed responsibly and is in a good position to service all debts.

Benchmark: Minimum ≥ 2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

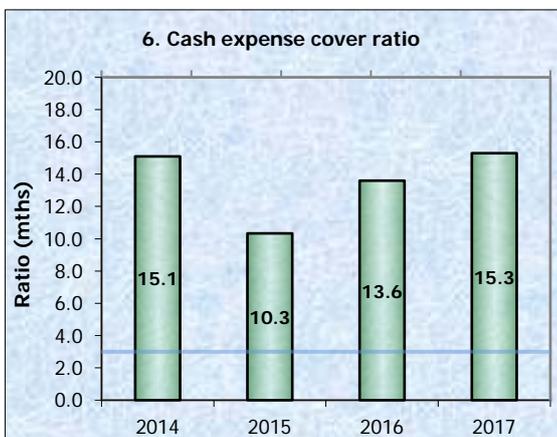
2016/17 ratio 9.87%

Council continues to perform within industry standards and is committed to reducing overall receivable balances.

Benchmark: Maximum $< 10.00\%$

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 15.30 mths

Council is well above the industry benchmark and is able to meet its immediate obligations.

Benchmark: Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-5.01%	-10.85%	39.17%	32.01%	61.19%	48.69%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
Total continuing operating revenue (1) excluding capital grants and contributions	48.27%	55.21%	83.25%	42.06%	98.31%	98.23%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	4.47x	8.70x	36.78x	24.99x	No liabilities	No liabilities	>1.5x

Notes

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11.85x	26.32x	10.10x	4.68x	0.00x	0.00x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	9.18%	7.52%	12.49%	13.70%	10.80%	10.95%	<10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	12.28 months	10.93 months	0.00 months	0.00 months	0.00 months	0.00 months	> 3 months

Notes

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>836</u>	<u>–</u>
Reconciliation of annual movement:			
Opening balance		–	–
– Transfers from/(to) inventories (Note 8)		836	–
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>836</u>	<u>–</u>

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

Details of leased investment properties are as follows;

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	13,200	–
Later than 1 year but less than 5 years	39,600	–
Total minimum lease payments receivable	<u>52,800</u>	<u>–</u>

Details of lease arrangements:

Agricultural Lease

Five (5) years commencing 1 February 2016 terminating 31 January 2021 - \$12,000 per annum plus GST which shall be payable by lessees by equal monthly instalments \$1,100 including GST in advance.

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	5,265	4,287	5,265	4,287
Investments				
– 'Held to maturity'	20,500	18,500	20,500	18,500
Receivables	2,617	2,821	2,612	2,821
Total financial assets	28,382	25,608	28,377	25,608
Financial liabilities				
Payables	1,162	622	1,162	622
Loans/advances	4,742	4,943	4,742	4,943
Total financial liabilities	5,904	5,565	5,904	5,565

Fair value is determined as follows:

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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
2017				
Possible impact of a 1% movement in interest rates	205		(205)	
2016				
Possible impact of a 1% movement in interest rates	185		(185)	

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	100%	0%	70%
Overdue	100%	0%	100%	30%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	3	1,687	–	1,392
< 1 year overdue	0 – 30 days overdue	360	–	667	113
1 – 2 years overdue	31 – 60 days overdue	626	–	235	16
2 – 5 years overdue	61 – 90 days overdue	–	–	–	8
> 5 years overdue	> 91 days overdue	–	–	–	466
		989	1,687	902	1,995

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	76	70
+ new provisions recognised during the year	58	–
– previous impairment losses reversed	(75)	6
Balance at the end of the year	59	76

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	–	1,158	4	–	–	–	–	1,162	1,162
Loans and advances	–	200	209	218	226	235	3,654	4,742	4,742
Total financial liabilities	–	1,358	213	218	226	235	3,654	5,904	5,904
2016									
Trade/other payables	–	616	–	–	–	–	–	616	622
Loans and advances	–	193	200	209	218	226	3,897	4,943	4,943
Total financial liabilities	–	809	200	209	218	226	3,897	5,559	5,565

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,162		622	0.00%
Loans and advances – fixed interest rate	2,214	5.21%	2,286	5.21%
Loans and advances – variable interest rate	2,528	5.75%	2,657	5.75%
	<u>5,904</u>		<u>5,565</u>	

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 24 June 2015

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	11,173	10,872	(301)	(3%)	U
User charges and fees	3,589	4,093	504	14%	F
The budget variation was predominately due to the increase in private works. Private works revenue in 2016 was \$246k and in 2017 was \$857k an increase of \$611k. The increase was from State highway contracts awarded for \$716K.					
Interest and investment revenue	634	902	268	42%	F
The budget for investment revenue was based on actual revenue and did not account for interest accruals.					
Other revenues	1,540	673	(867)	(56%)	U
Other revenue was less than the budget forecast as the budget accounted for revenue streams that did not eventuate					
Operating grants and contributions	6,313	10,213	3,900	62%	F
The favourable result was due to early payment of \$1.7m of the 2018 Financial Assistant Grant and a increase of \$1.3m in road funding for various projects that was not included in the budget.					
Capital grants and contributions	2,830	3,177	347	12%	F
The favourable variance was predominately due to \$311k of funding for the Willow Tree Pipeline that was carried over from the 2016 financial year that was not accounted for in the budget.					

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	7,823	8,860	(1,037)	(13%) U
The unfavourable budget variation was due the the filling of vacant positions within the organisatioal structure and long serving staff using excess leave to reduce the Council's leave liability.				
Borrowing costs	410	414	(4)	(1%) U
Materials and contracts	6,703	7,031	(328)	(5%) U
Depreciation and amortisation	6,229	6,296	(67)	(1%) U
Other expenses	1,803	2,942	(1,139)	(63%) U
Council conducted a review into it's other expenses for the 2018 budget and discovered it had been under budgeting for other expenses in the past. This has been rectified in the 2018 budget but not he 2017 budget. Council has seen a minimal increase from last years figure of \$2.865m.				
Net losses from disposal of assets	–	92	(92)	0% U
Council does not budget for net loss from the disposal of assets.				

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

Cash flows from operating activities	9,279	11,811	2,532	27.3% F
The favourable result was mainly due to early payment of \$1.7m of the 2018 Financial Assistanct Grant.				
Cash flows from investing activities	(12,207)	(10,632)	1,575	(12.9%) F
The favourable result was due to decreased spending on the purchase of infrastructure, property, plant and equipment.				
Cash flows from financing activities	6,578	(201)	(6,779)	(103.1%) U
The unfavourable result was due to a \$7m loan not being taken up within the financial year. The loan is Councils contribution for the new Werris Creek Water Treatment Plant but the project is on hold until the 2018 financial year.				

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1	–	–	–	–	–	1	–
Roads	164	24	–	6	–	–	194	–
Open space	41	–	–	2	–	–	43	–
Community facilities	21	–	–	1	–	–	22	–
Youth services	19	–	–	1	–	–	20	–
Bushfire	11	–	–	–	–	–	11	–
Other	147	–	–	6	–	–	153	–
S94 contributions – under a plan	403	24	–	16	–	–	443	–
S94A levies – under a plan	359	22	–	14	(113)	–	282	–
Total S94 revenue under plans	762	46	–	30	(113)	–	725	–
S94 not under plans	51	35	–	2	–	–	88	–
S64 contributions	434	–	–	17	–	–	451	–
Total contributions	1,247	81	–	49	(113)	–	1,264	–

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Quirindi

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					
Roads	25	–	–	1	–	–	26	–
Open space	25	–	–	1	–	–	26	–
Community facilities	21	–	–	1	–	–	22	–
Youth services	19	–	–	1	–	–	20	–
Total	89	–	–	4	–	–	93	–

CONTRIBUTION PLAN - Willow Tree

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	1	–	–	–	–	–	1	–
Roads	139	24	–	5	–	–	168	–
Open space	16	–	–	1	–	–	17	–
Bushfire	11	–	–	–	–	–	11	–
Total	167	24	–	6	–	–	197	–

CONTRIBUTION PLAN - Werris Creek

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	147	–	–	6	–	–	153	–
Total	147	–	–	6	–	–	153	–

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION 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	359	22	–	14	(113)	–	282	–
Total	359	22	–	14	(113)	–	282	–

S94 CONTRIBUTIONS – NOT UNDER A 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					
Roads	32	35	–	1	–	–	68	–
Open space	19	–	–	1	–	–	20	–
Total	51	35	–	2	–	–	88	–

S64 contributions

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	434	–	–	–	–	–	434	–
Total	434	–	–	–	–	–	434	–

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an industry Defined Benefit Plan under The Local Government Superannuation Scheme-Pool B (the Scheme) which is a defined benefit plan That has been deemed to be a "multi-employer fund" for the purposes of AASB119 Employee Benefits.

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

The amount of employer contributions to the defined benefit section of the Scheme and was recognised as an expense for the year ending 30 June 2017 of \$205,618.34. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on the 2nd December 2016 and covers the year ended 30 June 2017.

However, the position is monitored annually and the actuary has estimated that, as at June 30 2017, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions included in the total employer contributions to assist in extinguishing the deficit. The amount of additional contributions included in the total employer contribution advised above is \$321,000. Council's expected contribution to the plan for the next annual reporting period is \$239,209.28.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$91,790.72

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

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

(iii) StateCover Limited

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

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

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(iii) StateCover Limited (continued)

performance and/or claims experience or as a result of any increased prudential requirements from APRA.

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

(iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iii) Central Northern Regional Libraries

Liverpool Plains Shire Council is a member of the Central Northern Regional Libraries Group.

This group operates under the Central Northern Library Regional Library Agreement renewed from 1 July 2010. This organisation is administered by the Tamworth Regional Council on behalf of the Six members.

The percentage of contribution and share of net assets for Liverpool Plains Shire Council is 9.5%. This has not been recognised in the financial statements.

Council has been advised that the total equity is \$1,264,370 of which Councils share at 30 June 2017 is \$120,115.

(iv) Legal Matters

Council is dealing with general legal matters as part of normal operations. No specific disclosure is made as these matters do not represent a significant and probable outflow of resources.

Note 19. Interests in other entities

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		215,378	208,292
a. Other comprehensive income (excl. direct to reserves transactions)		–	1,384
b. Net operating result for the year		4,295	5,702
Balance at end of the reporting period		219,673	215,378
(b) Revaluation reserves			
(i) Reserves are represented by:			
Infrastructure, property, plant and equipment revaluation reserve		341,183	332,966
Total		341,183	332,966
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
Opening balance		332,966	332,099
Revaluations increments/ (decrements) for the year	9(a)	8,217	867
Balance at end of year		341,183	332,966
TOTAL VALUE OF RESERVES		341,183	332,966
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
(c) Correction of error/s relating to a previous reporting period			
		2017	2016
Council made no correction of errors during the current reporting period.			
Correction of errors as disclosed in last year's financial statements:			
Plant & equipment disposed of in prior period not reflected in general ledger		–	(409)
Understatement of I&PPE not adjusted in the general ledger		–	1,914
Overstatement of receivables not previously written off		–	(220)
Overstatement of liabilities not previously written off		–	99
		–	1,384
(d) Voluntary changes in accounting policies			
Council made no voluntary changes in any accounting policies during the year.			

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,961	1,157	7,754
User charges and fees	1,074	31	2,988
Interest and investment revenue	261	205	436
Other revenues	–	–	673
Grants and contributions provided for operating purposes	352	24	9,837
<u>Grants and contributions provided for capital purposes</u>	<u>311</u>	<u>–</u>	<u>2,866</u>
Total income from continuing operations	3,959	1,417	24,554
Expenses from continuing operations			
Employee benefits and on-costs	529	127	8,204
Borrowing costs	233	–	181
Materials and contracts	698	205	6,128
Depreciation and amortisation	692	172	5,432
Impairment	–	–	–
Other expenses	58	–	2,884
Net losses from the disposal of assets	9	46	37
Share of interests in joint ventures and associates using the equity method	–	–	–
Total expenses from continuing operations	2,219	550	22,866
Operating result from continuing operations	1,740	867	1,688
<u>Discontinued operations</u>			
<u>Net profit/(loss) from discontinued operations</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net operating result for the year	1,740	867	1,688
Net operating result attributable to each council fund	1,740	867	1,688
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,429	867	(1,178)

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,218	1,871	176
Investments	1,500	1,000	10,000
Receivables	725	125	1,766
Inventories	–	–	368
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	5,443	2,996	12,310
Non-current assets			
Investments	4,000	4,000	–
Receivables	–	–	1
Inventories	–	–	–
Infrastructure, property, plant and equipment	51,245	27,200	462,647
Investments accounted for using the equity method	–	–	–
Investment property	–	–	836
Intangible assets	–	–	–
Total non-current assets	55,245	31,200	463,484
TOTAL ASSETS	60,688	34,196	475,794
LIABILITIES			
Current liabilities			
Payables	–	–	1,158
Income received in advance	–	–	–
Borrowings	148	–	61
Provisions	–	–	2,378
Total current liabilities	148	–	3,597
Non-current liabilities			
Payables	–	–	4
Borrowings	3,777	–	756
Provisions	–	–	1,540
Total non-current liabilities	3,777	–	2,300
TOTAL LIABILITIES	3,925	–	5,897
Net assets	56,763	34,196	469,897
EQUITY			
Retained earnings	28,456	13,102	178,115
Revaluation reserves	28,307	21,094	291,782
Other reserves	–	–	–
Total equity	56,763	34,196	469,897

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

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

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

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

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Landfill remediation	various	891	776
Quarries remediation	various	603	571
Balance at end of the reporting period	10(a)	1,494	1,347

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year	1,347	1,566
Amortisation of discount (expensed to borrowing costs)	147	(219)
Total – reinstatement, rehabilitation and restoration provision	1,494	1,347

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

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

Restoration

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

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

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

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

Rehabilitation

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

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Investment Properties

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

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

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

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

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

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Investment properties				
Investment properties	–	–	836	836
Total investment properties	–	–	836	836
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	6,576	6,576
Office equipment	–	–	235	235
Furniture and fittings	–	–	94	94
Operational land	–	8,664	–	8,664
Community land	–	4,284	–	4,284
Buildings – non-specialised	–	27,644	–	27,644
Other structures	–	–	4,339	4,339
Roads	–	–	238,556	238,556
Bridges	–	–	69,427	69,427
Footpaths	–	–	2,608	2,608
Bulk earthworks (non-depreciable)	–	–	78,016	78,016
Stormwater drainage	–	–	15,203	15,203
Water supply network	–	–	51,245	51,245
Sewerage network	–	–	27,200	27,200
Other assets	–	–	1,380	1,380
Tip assets	–	–	434	434
Quarry assets	–	–	211	211
Buildings – specialised	–	1,182	–	1,182
Capital WIP	–	–	3,794	3,794
Total infrastructure, property, plant and equipment	–	41,774	499,318	541,092

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	—	—	6,475	6,475
Office equipment	—	—	235	235
Furniture and fittings	—	—	96	96
Operational land	—	—	8,653	8,653
Community land	—	—	4,284	4,284
Buildings – non-specialised	—	—	27,869	27,869
Other structures	—	—	4,077	4,077
Roads	—	—	239,362	239,362
Bridges	—	—	69,784	69,784
Footpaths	—	—	2,422	2,422
Bulk earthworks (non-depreciable)	—	—	78,016	78,016
Stormwater drainage	—	—	15,335	15,335
Water supply network	—	—	44,239	44,239
Sewerage network	—	—	26,511	26,511
Other assets	—	—	1,399	1,399
Tip assets	—	—	226	226
Quarry assets	—	—	445	445
Buildings – specialised	—	—	1,202	1,202
Total infrastructure, property, plant and equipment	—	—	530,630	530,630

(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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. 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 fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Fair value hierarchy level 3 valuations of land - Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

(4). Highest and best use

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual
	2017
Short-term benefits	873
Post-employment benefits	86
Other long-term benefits	–
Termination benefits	38
Total	997

- 1 Council engaged Tania Thompson & Associates, a company which has a member of Council's KMP as a director, for various Human Resource matters. Amounts were billed at an arms length value and paid under normal payment terms following the Council's procurement processes.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

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	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
A KMP who is a Mayor provided signage for various projects.	1	75	–	30 Days	–	–
A KMP who is a Councillor provided supplies and Materials for various projects.	2	7	–	30 Days	–	–

- 1 Council purchased numerous signs during the year from Country Mile Signs, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the Council's procurement processes.
- 2 Council purchased various plants, small maintenance supplies and materials during the year from Quirindi grain & Produce, a company which has a member of Council's KMP as a director. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the Council's procurement processes.

Liverpool Plains Shire Council

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

Note 29. Council information and contact details

Principal place of business:

60 Station Street
Quirindi NSW 2343

Contact details**Mailing address:**

PO Box 152
Quirindi NSW 2343

Opening hours:

Monday to Friday
8.30 am to 5.00 pm

Telephone: 02 6746 1755

Facsimile: 02 6746 3255

Internet: www.lpsc.nsw.gov.au

Email: LPSC@lpsc.nsw.gov.au

Officers**GENERAL MANAGER**

Ron Van Katwyk

RESPONSIBLE ACCOUNTING OFFICER

Michael Chalmers

PUBLIC OFFICER

Donna Ausling

AUDITORS

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

Elected members**MAYOR**

Andrew Hope

COUNCILLORS

Doug Hawkins
Virginia Black
Ken Cudmore
Ian Lobsey OAM
Paul Moules
Robert Webster

Other information

ABN: 97 810 717 370



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Liverpool Plains Shire Council

To the Councillors of the Liverpool Plains Shire Council

Opinion

I have audited the accompanying financial statements of Liverpool Plains Shire Council (the Council), which comprise the Statement of Financial Position as at 30 June 2017, the Income Statement, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



C J Giumelli
Director, Financial Audit Services

30 November 2017
SYDNEY

Cr Andrew Hope
Mayor
Liverpool Plains Shire Council
PO Box 152
QUIRINDI NSW 2343

Contact: Chris Giumelli
Phone no: 02 9275 7167
Our ref: D1731178/1756

30 November 2017

Dear Mayor

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

I have audited the general purpose financial statements of the Liverpool Plains Shire Council (the Council) for the year ended 30 June 2017 as required by s415 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 2017 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

	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	10.9	10.8	0.9 ↑
Grants and contributions revenue	13.4	13.8	-2.9 ↓
Operating result for the year	4.3	5.7	-24.6 ↓
Net operating result before capital amounts	1.1	(0.5)	320.0 ↑

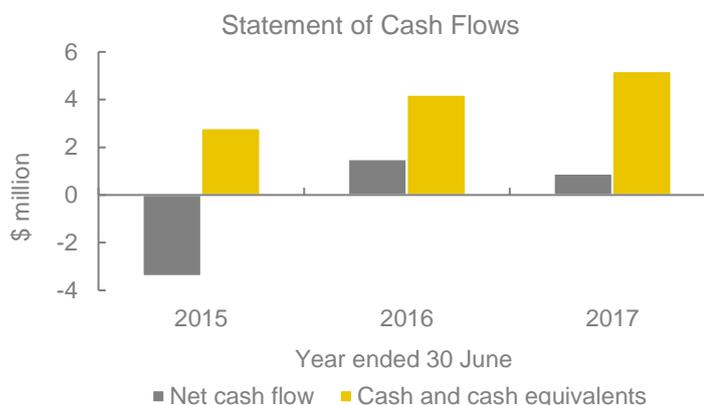
The operating result has largely been impacted by:

- Increase in user fees and charges of \$0.6 million due to increase in private works on State Highways.
- Receipt of Financial Assistance grant instalment of \$1.7 million in 2016-17 which relates to 2017-18
- Decreases in capital grants for water supplies of \$4.0 million as in the prior year a significant amount of grants were received for the construction of the Willow Tree Pipeline.
- Increase in employee benefits and on-costs of \$0.6 million.
- Increase in borrowing costs of \$0.4 million.
- Increase in materials and contracts of \$0.2 million
- Increase in depreciation and amortisation of \$0.2 million

STATEMENT OF CASH FLOWS

The statement of cash flows has been impacted by:

- Increase in receipts from user charges and fees of \$0.8 million
- Decrease in receipts from grants and contributions of \$0.6 million
- Increase in other receipts of \$0.2 million
- Increase in payments for employee benefits and on-costs of \$0.9 million
- Decrease in payments for materials and contracts of \$2.6 million
- Increase in payments for other expense of \$1.9 million
- Increase in payments for purchase of investments \$0.5 million
- Increase in payments for purchase of property, plant and equipment of \$0.2 million



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	19.1	14.1	Movements in restricted cash and investments have been impacted by: <ul style="list-style-type: none"> ○ Increase in external restrictions relating to water supplies of \$2.0 million. ○ Increase in external restrictions relating to sewerage services of \$1.6 million. ○ Increase in external restrictions relating to receipt of Federal Assistance Grant for 2017-18 of \$1.7 million. ○ Increase in internal restrictions relating to economic development and tourism of \$0.1 million. ○ Increase in internal restrictions for transport and road infrastructure of \$0.1 million
Internal restrictions	5.5	5.2	
Unrestricted	1.2	3.5	
Total Cash and Investments	25.8	22.8	

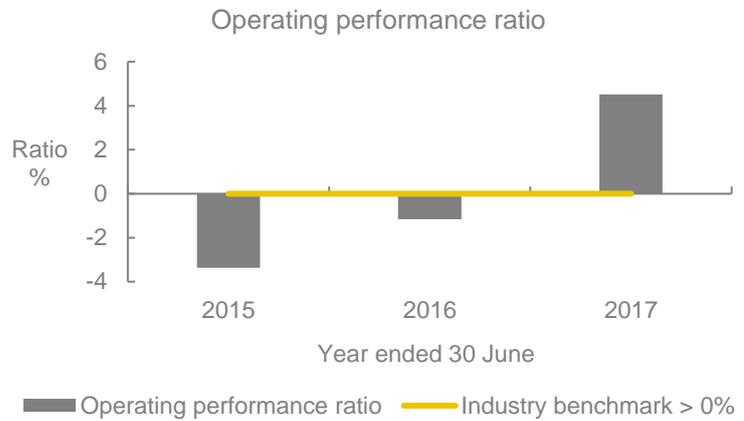
PERFORMANCE RATIOS

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

Operating performance ratio

The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

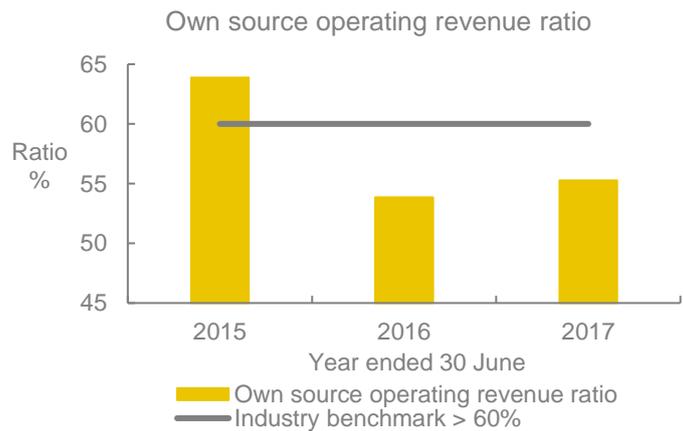
- Council exceeded the benchmark in 2016-17. The reasons are included in the commentary on the operating result on page 3.



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.

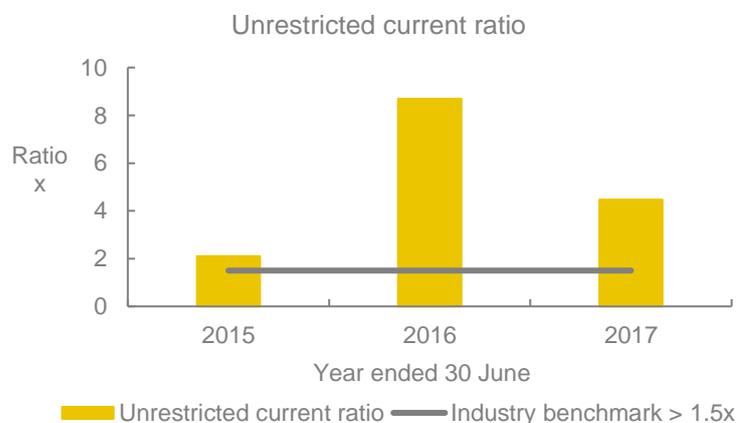
- Council is below the benchmark as a significant portion of Councils capital projects are funded through grants.



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.

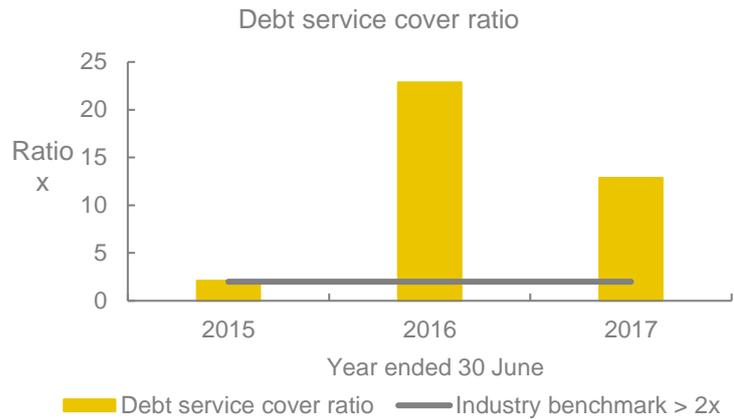
- Council's unrestricted ratio remains in a positive position and above the industry benchmark.



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.

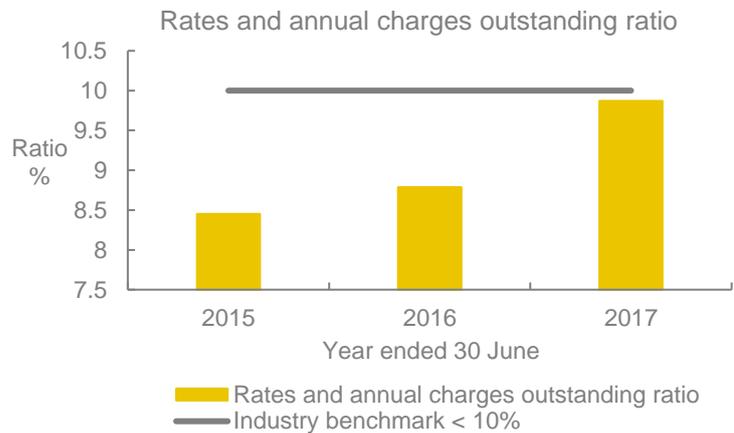
- Councils debt service cover ratio remains in a positive position and above the industry benchmark.



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 rural councils.

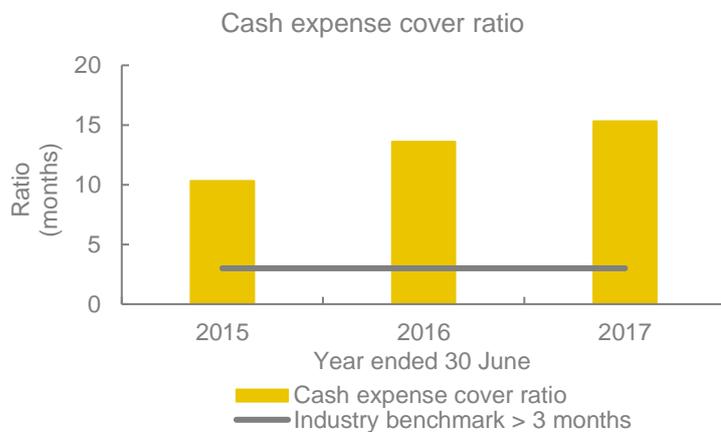
- Councils rates and annual charges outstanding ratio remains better than the industry benchmark but has been on the increase since 2015.



Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

- Council's liquidity ratio is better than benchmark due to ongoing fiscal management as well as the influence in the current year of the advance payment of the 2017-18 Financial Assistance Grant.

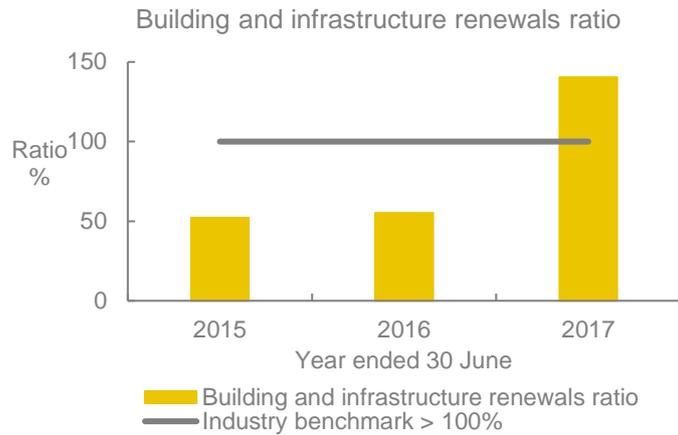


Building and infrastructure renewals ratio

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 information contained in council's Special Schedule 7 which has not been audited.

- The current year ratio is above the industry benchmark as the amount of asset renewals in the current year is greater than depreciation, amortisation and impairment expenses.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

Legislative compliance

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

Chris Giumelli
Director, Financial Audit Services

30 November 2017
SYDNEY



Liverpool Plains Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Vision - That the Liverpool Plains Shire area achieves higher levels of growth & generates improved quality of life through expanded opportunities for economic and social development being realised within an environmentally and financially sustainable framework.



Liverpool Plains Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
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Income Statement – Water Supply Business Activity	3
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).
-

Liverpool Plains Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

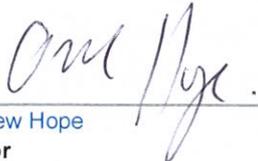
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 25 October 2017.



Andrew Hope
Mayor



Doug Hawkins
Councillor



Ron Van Katwyk
General manager



Michael Chalmers
Responsible accounting officer

Liverpool Plains Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,961	1,839
User charges	1,057	1,172
Fees	17	15
Interest	261	235
Grants and contributions provided for non-capital purposes	352	150
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
Total income from continuing operations	3,648	3,411
Expenses from continuing operations		
Employee benefits and on-costs	529	572
Borrowing costs	233	242
Materials and contracts	698	863
Depreciation, amortisation and impairment	692	642
Water purchase charges	1	–
Loss on sale of assets	9	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	57	–
Total expenses from continuing operations	2,219	2,319
Surplus (deficit) from continuing operations before capital amounts	1,429	1,092
Grants and contributions provided for capital purposes	311	4,343
Surplus (deficit) from continuing operations after capital amounts	1,740	5,435
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,740	5,435
Less: corporate taxation equivalent (30%) [based on result before capital]	(429)	(328)
SURPLUS (DEFICIT) AFTER TAX	1,311	5,107
Plus opening retained profits	26,713	21,278
Plus/less: other adjustments	3	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	429	328
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	28,456	26,713
Return on capital %	3.2%	3.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,311	5,107
Less: capital grants and contributions (excluding developer contributions)	(311)	(4,343)
Surplus for dividend calculation purposes	1,000	764
Potential dividend calculated from surplus	500	382

Liverpool Plains Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,157	1,142
User charges	–	–
Liquid trade waste charges	30	–
Fees	1	41
Interest	205	206
Grants and contributions provided for non-capital purposes	24	25
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	1
Total income from continuing operations	1,417	1,415
Expenses from continuing operations		
Employee benefits and on-costs	127	231
Borrowing costs	–	–
Materials and contracts	205	323
Depreciation, amortisation and impairment	172	172
Loss on sale of assets	46	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	–	–
Total expenses from continuing operations	550	726
Surplus (deficit) from continuing operations before capital amounts	867	689
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	867	689
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	867	689
Less: corporate taxation equivalent (30%) [based on result before capital]	(260)	(207)
SURPLUS (DEFICIT) AFTER TAX	607	482
Plus opening retained profits	12,235	11,546
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	260	207
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	13,102	12,235
Return on capital %	3.2%	2.6%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	607	482
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	607	482
Potential dividend calculated from surplus	303	241

Liverpool Plains Shire Council

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

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	3,218	2,698
Investments	1,500	–
Receivables	725	775
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	5,443	3,473
Non-current assets		
Investments	4,000	4,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	51,245	44,238
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	55,245	48,238
TOTAL ASSETS	60,688	51,711
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	1
Income received in advance	–	–
Borrowings	148	138
Provisions	–	–
Total current liabilities	148	139
Non-current liabilities		
Payables	–	–
Borrowings	3,777	3,924
Provisions	–	–
Total non-current liabilities	3,777	3,924
TOTAL LIABILITIES	3,925	4,063
NET ASSETS	56,763	47,648
EQUITY		
Retained earnings	28,456	26,715
Revaluation reserves	28,307	20,933
Other reserves	–	–
Council equity interest	56,763	47,648
Non-controlling equity interest	–	–
TOTAL EQUITY	56,763	47,648

Liverpool Plains Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	1,871	1,775
Investments	1,000	500
Receivables	125	199
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	2,996	2,474
Non-current assets		
Investments	4,000	3,500
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	27,200	26,511
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	31,200	30,011
TOTAL ASSETS	34,196	32,485
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	34,196	32,485
EQUITY		
Retained earnings	13,102	12,235
Revaluation reserves	21,094	20,250
Other reserves	–	–
Council equity interest	34,196	32,485
Non-controlling equity interest	–	–
TOTAL EQUITY	34,196	32,485

Liverpool Plains Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

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2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Liverpool Plains Shire Council

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

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' 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 government policy statement, '*Application of National Competition Policy to Local Government*'.

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

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

Declared business activities

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

Category 1

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

a. Water Supply Network

Is comprised of water supply operations and net assets system servicing the towns of Quirindi, Werris Creek, Wallabadah, Willow Tree, Spring Ridge, Wahallow, Blackville, Carroona and Premer.

Category 2

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

b. Sewerage Service

Is comprised of sewerage reticulation and treatment operations and net asset system servicing the towns of Quirindi and Werris Creek

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

Liverpool Plains Shire Council

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

Note 1. Significant accounting policies (continued)

statements 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) or equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor - that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

Since 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 Council's General Purpose Financial Statements.

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Liverpool Plains Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

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

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

(iv) Dividends

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

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

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

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

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

Liverpool Plains Shire Council

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

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	8,574
(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]	500,150
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	85,740
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,908,200

2017 Surplus	1,000,300	2016 Surplus	764,400	2015 Surplus	143,500
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	85,740
(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	NO

Liverpool Plains Shire Council

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

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

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

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,387
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)]	%	34.52%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	51,245
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,294
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	528
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)]	%	2.73%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	311

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Liverpool Plains Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	6,162
(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]	303,450
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	61,620
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,447,600

2017 Surplus	606,900	2016 Surplus	482,300	2015 Surplus	358,400
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	61,620
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Liverpool Plains Shire Council

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

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

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

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,212
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	27,200
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	377
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	17
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)]	%	2.44%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	4,599
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.22%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	545
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.63%
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%

Liverpool Plains Shire Council

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

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

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

2017

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-12.82%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	2,297
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	56

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Liverpool Plains Shire Council

To the Councillors of the Liverpool Plains Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

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

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

Basis for Opinion

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

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

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

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

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.

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.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



C J Giumelli
Director, Financial Audit Services

30 November 2017
SYDNEY



Liverpool Plains Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

Vision - That the Liverpool Plains Shire area achieves higher levels of growth & generates improved quality of life through expanded opportunities for economic and social development being realised within an environmentally and financially sustainable framework.



Liverpool Plains Shire Council

Special Schedules

for the year ended 30 June 2017

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

Background

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

Liverpool Plains Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	892	35	–	(857)
Administration	3,529	276	–	(3,253)
Public order and safety				
Fire service levy, fire protection, emergency services	574	255	2,729	2,410
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	98	4	–	(94)
Other	–	–	–	–
Total public order and safety	672	259	2,729	2,316
Health	48	2	–	(46)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	1,015	353	–	(662)
Solid waste management	1,118	1,481	–	363
Street cleaning	25	–	–	(25)
Drainage	–	–	–	–
Stormwater management	214	–	–	(214)
Total environment	2,372	1,834	–	(538)
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	358	310	–	(48)
Children's services	600	675	–	75
Total community services and education	958	985	–	27
Housing and community amenities				
Public cemeteries	110	163	–	53
Public conveniences	–	–	–	–
Street lighting	–	–	–	–
Town planning	–	–	–	–
Other community amenities	234	142	–	(92)
Total housing and community amenities	344	305	–	(39)
Water supplies	2,219	3,647	311	1,739
Sewerage services	549	1,418	–	869

Liverpool Plains Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	423	70	–	(353)
Museums	6	–	–	(6)
Art galleries	–	–	–	–
Community centres and halls	344	14	42	(288)
Performing arts venues	163	50	–	(113)
Other performing arts	–	–	–	–
Other cultural services	167	9	–	(158)
Sporting grounds and venues	289	61	30	(198)
Swimming pools	343	105	–	(238)
Parks and gardens (lakes)	328	–	70	(258)
Other sport and recreation	277	160	–	(117)
Total recreation and culture	2,340	469	142	(1,729)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	828	136	–	(692)
Total mining, manufacturing and const.	828	136	–	(692)
Transport and communication				
Urban roads (UR) – local	815	2	–	(813)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	3,960	–	–	(3,960)
Sealed rural roads (SRR) – regional	1,134	3,500	–	2,366
Unsealed rural roads (URR) – local	2,631	35	–	(2,596)
Unsealed rural roads (URR) – regional	36	–	–	(36)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	384	–	–	(384)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	10	–	–	(10)
Footpaths	64	–	–	(64)
Aerodromes	60	108	–	48
Other transport and communication	582	534	–	(48)
Total transport and communication	9,676	4,179	–	(5,497)
Economic affairs				
Camping areas and caravan parks	31	52	–	21
Other economic affairs	1,177	1,006	–	(171)
Total economic affairs	1,208	1,058	–	(150)
Totals – functions	25,635	14,603	3,182	(7,850)
General purpose revenues ⁽¹⁾		12,145		12,145
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	25,635	26,748	3,182	4,295

(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

Liverpool Plains Shire Council

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	201	4,742	4,943	–	201	–	–	267	209	4,533	4,742
Other	–	–	–							–	–
Total loans	201	4,742	4,943	–	201	–	–	267	209	4,533	4,742
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	201	4,742	4,943	–	201	–	–	267	209	4,533	4,742

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

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

Liverpool Plains Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	47	563
b. Engineering and supervision	371	9
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	2	3
b. Maintenance expenses	44	36
– Mains		
c. Operation expenses	3	13
d. Maintenance expenses	245	102
– Reservoirs		
e. Operation expenses	1	–
f. Maintenance expenses	23	27
– Pumping stations		
g. Operation expenses (excluding energy costs)	13	36
h. Energy costs	127	149
i. Maintenance expenses	129	99
– Treatment		
j. Operation expenses (excluding chemical costs)	20	4
k. Chemical costs	77	72
l. Maintenance expenses	151	139
– Other		
m. Operation expenses	–	61
n. Maintenance expenses	41	123
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	692	642
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	233	241
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,219	2,319

Liverpool Plains Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	1,961	1,839
b. Usage charges	1,034	1,163
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	23	9
8. Extra charges	–	–
9. Interest income	261	235
10. Other income	17	15
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	311	4,343
b. Grants for pensioner rebates	32	33
c. Other grants	320	25
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	92
13. Total income	3,959	7,754
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	1,740	5,435
15a. Operating result (less grants for acquisition of assets)	1,429	1,092

Liverpool Plains Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	220	3,510
b. New assets for growth	–	–
c. Renewals	308	339
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	528	3,849
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	3,925	4,126
21. Totals	3,925	4,126
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	2,710	2,668
b. Residential (unoccupied, ie. vacant lot)	31	25
c. Non-residential (occupied)	117	110
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 59,501	\$ 57,618

Liverpool Plains Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,718	4,000	8,718
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	245	–	245
c. User charges	480	–	480
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	51,245	51,245
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	<u>5,443</u>	<u>55,245</u>	<u>60,688</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	148	3,777	3,925
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>148</u>	<u>3,777</u>	<u>3,925</u>
36. NET ASSETS COMMITTED	<u>5,295</u>	<u>51,468</u>	<u>56,763</u>
EQUITY			
37. Accumulated surplus			28,456
38. Asset revaluation reserve			28,307
39. Other reserves			–
40. TOTAL EQUITY			<u>56,763</u>
Note to system assets:			
41. Current replacement cost of system assets			72,334
42. Accumulated current cost depreciation of system assets			(21,089)
43. Written down current cost of system assets			<u>51,245</u>

Liverpool Plains Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	30	238
b. Engineering and supervision	11	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	1
b. Maintenance expenses	19	27
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	3	33
e. Maintenance expenses	51	96
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	3	4
g. Chemical costs	17	–
h. Energy costs	29	2
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	214	151
– Other		
l. Operation expenses	–	2
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	172	172
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	549	726

Liverpool Plains Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	1,157	972
7. Non-residential charges		
a. Access (including rates)	–	141
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	30	29
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	205	206
11. Other income	1	42
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	24	25
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,417</u>	<u>1,415</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>868</u>	<u>689</u>
16a. Operating result (less grants for acquisition of assets)	868	689

Liverpool Plains Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	9
b. New assets for growth	–	–
c. Renewals	17	–
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	17	9
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,869	1,858
b. Residential (unoccupied, ie. vacant lot)	7	7
c. Non-residential (occupied)	178	176
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 45,496	\$ 43,931

Liverpool Plains Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,371	3,500	6,871
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	125	–	125
c. User charges	–	–	–
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	27,200	27,200
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>3,496</u>	<u>30,700</u>	<u>34,196</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>
37. NET ASSETS COMMITTED	<u>3,496</u>	<u>30,700</u>	<u>34,196</u>
EQUITY			
38. Accumulated surplus			13,102
39. Asset revaluation reserve			21,094
40. Other reserves			–
41. TOTAL EQUITY			<u>34,196</u>
Note to system assets:			
42. Current replacement cost of system assets			31,233
43. Accumulated current cost depreciation of system assets			(4,033)
44. Written down current cost of system assets			<u>27,200</u>

Liverpool Plains Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Liverpool Plains Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	61	61	461	–	27,644	36,085	22%	54%	24%	1%	0%
	Buildings – specialised	50	50	16	–	1,182	1,245	36%	39%	9%	16%	0%
	Sub-total	111	111	477	–	28,826	37,330	22.5%	53.5%	23.5%	1.5%	0.0%
Other structures	Other structures	8	8	28	–	4,339	4,992	63%	26%	10%	1%	0%
	Sub-total	8	8	28	–	4,339	4,992	63.0%	26.0%	10.0%	1.0%	0.0%
Roads	Bridges	405	405	218	–	69,426	73,733	89%	3%	6%	2%	0%
	Footpaths	2	2	16	–	2,608	2,854	58%	35%	7%	0%	0%
	Bulk earthworks	–	–	–	–	78,016	78,016	100%	0%	0%	0%	0%
	Sealed Roads – Surface	18	18	139	–	12,195	21,973	50%	44%	6%	0%	0%
	Sealed Roads – Pavement	2,361	2,361	1,758	–	113,302	131,251	45%	18%	31%	4%	2%
	Unsealed Roads	2,788	2,788	1,415	–	112,351	127,588	50%	24%	18%	8%	0%
	Sub-total	5,574	5,574	3,546	–	388,607	435,415	64.1%	15.4%	16.0%	3.9%	0.6%
Water supply network	Water supply network	3,373	3,373	1,208	–	51,245	72,334	17%	51%	14%	18%	0%
	Sub-total	3,373	3,373	1,208	–	51,245	72,334	17.0%	51.0%	14.0%	18.0%	0.0%
Sewerage network	Sewerage network	1,632	1,632	590	–	27,200	31,233	18%	39%	22%	21%	0%
	Sub-total	1,632	1,632	590	–	27,200	31,233	18.0%	39.0%	22.0%	21.0%	0.0%

Liverpool Plains Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	12	12	512	–	15,203	19,598	3%	14%	82%	1%	0%
	Sub-total	12	12	512	–	15,203	19,598	3.0%	14.0%	82.0%	1.0%	0.0%
	TOTAL – ALL ASSETS	10,710	10,710	6,361	–	515,420	600,902	51.5%	23.3%	18.6%	6.2%	0.4%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Liverpool Plains Shire Council

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

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>7,761</u>	140.32%	>= 100%	55.16%	52.14%
Depreciation, amortisation and impairment	<u>5,531</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>10,710</u>	2.45%	< 2.00%	1.71%	1.77%
Net carrying amount of infrastructure assets	<u>437,404</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>-</u>	0.00	> 1.00	0.00	1.14
Required asset maintenance	<u>6,361</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>10,710</u>	1.78%		0.00%	
Gross replacement cost	<u>600,902</u>				

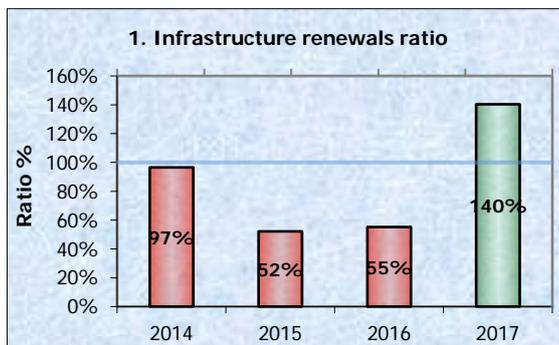
Notes

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

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

Liverpool Plains Shire Council

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



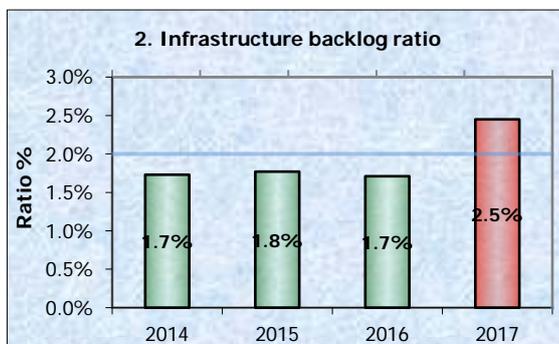
Purpose of asset renewals ratio

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

2016/17 Ratio 140.32%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

2016/17 Ratio 2.45%

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



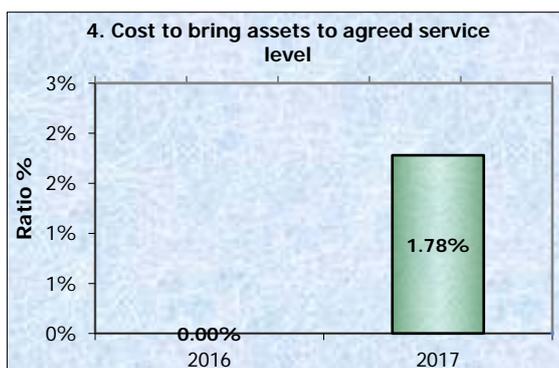
Purpose of asset maintenance ratio

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

2016/17 Ratio 0.00 x

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

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

2016/17 Ratio 1.78%

Liverpool Plains Shire Council

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

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
<u>Asset renewals ⁽²⁾</u>	>= 100%	76.30%	9.88%	154.62%
Depreciation, amortisation and impairment	<i>prior period:</i>	<i>52.80%</i>	<i>0.00%</i>	<i>57.58%</i>
2. Infrastructure backlog ratio				
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	6.58%	6.00%	1.59%
Net carrying amount of infrastructure assets	<i>prior period:</i>	<i>2.67%</i>	<i>2.00%</i>	<i>1.57%</i>
3. Asset maintenance ratio				
<u>Actual asset maintenance</u>	> 1.00	0.00	0.00	0.00
Required asset maintenance	<i>prior period:</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
4. Cost to bring assets to agreed service level				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		4.66%	5.23%	1.15%
Gross replacement cost				

Notes

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

Liverpool Plains Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,789	6,938
Plus or minus adjustments ⁽²⁾	b	20	30
Notional general income	c = (a + b)	6,809	6,968
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	123	105
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	6,932	7,073
Plus (or minus) last year's carry forward total	l	25	(0)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	25	(0)
Total permissible income	o = k + n	6,957	7,073
Less notional general income yield	p	6,938	7,086
Catch-up or (excess) result	q = o – p	19	(13)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	(19)	–
Carry forward to next year	t = q + r – s	(0)	(13)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Liverpool Plains Shire Council

To the Councillors of Liverpool Plains Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



C J Giumelli
Director, Financial Audit Services

30 November 2017
SYDNEY