

# Bland Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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***“Working with the people to  
improve our quality of life”***



# Bland 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 Bland Shire Council.
- (ii) Bland Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 28 February 2018. Council has the power to amend and reissue these financial statements.
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## Bland Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

#### Understanding Council's financial statements

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##### Introduction

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

##### What you will find in the statements

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

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

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

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

##### Who uses the financial statements?

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

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

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

## Bland 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 27 February 2018.




Tony Lord  
Mayor



Jan Wyse  
Councillor



Will Marsh  
A/g General manager



Christopher Karam  
Responsible accounting officer

## Bland Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
8,344	Rates and annual charges	3a	8,313	8,147
1,232	User charges and fees	3b	1,244	1,438
277	Interest and investment revenue	3c	1,189	1,065
187	Other revenues	3d	339	242
12,998	Grants and contributions provided for operating purposes	3e,f	16,748	12,616
984	Grants and contributions provided for capital purposes	3e,f	1,493	1,364
<i>Other income:</i>				
380	Net gains from the disposal of assets	5	111	288
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>24,402</b>	<b>Total income from continuing operations</b>		<b>29,437</b>	<b>25,160</b>
<b>Expenses from continuing operations</b>				
6,434	Employee benefits and on-costs	4a	6,352	6,361
184	Borrowing costs	4b	291	288
5,734	Materials and contracts	4c	5,386	6,118
6,446	Depreciation and amortisation	4d	5,262	5,206
–	Impairment	4d	–	–
2,130	Other expenses	4e	1,989	1,998
<b>20,928</b>	<b>Total expenses from continuing operations</b>		<b>19,280</b>	<b>19,971</b>
<b>3,474</b>	<b>Operating result from continuing operations</b>		<b>10,157</b>	<b>5,189</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>3,474</b>	<b>Net operating result for the year</b>		<b>10,157</b>	<b>5,189</b>
3,474	Net operating result attributable to Council		10,157	5,189
–	Net operating result attributable to non-controlling interests		–	–
<b>2,490</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>8,664</b>	<b>3,825</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Bland Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>10,157</b>	<b>5,189</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	5,122	(1,905)
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(5,731)	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(609)</b>	<b>(1,905)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>(609)</b>	<b>(1,905)</b>
<b>Total comprehensive income for the year</b>		<b>9,548</b>	<b>3,284</b>
<b>Total comprehensive income attributable to Council</b>		<b>9,548</b>	<b>3,284</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Bland Shire Council

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	8,567	2,113
Investments	6b	15,200	14,000
Receivables	7	1,249	863
Inventories	8	860	614
Other	8	120	–
<b>Total current assets</b>		<b>25,996</b>	<b>17,590</b>
<b>Non-current assets</b>			
Investments	6b	3,036	2,200
Receivables	7	146	292
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	364,260	363,902
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
Other	8	198	198
<b>Total non-current assets</b>		<b>367,640</b>	<b>366,592</b>
<b>TOTAL ASSETS</b>		<b>393,636</b>	<b>384,182</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	573	767
Income received in advance	10	139	121
Borrowings	10	174	170
Provisions	10	2,839	2,809
<b>Total current liabilities</b>		<b>3,725</b>	<b>3,867</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	1,307	1,456
Provisions	10	4,245	4,048
<b>Total non-current liabilities</b>		<b>5,552</b>	<b>5,504</b>
<b>TOTAL LIABILITIES</b>		<b>9,277</b>	<b>9,371</b>
<b>Net assets</b>		<b>384,359</b>	<b>374,811</b>
<b>EQUITY</b>			
Retained earnings	20	134,577	124,420
Revaluation reserves	20	249,782	250,391
Other reserves	20	–	–
<b>Council equity interest</b>		<b>384,359</b>	<b>374,811</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>384,359</b>	<b>374,811</b>

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

## Bland 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 controlling interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		124,420	250,391	–	<b>374,811</b>	–	<b>374,811</b>	119,231	252,296	–	<b>371,527</b>	–	<b>371,527</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>124,420</b>	<b>250,391</b>	<b>–</b>	<b>374,811</b>	<b>–</b>	<b>374,811</b>	<b>119,231</b>	<b>252,296</b>	<b>–</b>	<b>371,527</b>	<b>–</b>	<b>371,527</b>
<b>c. Net operating result for the year</b>		<b>10,157</b>	–	–	<b>10,157</b>	–	<b>10,157</b>	5,189	–	–	<b>5,189</b>	–	<b>5,189</b>
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	5,122	–	<b>5,122</b>	–	<b>5,122</b>	–	(1,905)	–	<b>(1,905)</b>	–	<b>(1,905)</b>
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(5,731)	–	<b>(5,731)</b>	–	<b>(5,731)</b>	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>(609)</b>	<b>–</b>	<b>(609)</b>	<b>–</b>	<b>(609)</b>	<b>–</b>	<b>(1,905)</b>	<b>–</b>	<b>(1,905)</b>	<b>–</b>	<b>(1,905)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>10,157</b>	<b>(609)</b>	<b>–</b>	<b>9,548</b>	<b>–</b>	<b>9,548</b>	<b>5,189</b>	<b>(1,905)</b>	<b>–</b>	<b>3,284</b>	<b>–</b>	<b>3,284</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>134,577</b>	<b>249,782</b>	<b>–</b>	<b>384,359</b>	<b>–</b>	<b>384,359</b>	<b>124,420</b>	<b>250,391</b>	<b>–</b>	<b>374,811</b>	<b>–</b>	<b>374,811</b>



## Bland Shire Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,344	Rates and annual charges		8,331	8,125
1,231	User charges and fees		812	1,416
277	Investment and interest revenue received		1,232	1,015
13,982	Grants and contributions		18,241	14,009
380	Other		1,577	164
<b>Payments:</b>				
(6,434)	Employee benefits and on-costs		(6,303)	(6,463)
(5,734)	Materials and contracts		(5,719)	(5,995)
(184)	Borrowing costs		(75)	(94)
–	Bonds, deposits and retention amounts refunded		–	(6)
(2,130)	Other		(3,161)	(1,999)
<b>9,732</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>14,935</b>	<b>10,172</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		–	43
85	Sale of real estate assets		34	–
295	Sale of infrastructure, property, plant and equipment		467	856
<b>Payments:</b>				
–	Purchase of investment securities		(2,036)	(3,842)
(5,740)	Purchase of infrastructure, property, plant and equipment		(6,589)	(6,705)
–	Purchase of real estate assets		(212)	–
<b>(5,360)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(8,336)</b>	<b>(9,648)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(165)	Repayment of borrowings and advances		(145)	(167)
<b>(165)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(145)</b>	<b>(167)</b>
<b>4,207</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,454</b>	<b>357</b>
–	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	2,113	1,756
<b>4,207</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>8,567</b>	<b>2,113</b>
Additional Information:				
plus:	<b>Investments on hand – end of year</b>	6b	18,236	16,200
<b>Total cash, cash equivalents and investments</b>			<b>26,803</b>	<b>18,313</b>
<b>Please refer to Note 11 for additional cash flow information</b>				

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### (a) Basis of preparation

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

##### (i) New and amended standards adopted by Council

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.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]. Note that adoption of this standard has not had any impact on Council.

##### (ii) Early adoption of standards

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

##### (iii) Historical cost convention

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

##### (iv) Significant accounting estimates and judgements

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

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

##### *Critical accounting estimates and assumptions*

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

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

##### *Significant judgements in applying the Council's accounting policies*

- (i) Impairment of Receivables

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

##### (b) Revenue recognition

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

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

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

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (i) Rates, annual charges, grants and contributions

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

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

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

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

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

##### (ii) User charges and fees

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

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

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

##### (iv) Interest

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

##### (v) Rent

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

##### (vi) Dividend income

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

##### (vii) Other income

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

#### (c) Principles of consolidation

##### (i) The Consolidated Fund

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

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

- *General Purpose Operations*
- *Sewerage Service*

##### (ii) The Trust Fund

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

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

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

#### (iii) County Councils

Council is not a member of any county councils.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

#### (d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

#### (e) Impairment of assets

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

#### (f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### (g) Inventories

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

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

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

##### **(ii) 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.

##### **(h) Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and

investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

##### **(i) Investments and other financial assets**

###### **Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

##### **(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 are included in current assets, except for those with maturities



## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

##### **Recognition and de-recognition**

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried

at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

##### **Subsequent measurement**

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### **Impairment**

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

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.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

##### **(i) Assets carried at amortised cost**

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

#### Investment Policy

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its

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

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

#### (j) Fair value estimation – financial instruments

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:



## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

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

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

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

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

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

other decreases are charged to the Income Statement.

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

##### Depreciation

Land is not depreciated.

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

##### Plant and Equipment

- Office Equipment	3 to 10 years
- Office furniture	4 to 20 years
- Computer Equipment	3 to 5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	3 to 15 years

##### Other Equipment

- Playground equipment	5 to 40 years
- Benches, seats etc	10 to 20 years

##### Buildings

- Buildings : Masonry	45 to 150 years
- Buildings : Other	20 to 40 years

##### Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 80 years
- Flood Control Structures	80 to 100 years

##### Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter and Paths	40 years

##### Sewer Assets

- Reticulation pipes : PVC	75 to 80 years
- Reticulation pipes : Other	25 to 75 years

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

- Pumps and telemetry	15 to 20 years
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<b>Other Infrastructure Assets</b>	
- Bulk earthworks	Infinite

- Swimming Pools	40 Years
- Other Open Space /Recreational Assets	10-15 Years
- Other Infrastructure	10-15 Years

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

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

#### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

#### (m) Payables

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

#### (n) Borrowings

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

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

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

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

#### (o) Borrowing costs

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

#### (p) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

#### (q) Employee benefits

##### (i) Short-term obligations

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

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

##### (ii) Other long-term employee benefit obligations

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

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

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

##### (iii) Retirement benefit obligations

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

##### Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

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

##### Defined Contribution Plans

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

#### (r) Land under roads

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

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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.

##### (s) Self-insurance

Council does not self-insure.

##### (t) Intangible assets

Council has not classified any assets as intangible.

##### (u) 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.

##### (v) Rural fire service assets

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

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

##### (w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation

authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

##### (x) New accounting standards and interpretations issued not yet effective

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

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

##### (y) Rounding of amounts

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

##### (z) 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.

##### (aa) Disclaimer

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

## Bland 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 & 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	–	–	–	–	–	–	–	–	–	–	–	–	–
Administration	508	423	586	4,221	4,078	4,399	(3,713)	(3,655)	(3,813)	46	64	30,709	25,779
Public order and safety	122	218	142	521	506	555	(399)	(288)	(413)	177	115	2,569	2,313
Health	2	6	4	1	–	1	1	6	3	–	–	–	–
Environment	1,153	1,206	1,136	2,078	1,856	1,710	(925)	(650)	(574)	109	99	165	20,340
Community services and education	1,894	2,091	1,897	2,128	1,749	1,811	(234)	342	86	1,723	1,620	2,892	3,152
Housing and community amenities	118	178	142	469	426	370	(351)	(248)	(228)	34	39	1,119	1,644
Sewerage services	1,382	1,398	1,355	1,320	1,435	1,025	62	(37)	330	–	21	16,358	10,790
Recreation and culture	71	148	81	2,145	2,057	2,153	(2,074)	(1,909)	(2,072)	37	35	25,195	21,155
Mining, manufacturing and construction	62	105	110	4	3	3	58	102	107	–	–	–	–
Transport and communication	5,441	5,534	5,276	7,350	6,572	7,120	(1,909)	(1,038)	(1,844)	3,891	3,720	312,844	295,960
Economic affairs	541	266	462	691	598	824	(150)	(332)	(362)	50	–	1,785	3,049
<b>Total functions and activities</b>	<b>11,294</b>	<b>11,573</b>	<b>11,191</b>	<b>20,928</b>	<b>19,280</b>	<b>19,971</b>	<b>(9,634)</b>	<b>(7,707)</b>	<b>(8,780)</b>	<b>6,067</b>	<b>5,713</b>	<b>393,636</b>	<b>384,182</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	13,108	17,864	13,969	–	–	–	13,108	17,864	13,969	10,555	6,853	–	–
<b>Operating result from continuing operations</b>	<b>24,402</b>	<b>29,437</b>	<b>25,160</b>	<b>20,928</b>	<b>19,280</b>	<b>19,971</b>	<b>3,474</b>	<b>10,157</b>	<b>5,189</b>	<b>16,622</b>	<b>12,566</b>	<b>393,636</b>	<b>384,182</b>

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

## Bland 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.

##### **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.



## Bland 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
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,021	1,024
Farmland		3,758	3,711
Mining		899	883
Business		453	446
<b>Total ordinary rates</b>		<b>6,131</b>	<b>6,064</b>
<b>Special rates</b>			
Sewerage services		1,317	1,245
<b>Total special rates</b>		<b>1,317</b>	<b>1,245</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		650	619
Waste management services (non-domestic)		215	219
<b>Total annual charges</b>		<b>865</b>	<b>838</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>8,313</b>	<b>8,147</b>

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

## Bland 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>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		125	32
Sewerage services		66	71
Waste management services (non-domestic)		66	131
Other		13	–
<b>Total user charges</b>		<b>270</b>	<b>234</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		102	107
Private works – section 67		17	304
Section 603 certificates		16	14
<b>Total fees and charges – statutory/regulatory</b>		<b>135</b>	<b>425</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		–	2
Aged care		25	19
Cemeteries		141	102
Child care		240	164
Community amenities		20	8
Community development		5	22
Drainage diagrams		4	3
Lease rentals		125	110
Leaseback fees – Council vehicles		47	54
Libraries		7	5
Parks and gardens		52	15
Public health		21	23
RMS (formerly RTA) charges (state roads not controlled by Council)		107	203
Saleyards		45	49
<b>Total fees and charges – other</b>		<b>839</b>	<b>779</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>1,244</b>	<b>1,438</b>



## Bland 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>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		44	54
– Interest earned on investments (interest and coupon payment income)		518	522
<b>Dividend income</b>		627	489
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<u>1,189</u>	<u>1,065</u>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		44	54
General Council cash and investments		1,134	998
<b>Restricted investments/funds – external:</b>			
Sewerage fund operations		11	13
<b>Total interest and investment revenue recognised</b>		<u>1,189</u>	<u>1,065</u>
<b>(d) Other revenues</b>			
Rental income – other council properties		87	56
Fines		1	1
Diesel rebate		80	80
Donations		4	11
Insurance claim recoveries		46	20
Paid parental leave		34	12
Sales – general		20	14
Staff contributions		5	6
WHS incentive		41	28
Other		21	14
<b><u>TOTAL OTHER REVENUE</u></b>		<u>339</u>	<u>242</u>

## Bland 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
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	6,328	4,027	–	–
Financial assistance – local roads component	4,184	2,781	–	–
Pensioners' rates subsidies – general component	43	45	–	–
<b>Total general purpose</b>	<b>10,555</b>	<b>6,853</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Sewerage	–	21	–	–
– Domestic waste management	27	28	–	–
Aged care	71	–	–	–
Bushfire and emergency services	177	111	–	–
Childrens services	1,303	1,139	–	–
Community services	64	212	–	–
Community centres	284	281	–	–
Economic development	50	–	–	–
Employment and training programs	5	20	–	–
Flood restoration	1,041	44	–	–
Heritage and cultural	4	4	–	–
Library	37	31	–	–
Noxious weeds	82	72	–	–
Street lighting	30	30	–	–
Transport (roads to recovery)	2,514	3,720	–	–
Transport (other roads and bridges funding)	–	–	378	–
<b>Total specific purpose</b>	<b>5,689</b>	<b>5,713</b>	<b>378</b>	<b>–</b>
<b>Total grants</b>	<b>16,244</b>	<b>12,566</b>	<b>378</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	13,095	10,622	378	–
– State funding	3,149	1,944	–	–
	<b>16,244</b>	<b>12,566</b>	<b>378</b>	<b>–</b>

## Bland 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
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	3	1
S 64 – sewerage service contributions	–	–	3	4
<b>Total developer contributions</b> 17	<b>–</b>	<b>–</b>	<b>6</b>	<b>5</b>
<b>Other contributions:</b>				
Bushfire services	118	–	–	–
Community services	38	25	–	–
Recreation and culture	11	25	21	–
RMS contributions (regional roads, block grant)	336	–	1,088	1,359
Other	1	–	–	–
<b>Total other contributions</b>	<b>504</b>	<b>50</b>	<b>1,109</b>	<b>1,359</b>
<b>Total contributions</b>	<b>504</b>	<b>50</b>	<b>1,115</b>	<b>1,364</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>16,748</b>	<b>12,616</b>	<b>1,493</b>	<b>1,364</b>

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	1,866	1,318
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	1,358	807
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(236)	(259)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>1,122</b>	<b>548</b>
<b>Unexpended and held as restricted assets</b>	<b>2,988</b>	<b>1,866</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	2,863	1,747
– Developer contributions	125	119
	<b>2,988</b>	<b>1,866</b>

## Bland 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
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		4,016	3,769
Travel expenses		15	9
Employee leave entitlements (ELE)		1,067	1,305
Superannuation		814	856
Workers' compensation insurance		264	243
Fringe benefit tax (FBT)		63	80
Training costs (other than salaries and wages)		104	93
Other		9	6
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>6,352</u></b>	<b><u>6,361</u></b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>115</b>	<b>115</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		<u>75</u>	<u>83</u>
<b>Total interest bearing liability costs expensed</b>		<b><u>75</u></b>	<b><u>83</u></b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	<u>216</u>	<u>205</u>
<b>Total other borrowing costs</b>		<b><u>216</u></b>	<b><u>205</u></b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>291</u></b>	<b><u>288</u></b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		4,411	5,525
Contractor and consultancy costs		613	264
Auditors remuneration <sup>(1)</sup>		78	53
Legal expenses:			
– Legal expenses: other		36	13
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		81	71
Printing and stationery		87	85
Water		80	107
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>5,386</u></b>	<b><u>6,118</u></b>

## Bland 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
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
Nil			
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		78	50
– Other audit and assurance services		–	3
<b>Remuneration for audit and other assurance services</b>		<b>78</b>	<b>53</b>
<b>Total remuneration of other Council's Auditors</b>		<b>78</b>	<b>53</b>
<b>Total Auditor remuneration</b>		<b>78</b>	<b>53</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		66	66
Other		15	5
		<b>81</b>	<b>71</b>
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		589	653
Office equipment		109	140
Furniture and fittings		8	12
Land improvements (depreciable)		77	84
Infrastructure:			
– Buildings – non-specialised		276	286
– Other structures		51	46
– Roads		3,011	2,921
– Bridges		61	62
– Footpaths		89	90
– Stormwater drainage		114	112
– Sewerage network		313	234
– Swimming pools		65	65
– Other open space/recreational assets		192	192
– Other infrastructure		182	183
Other assets			
– Library books		25	25
Asset reinstatement costs	9 & 26	100	101
<b>Total depreciation and amortisation costs</b>		<b>5,262</b>	<b>5,206</b>
<b>Impairment</b>			
Nil			
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>5,262</b>	<b>5,206</b>

## Bland 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
<b>(e) Other expenses</b>			
Advertising		80	118
Bad and doubtful debts		28	14
Bank charges		11	12
Child care – parent fees		299	214
Contributions/levies to other levels of government		258	297
– Other contributions/levies		–	5
Councillor expenses – mayoral fee		22	18
Councillor expenses – councillors' fees		102	105
Councillors' expenses (incl. mayor) – other (excluding fees above)		33	21
Donations, contributions and assistance to other organisations (Section 356)		71	177
Election expenses		44	–
Electricity and heating		202	199
Fire control expenses		76	46
Insurance		425	427
Street lighting		123	108
Subscriptions and publications		83	86
Telephone and communications		125	151
Tourism expenses (excluding employee costs)		5	–
Other		2	–
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>1,989</u></b>	<b><u>1,998</u></b>

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		467	856
Less: carrying amount of plant and equipment assets sold/written off		(360)	(469)
<b>Net gain/(loss) on disposal</b>		<b>107</b>	<b>387</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		34	–
Less: carrying amount of real estate assets sold/written off		(30)	–
<b>Net gain/(loss) on disposal</b>		<b>4</b>	<b>–</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		–	43
Less: carrying amount of financial assets sold/redeemed/matured		–	(142)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(99)</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>111</u></b>	<b><u>288</u></b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		–	(99)
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>–</b>	<b>(99)</b>

## Bland 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	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		1,939	–	618	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		4,628	–	1,495	–
– Short-term deposits		2,000	–	–	–
<b>Total cash and cash equivalents</b>		<b>8,567</b>	<b>–</b>	<b>2,113</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		15,200	3,036	14,000	2,200
<b>Total investments</b>		<b>15,200</b>	<b>3,036</b>	<b>14,000</b>	<b>2,200</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>23,767</b>	<b>3,036</b>	<b>16,113</b>	<b>2,200</b>

<sup>1</sup> 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'

	<b>8,567</b>	<b>–</b>	<b>2,113</b>	<b>–</b>
--	--------------	----------	--------------	----------

**Investments**

b. 'Held to maturity'

Investments

	15,200	3,036	14,000	2,200
	<b>15,200</b>	<b>3,036</b>	<b>14,000</b>	<b>2,200</b>

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



## Bland 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	23,767	3,036	16,113	2,200
<b>attributable to:</b>				
External restrictions (refer below)	494	3,036	162	2,200
Internal restrictions (refer below)	10,496	–	8,197	–
Unrestricted	12,777	–	7,754	–
	<b>23,767</b>	<b>3,036</b>	<b>16,113</b>	<b>2,200</b>

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

## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general (D)	95	3		98
Developer contributions – sewer fund (D)	24	3	–	27
Specific purpose unexpended grants (F)	1,747	1,352	(236)	2,863
Sewerage services (G)	496	46	–	542
<b>External restrictions – other</b>	<b>2,362</b>	<b>1,404</b>	<b>(236)</b>	<b>3,530</b>
<b>Total external restrictions</b>	<b>2,362</b>	<b>1,404</b>	<b>(236)</b>	<b>3,530</b>

## Internal restrictions

Plant and vehicle replacement	669	167	–	836
Infrastructure replacement	4,850	3,988	(2,108)	6,730
Employees leave entitlement	826	–	(96)	730
Carry over works	583	170	(143)	610
Land development	385	–	–	385
Other	884	397	(76)	1,205
<b>Total internal restrictions</b>	<b>8,197</b>	<b>4,722</b>	<b>(2,423)</b>	<b>10,496</b>
<b>TOTAL RESTRICTIONS</b>	<b>10,559</b>	<b>6,126</b>	<b>(2,659)</b>	<b>14,026</b>

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

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

**G** 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.

## Bland 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
<b>Purpose</b>					
Rates and annual charges		472	146	302	292
Interest and extra charges		47	–	90	–
User charges and fees		614	–	144	–
Accrued revenues					
– Interest on investments		130	–	130	–
Net GST receivable		83	–	233	–
Other debtors		3	–	2	–
<b>Total</b>		<b>1,349</b>	<b>146</b>	<b>901</b>	<b>292</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(70)	–	(28)	–
User charges and fees		(30)	–	(10)	–
<b>Total provision for impairment – receivables</b>		<b>(100)</b>	<b>–</b>	<b>(38)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,249</b>	<b>146</b>	<b>863</b>	<b>292</b>
<b>Externally restricted receivables</b>					
<b>Sewerage services</b>					
– Other		93	–	50	–
<b>Total external restrictions</b>		<b>93</b>	<b>–</b>	<b>50</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>1,156</b>	<b>146</b>	<b>813</b>	<b>292</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,249</b>	<b>146</b>	<b>863</b>	<b>292</b>

**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.

## Bland 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
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		344	–	162	–
Stores and materials		516	–	452	–
<b>Total inventories at cost</b>		<b>860</b>	<b>–</b>	<b>614</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>860</u></b>	<b><u>–</u></b>	<b><u>614</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>					
Prepayments		120	–	–	–
Other		–	198	–	198
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>120</u></b>	<b><u>198</u></b>	<b><u>–</u></b>	<b><u>198</u></b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
<b>Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	240	–	58	–
Industrial/commercial	104	–	104	–
<b>Total real estate for resale</b>	<b>344</b>	<b>–</b>	<b>162</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	240	–	59	–
Development costs	104	–	103	–
<b>Total costs</b>	<b>344</b>	<b>–</b>	<b>162</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>344</b>	<b>–</b>	<b>162</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	162	–	162	–
– Purchases and other costs	212	–	–	–
– WDV of sales (expense) 5	(30)	–	–	–
<b>Total real estate for resale</b>	<b>344</b>	<b>–</b>	<b>162</b>	<b>–</b>

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

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

	2017	2016
Real estate for resale	162	162
	<b>162</b>	<b>162</b>

**(c) 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.

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
				Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount										
<b>\$ '000</b>													
Capital work in progress	868	–	868	–	618	–	–	–	(868)	–	618	–	618
Plant and equipment	12,056	6,534	5,522	–	1,430	(360)	(589)	–	–	–	12,649	6,646	6,003
Office equipment	1,663	854	809	–	–	–	(109)	–	–	–	1,663	963	700
Furniture and fittings	152	118	34	–	–	–	(8)	–	–	–	152	126	26
<b>Land:</b>													
– Operational land	1,773	–	1,773	–	–	–	–	–	(65)	–	1,708	–	1,708
– Community land	3,256	–	3,256	–	–	–	–	–	–	–	3,256	–	3,256
Land improvements – non-depreciable	1,013	–	1,013	–	–	–	–	–	–	–	1,013	–	1,013
Land improvements – depreciable	1,473	512	961	–	–	–	(77)	–	–	–	1,473	589	884
<b>Infrastructure:</b>													
– Buildings – non-specialised	25,162	7,853	17,309	–	2,489	–	(276)	–	–	–	27,505	8,129	19,376
– Other structures	1,709	609	1,100	–	214	–	(51)	–	–	–	1,923	658	1,265
– Roads	213,828	22,788	191,040	2,489	–	–	(3,011)	(5,731)	869	–	216,634	31,530	185,104
– Bridges	16,890	1,646	15,244	–	–	–	(61)	–	–	–	16,890	1,707	15,183
– Footpaths	4,658	1,234	3,424	11	–	–	(89)	–	–	–	4,669	1,323	3,346
– Bulk earthworks (non-depreciable)	78,933	–	78,933	–	–	–	–	–	–	–	78,933	–	78,933
– Stormwater drainage	21,852	2,750	19,102	23	–	–	(114)	–	–	–	21,875	2,864	19,011
– Sewerage network	23,171	12,768	10,403	–	–	–	(313)	–	64	5,122	23,085	7,809	15,276
– Swimming pools	2,561	556	2,005	–	–	–	(65)	–	–	–	2,561	621	1,940
– Other open space/recreational assets	6,753	1,677	5,076	10	–	–	(192)	–	–	–	6,763	1,869	4,894
– Other infrastructure	11,080	6,168	4,912	–	–	–	(182)	–	–	–	11,080	6,350	4,730
<b>Other assets:</b>													
– Library books	517	334	183	–	–	–	(25)	–	–	–	517	359	158
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>													
– Tip assets	3	1	2	–	–	–	–	–	–	–	3	1	2
– Gravel Pits	2,030	1,160	870	–	–	–	(97)	–	–	–	2,031	1,257	774
– Sewer treatment facilities	106	43	63	–	–	–	(3)	–	–	–	106	46	60
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>431,507</b>	<b>67,605</b>	<b>363,902</b>	<b>2,533</b>	<b>4,751</b>	<b>(360)</b>	<b>(5,262)</b>	<b>(5,731)</b>	<b>–</b>	<b>5,122</b>	<b>437,107</b>	<b>72,847</b>	<b>364,260</b>

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.

## Bland Shire Council

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

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Sewerage services</b>						
Plant and equipment	62	5	57	62	5	57
Office equipment	2	–	2	2	–	2
Land						
– Operational land	249	–	249	249	–	249
– Improvements – depreciable	52	10	42	52	10	42
Buildings	322	66	256	322	66	256
Infrastructure	106	46	60	106	39	67
Sewerage Network	22,990	7,714	15,276	23,043	12,579	10,464
<b>Total sewerage services</b>	<b>23,783</b>	<b>7,841</b>	<b>15,942</b>	<b>23,836</b>	<b>12,699</b>	<b>11,137</b>
<b>Domestic waste management</b>						
Land						
– Operational land	449	–	449	449	–	449
– Community land	24	–	24	24	–	24
Buildings	214	54	160	211	54	157
Other structures	603	163	440	624	153	471
<b>Total DWM</b>	<b>1,290</b>	<b>217</b>	<b>1,073</b>	<b>1,308</b>	<b>207</b>	<b>1,101</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>25,073</b>	<b>8,058</b>	<b>17,015</b>	<b>25,144</b>	<b>12,906</b>	<b>12,238</b>

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

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

## Bland 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
<b>Payables</b>					
Goods and services – operating expenditure		368	–	637	–
Accrued expenses:					
– Borrowings		15	–	15	–
– Salaries and wages		149	–	110	–
Security bonds, deposits and retentions		5	–	5	–
Other		36	–	–	–
<b>Total payables</b>		<b>573</b>	<b>–</b>	<b>767</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		139	–	121	–
<b>Total income received in advance</b>		<b>139</b>	<b>–</b>	<b>121</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		100	1,225	100	1,325
Chattel mortgage		74	82	70	131
<b>Total borrowings</b>		<b>174</b>	<b>1,307</b>	<b>170</b>	<b>1,456</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		816	–	775	–
Long service leave		2,009	42	2,020	62
Other leave		14	–	14	–
Sub-total – aggregate employee benefits		<b>2,839</b>	<b>42</b>	<b>2,809</b>	<b>62</b>
Asset remediation/restoration (future works)	26	–	4,203	–	3,986
<b>Total provisions</b>		<b>2,839</b>	<b>4,245</b>	<b>2,809</b>	<b>4,048</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>3,725</b>	<b>5,552</b>	<b>3,867</b>	<b>5,504</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Sewer		163	–	155	–
Liabilities relating to externally restricted assets		163	–	155	–
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>163</b>	<b>–</b>	<b>155</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>3,562</b>	<b>5,552</b>	<b>3,712</b>	<b>5,504</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>3,725</b>	<b>5,552</b>	<b>3,867</b>	<b>5,504</b>

<sup>1</sup> 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.

## Bland 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	1,804	1,820
	<u>1,804</u>	<u>1,820</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	3,986	217	–	–	–	4,203
<b>TOTAL</b>	<b>3,986</b>	<b>217</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,203</b>

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



## Bland 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
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	8,567	2,113
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>8,567</b>	<b>2,113</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>10,157</b>	<b>5,189</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,262	5,206
Net losses/(gains) on disposal of assets		(111)	(288)
Unwinding of discount rates on reinstatement provisions		216	205
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(302)	(160)
Increase/(decrease) in provision for doubtful debts		62	–
Decrease/(increase) in inventories		(64)	201
Decrease/(increase) in other assets		(120)	–
Increase/(decrease) in payables		(269)	(78)
Increase/(decrease) in accrued interest payable		–	(11)
Increase/(decrease) in other accrued expenses payable		39	(54)
Increase/(decrease) in other liabilities		54	11
Increase/(decrease) in employee leave entitlements		10	(48)
Increase/(decrease) in other provisions		1	(1)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,935</b>	<b>10,172</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		350	350
Credit cards/purchase cards		61	61
<b>Total financing arrangements</b>		<b>411</b>	<b>411</b>

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.

## Bland 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
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		88	1,696
Road construction		970	350
Other infrastructure		22	113
<b>Total commitments</b>		<b>1,080</b>	<b>2,159</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,080	–
Later than one year and not later than 5 years		–	2,159
<b>Total payable</b>		<b>1,080</b>	<b>2,159</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		710	433
Externally restricted reserves		370	30
Internally restricted reserves		–	1,696
<b>Total sources of funding</b>		<b>1,080</b>	<b>2,159</b>

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

Nil

#### (d) Investment property commitments

Nil

## Bland 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	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>8,553</u>	<b>30.73%</b>	15.05%	-6.71%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>27,833</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>11,085</u>	<b>37.80%</b>	43.79%	47.64%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>29,326</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>25,247</u>	<b>14.36x</b>	9.10x	6.95x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>1,758</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>14,106</u>	<b>32.35x</b>	19.85x	10.30x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>436</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>595</u>	<b>6.60%</b>	7.43%	7.31%	< 5%
Rates, annual and extra charges collectible	<u>9,013</u>				Metro <10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>26,803</u>	<b>20.88</b>			
Payments from cash flow of operating and financing activities	<u>1,284</u>	<b>mths</b>	14.9 mths	12.1 mths	> 3 mths
	x12				

## 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.

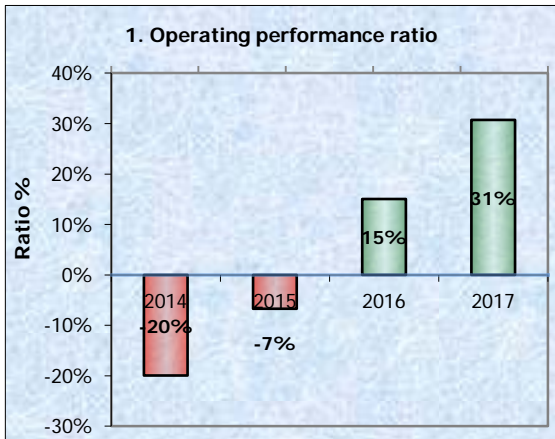
(3) Refer to Note 10(a).

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

# Bland 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**

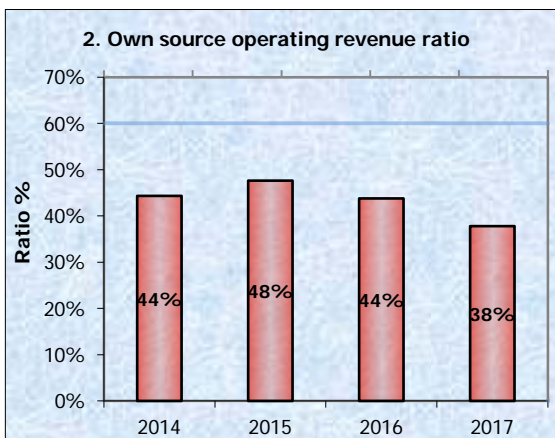
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**2016/17 ratio 30.73%**

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**

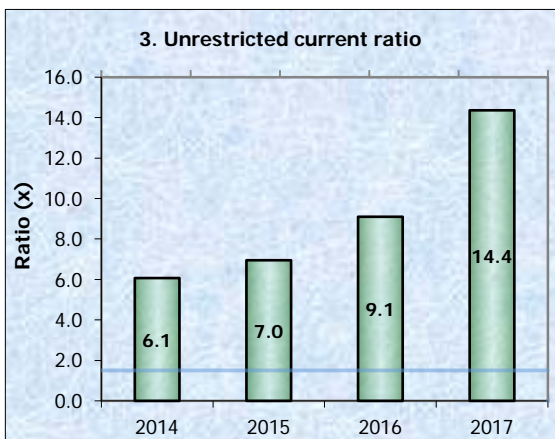
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**2016/17 ratio 37.80%**

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.

**2016/17 ratio 14.36x**

Benchmark: Minimum  $\geq 1.50$

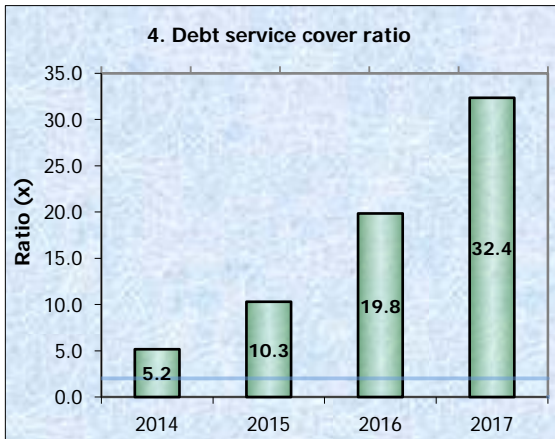
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

# Bland 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**

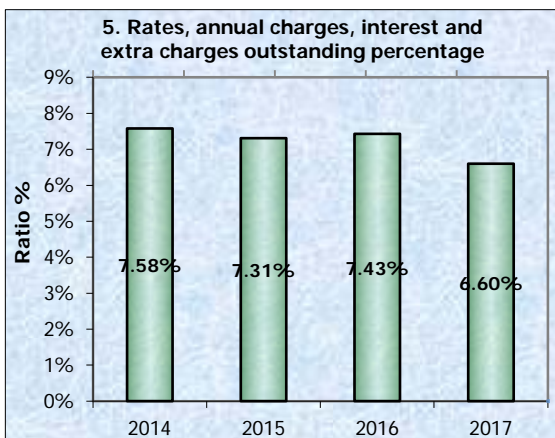
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

**2016/17 ratio 32.35x**

Benchmark: Minimum  $\geq 2.00$

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

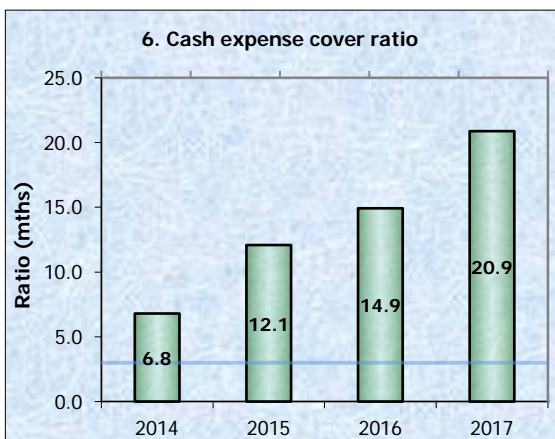
Ratio achieves benchmark  
 Ratio is outside benchmark



**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.

**2016/17 ratio 6.60%**



**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.

**2016/17 ratio 20.88 mths**

Benchmark: Minimum  $\geq 3.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Bland 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 <sup>5</sup>		Sewer indicators		Benchmark
	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>32.38%</b>	14.48%	<b>-0.14%</b>	24.28%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>34.66%</b>	40.64%	<b>100.00%</b>	98.45%	>60.00%
Total continuing operating revenue <sup>(1)</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>5.29x</b>	3.21x	<b>122.26x</b>	99.04x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>					

#### Notes

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

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

## Bland 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 <sup>5</sup>		Sewer indicators		Benchmark
	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>					
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>31.59x</b>	18.56x	<b>0.00x</b>	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>7.60%</b>	8.50%	<b>0.83%</b>	0.88%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>18.49</b>	12.58	<b>0.00</b>	0.00	> 3 months
Payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	

## Notes

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

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

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	8,567	2,113	8,567	2,113
Investments				
– 'Held to maturity'	18,236	16,200	18,236	16,200
Receivables	1,395	1,155	1,395	1,155
<b>Total financial assets</b>	<b>28,198</b>	<b>19,468</b>	<b>28,198</b>	<b>19,468</b>
<b>Financial liabilities</b>				
Payables	573	767	573	767
Loans/advances	1,481	1,626	1,481	1,626
<b>Total financial liabilities</b>	<b>2,054</b>	<b>2,393</b>	<b>2,054</b>	<b>2,393</b>

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.



## Bland 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
<b>2017</b>				
Possible impact of a 1% movement in interest rates	226	226	226	226
<b>2016</b>				
Possible impact of a 1% movement in interest rates	163	163	(163)	(163)

## Bland 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	2017	2016	2016
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		0%	74%	0%	74%
Overdue		100%	26%	100%	26%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	766	–	551
< 1 year overdue	0 – 30 days overdue	344	–	359	–
1 – 2 years overdue	31 – 60 days overdue	107	–	96	–
2 – 5 years overdue	61 – 90 days overdue	82	111	80	48
> 5 years overdue	> 91 days overdue	85	–	59	–
		<b>618</b>	<b>877</b>	<b>594</b>	<b>599</b>
<b>(iii) Movement in provision for impairment of receivables</b>				2017	2016
Balance at the beginning of the year				38	38
+ new provisions recognised during the year				62	–
<b>Balance at the end of the year</b>				<b>100</b>	<b>38</b>

## Bland 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		
<b>2017</b>									
Trade/other payables	5	568	–	–	–	–	–	573	573
Loans and advances	–	237	199	193	141	141	698	1,609	1,481
<b>Total financial liabilities</b>	<b>5</b>	<b>805</b>	<b>199</b>	<b>193</b>	<b>141</b>	<b>141</b>	<b>698</b>	<b>2,182</b>	<b>2,054</b>
<b>2016</b>									
Trade/other payables	5	762	–	–	–	–	–	767	767
Loans and advances	–	241	237	199	193	141	839	1,850	1,626
<b>Total financial liabilities</b>	<b>5</b>	<b>1,003</b>	<b>237</b>	<b>199</b>	<b>193</b>	<b>141</b>	<b>839</b>	<b>2,617</b>	<b>2,393</b>

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	573	0.00%	767	0.00%
Loans and advances – fixed interest rate	1,481	4.20%	1,626	4.20%
	<u>2,054</u>		<u>2,393</u>	

## Bland 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 20 June 2017.

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* -----		
<b>REVENUES</b>					
Rates and annual charges	8,344	8,313	(31)	(0%)	<b>U</b>
User charges and fees	1,232	1,244	12	1%	<b>F</b>
Interest and investment revenue	277	1,189	912	329%	<b>F</b>
Recoup of CDO dividend netted an additional \$545k. Funds invested was \$8M more than expected resulting in higher interest return					
Other revenues	187	339	152	81%	<b>F</b>
Unbudgeted extra income received Including Paid Parental leave, \$33k, Insurance refunds extra \$40k Extra WHS Incentives \$27k, Extra Fuel rebate of \$20k and Vacant council land leased \$14k In total this equates to an extra \$135k in other revenues					
Operating grants and contributions	12,998	16,748	3,750	29%	<b>F</b>
Received Federal Assistance Grants in advance of \$3.8M					
Capital grants and contributions	984	1,493	509	52%	<b>F</b>
\$378k Grant received from Transport NSW for Fixing Country Roads Project Extra \$105k received for Regional Roads Program					
Net gains from disposal of assets	380	111	(269)	(71%)	<b>U</b>
Sales of Land did not happen in 2016-17 and meant \$85k not received in sales. Plant & Equipment trades and sales did not produce the values expected resulting in a shortfall of around \$185k					

## Bland 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* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>6,434</b>	<b>6,352</b>	<b>82</b>	1%	<b>F</b>
<b>Borrowing costs</b>	<b>184</b>	<b>291</b>	<b>(107)</b>	(58%)	<b>U</b>
Amortised costs for Gravel was understated for in 2016-17.					
<b>Materials and contracts</b>	<b>5,734</b>	<b>5,386</b>	<b>348</b>	6%	<b>F</b>
<b>Depreciation and amortisation</b>	<b>6,446</b>	<b>5,262</b>	<b>1,184</b>	18%	<b>F</b>
Adjustments were done to assets to include residual values for Plant which are turned over every 2-3 years. This resulted in a reduction in Plant depreciation expense of \$805k. Revaluations and renewals accounted for some \$300k in depreciation reductions					
<b>Other expenses</b>	<b>2,130</b>	<b>1,989</b>	<b>141</b>	7%	<b>F</b>

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

<b>Cash flows from operating activities</b>	<b>9,732</b>	<b>14,935</b>	<b>5,203</b>	53.5%	<b>F</b>
Advance FAG of \$3.8M. Flood Damage grant of \$1M. Fixing Country roads Program of \$377k					
<b>Cash flows from investing activities</b>	<b>(5,360)</b>	<b>(8,336)</b>	<b>(2,976)</b>	55.5%	<b>U</b>
Investment securities increased due to unbudgeted advance FAG Payments and flood damage					
<b>Cash flows from financing activities</b>	<b>(165)</b>	<b>(145)</b>	<b>20</b>	(12.1%)	<b>F</b>
Overestimated in Budget preparation of Loan Repayment					

## Bland 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	3	–	–	–	–	–	3	–
Roads	3	–	–	–	–	–	3	–
Parking	7	–	–	–	–	–	7	–
Open space	1	–	–	–	–	–	1	–
Community facilities	78	3	–	–	–	–	81	–
Other	3	–	–	–	–	–	3	–
<b>S94 contributions – under a plan</b>	<b>95</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>98</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>95</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>98</b>	<b>–</b>
S64 contributions	24	3	–	–	–	–	27	–
<b>Total contributions</b>	<b>119</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>125</b>	<b>–</b>

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER XX

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	3	–	–	–	–	–	3	–
Roads	3	–	–	–	–	–	3	–
Parking	7	–	–	–	–	–	7	–
Open space	1	–	–	–	–	–	1	–
Community facilities	78	3	–	–	–	–	81	–
Other	3	–	–	–	–	–	3	–
<b>Total</b>	<b>95</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>98</b>	<b>–</b>

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

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

###### (ii) Statewide Limited

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

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

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

###### (iii) StateCover Limited

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

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

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

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

###### (iv) Other guarantees

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



## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

##### (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.

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

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.

##### (ii) Infringement notices/fines

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

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

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

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

#### Note 19. Interests in other entities

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

## Bland 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
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		124,420	119,231
a. Net operating result for the year		10,157	5,189
<b>Balance at end of the reporting period</b>		<b>134,577</b>	<b>124,420</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		249,782	250,391
<b>Total</b>		<b>249,782</b>	<b>250,391</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		250,391	252,296
– Revaluations for the year	9(a)	5,122	(1,905)
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(5,731)	–
<b>– Balance at end of year</b>		<b>249,782</b>	<b>250,391</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>249,782</b>	<b>250,391</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

**(d) Voluntary changes in accounting policies**

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

## Bland 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
	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Continuing operations</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	1,329	6,984
User charges and fees	69	1,175
Interest and investment revenue	11	1,178
Other revenues	–	339
Grants and contributions provided for operating purposes	–	16,748
Grants and contributions provided for capital purposes	–	1,493
<b>Other income</b>		
Net gains from disposal of assets	–	111
Share of interests in joint ventures and associates using the equity method	–	–
<b>Total income from continuing operations</b>	<b>1,409</b>	<b>28,028</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	–	6,352
Borrowing costs	–	291
Materials and contracts	1,076	4,310
Depreciation and amortisation	335	4,927
Impairment	–	–
Other expenses	–	1,989
<b>Total expenses from continuing operations</b>	<b>1,411</b>	<b>17,869</b>
<b>Operating result from continuing operations</b>	<b>(2)</b>	<b>10,159</b>
<b>Discontinued operations</b>		
Net profit/(loss) from discontinued operations	–	–
<b>Net operating result for the year</b>	<b>(2)</b>	<b>10,159</b>
<b>Net operating result attributable to each council fund</b>	<b>(2)</b>	<b>10,159</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(2)</b>	<b>8,666</b>

<sup>1</sup> General fund refers to all Council's activities other than Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

## Bland 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
<b>ASSETS</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>		
Cash and cash equivalents	3,071	5,496
Investments	1,308	13,892
Receivables	93	1,156
Inventories	–	860
Other	–	120
<b>Total current assets</b>	<b>4,472</b>	<b>21,524</b>
<b>Non-current assets</b>		
Investments	–	3,036
Receivables	–	146
Inventories	–	–
Infrastructure, property, plant and equipment	15,942	348,318
Investments accounted for using the equity method	–	–
Investment property	–	–
Other	–	198
<b>Total non-current assets</b>	<b>15,942</b>	<b>351,698</b>
<b>TOTAL ASSETS</b>	<b>20,414</b>	<b>373,222</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	573
Income received in advance	–	139
Borrowings	–	174
Provisions	163	2,676
<b>Total current liabilities</b>	<b>163</b>	<b>3,562</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	1,307
Provisions	–	4,245
<b>Total non-current liabilities</b>	<b>–</b>	<b>5,552</b>
<b>TOTAL LIABILITIES</b>	<b>163</b>	<b>9,114</b>
<b>Net assets</b>	<b>20,251</b>	<b>364,108</b>
<b>EQUITY</b>		
Retained earnings	14,065	120,512
Revaluation reserves	6,186	243,596
<b>Total equity</b>	<b>20,251</b>	<b>364,108</b>

<sup>1</sup> General Fund refers to all Council's activities other than Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## Bland 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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 28/02/18.

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

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

#### Note 25. Intangible assets

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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.

## Bland 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
West wyalong tip	2030	5	5
Gravel pits	2025	4,034	3,826
Sewer treatment facilities	2039	164	155
<b>Balance at end of the reporting period</b>		10(a) <u><b>4,203</b></u>	<u><b>3,986</b></u>

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	3,987	3,782
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	216	205
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<u><b>4,203</b></u>	<u><b>3,987</b></u>

## Bland Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held to maturity'	30/06/17	–	18,236	–	18,236
<b>Total financial assets</b>		<b>–</b>	<b>18,236</b>	<b>–</b>	<b>18,236</b>
<b>Financial liabilities</b>					
Loans/advances	30/06/17	–	1,481	–	1,481
Payables	30/06/17	–	573	–	573
<b>Total financial liabilities</b>		<b>–</b>	<b>2,054</b>	<b>–</b>	<b>2,054</b>

## Bland 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)

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	6,003	–	6,003
Office equipment	30/06/17	–	700	–	700
Furniture and fittings	30/06/17	–	26	–	26
Operational land	30/06/17	–	1,708	–	1,708
Community land	30/06/17	–	3,256	–	3,256
Land improvement – non-depreciable	30/06/17	–	–	1,013	1,013
Land improvement – depreciable	30/06/17	–	–	884	884
Buildings	30/06/17	–	–	19,376	19,376
Other structure	30/06/17	–	–	9,788	9,788
Roads – surface	30/06/17	–	–	86,661	86,661
Roads – pavement	30/06/17	–	–	103,510	103,510
Street lights	30/06/17	–	–	105	105
Aerodrome	30/06/17	–	–	3,040	3,040
Bridges	30/06/17	–	–	15,183	15,183
Traffic facilities	30/06/17	–	–	553	553
Footpath	30/06/17	–	–	3,346	3,346
Road – formation	30/06/17	–	–	78,933	78,933
Stormwater	30/06/17	–	–	19,011	19,011
Kerb and gutter	30/06/17	–	–	6	6
Sewer	30/06/17	–	–	15,276	15,276
Library	30/06/17	–	–	158	158
Work in progress	30/06/17	–	–	618	618
Gravel restoration asset	30/06/17	–	–	774	774
Sewer restoration asset	30/06/17	–	–	60	60
Tip restoration asset	330/6/17	–	–	2	2
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>11,693</b>	<b>358,297</b>	<b>369,990</b>
<b>2016</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– ‘Held to maturity’	30/06/16	–	16,200	–	16,200
<b>Total financial assets</b>		<b>–</b>	<b>16,200</b>	<b>–</b>	<b>16,200</b>
<b>Financial liabilities</b>					
Loans/advances	30/06/16	–	1,649	–	1,649
Payables	30/06/16	–	888	–	888
<b>Total financial liabilities</b>		<b>–</b>	<b>2,537</b>	<b>–</b>	<b>2,537</b>



## Bland 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	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/16	–	5,522	–	5,522
Office equipment	30/06/16	–	809	–	809
Furniture and fittings	30/06/16	–	34	–	34
Operational land	30/06/16	–	1,773	–	1,773
Community land	30/06/16	–	3,256	–	3,256
Land improvement – non-depreciable	30/06/16	–	–	1,013	1,013
Land improvement – depreciable	30/06/16	–	–	961	961
Buildings	30/06/16	–	–	17,309	17,309
Other structure	30/06/16	–	–	9,990	9,990
Roads – surface	30/06/16	–	–	86,754	86,754
Roads – pavement	30/06/16	–	–	103,621	103,621
Street lights	30/06/16	–	–	105	105
Aerodrome	30/06/16	–	–	3,103	3,103
Bridges	30/06/16	–	–	15,244	15,244
Traffic facilities	30/06/16	–	–	554	554
Footpath	30/06/16	–	–	3,424	3,424
Road – formation	30/06/16	–	–	78,933	78,933
Stormwater	30/06/16	–	–	19,102	19,102
Kerb and gutter	30/06/16	–	–	6	6
Sewer	30/06/16	–	–	10,403	10,403
Library	30/06/16	–	–	183	183
Work in progress	30/06/16	–	–	868	868
Gravel restoration asset	30/06/16	–	–	870	870
Sewer restoration asset	30/06/16	–	–	63	63
Tip restoration asset	30/06/16	–	–	2	2
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>11,394</b>	<b>352,508</b>	<b>363,902</b>

## (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.

## Bland 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:

##### **Financial assets**

Financial Assets are Cash and Cash Equivalents and Investments. The most significant inputs are face value of the investments and effective interest rate. These are pre determined at the time of investment (initial recognition) and subsequently measured at amortised cost using effective interest rate method less any impairment.

##### **Financial liabilities**

Financial Liabilities are Accounts payable, Loan and Chattel Mortgage. The most significant inputs are value of the Loan and Chattel Mortgage and effective interest rate. These are pre determined at the time the loan and Chattel mortgage obtained and interest expenses as at 30 June 2015 is accrued.

Accounts payable is recognised the cost of payable. The Council doesn't have any overdue payable at the balance sheet date.

#### **Infrastructure, property, plant and equipment (IPP&E)**

##### **Level 2 Inputs**

##### **Plant and Equipment**

Plant and Equipment have a secondary market based on its condition and age, which is captured by the depreciation council account for and the WDV reflect the expected price to sell on secondary market with little variance. So the plant and equipment are classified as level 2 input category.

##### **Office Equipment, Furniture and Fittings and Library**

Office Equipment and Furniture have a secondary market based on its condition and age, which is captured by the depreciation council account for and the WDV reflect the actual price it could be sold in the secondary market. So the plant and equipment are classified as level 2 input categories.

##### **Operational and Community Land**

Level 2 valuation inputs were used to value land. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

##### **Buildings (Residential Properties)**

Residential properties fair value has been derived from sales prices of comparable properties after adjusting for property size. The most significant inputs into this valuation approach are price per square metre.

## Bland 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 (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

##### Level 3 Inputs

##### Land improvements- Depreciable and non depreciable

Land improvements are valued at current replacement cost. Since there are no active market and the factors cannot be observed these are classified as level 3 input categories. The input factors further discussed in note 27(4) b

##### Buildings

Buildings are valued by external valuers based on level 3 input factors. The unit rates based on square meter supported from market evidence. However the significant inputs are unobservable such as estimated residual value, useful life, pattern of consumption and asset condition.

##### Other Structure

Other structures are valued by external valuers based on level 3 input factors. The significant inputs are unobservable such as useful life, pattern of consumption and asset condition.

##### Roads and Aerodrome (Surface and Pavements)

Roads and Aerodrome are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

##### Other Traffic Facilities

Other Traffic Facilities are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

##### Earthwork (Roads and Aerodrome -Formation)

Earthwork externally valued using Current Replacement cost approach. These were valued based on the cost to build the road at the time of valuation.

##### Stormwater Assets (Pipes, pits and Kerb and Gutter)

Stormwater assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation.

## Bland 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 (continued)****Infrastructure, property, plant and equipment (IPP&E) (continued)****Sewer**

Sewer Network Assets are externally valued using Current Replacement cost approach. The level 3 inputs considered for valuing these assets are current cost of construction at the time of valuation to establish Gross replacement cost and useful life, estimated residual value, pattern of consumption and asset condition to arrive the accumulated depreciation. These were revalued by an external valuer as per the OLG schedule for valuations.

**Work in progress**

Capital works in progress were considered as level 3 input categories in line with the asset classes. The input will be cost.

**Restoration Assets**

Restoration Assets were based on the cost at the time of calculation and the discount rate, CPI at the year end to calculate the amortisation cost. So these become part of level 3 input factors.

**(4). Fair value measurements using significant unobservable inputs (level 3)****a. The following tables present the changes in level 3 fair value asset classes.**

	Land impro- -vement non depreciable	Land impro- -vement depreciable	Buildings	Other structure	<b>Total</b>
<b>Opening balance – 1/7/15</b>	1,013	1,045	17,525	970	20,553
Purchases (GBV)	–	–	70	176	246
Depreciation and impairment	–	(84)	(286)	(46)	(416)
<b>Closing balance – 30/6/16</b>	<b>1,013</b>	<b>961</b>	<b>17,309</b>	<b>1,100</b>	<b>20,383</b>
Transfers from/(to) another asset class	–	–	(146)	–	(146)
Purchases (GBV)	–	–	2,489	214	2,703
Depreciation and impairment	–	(77)	(276)	(50)	(403)
<b>Closing balance – 30/6/17</b>	<b>1,013</b>	<b>884</b>	<b>19,376</b>	<b>1,264</b>	<b>22,537</b>

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Roads- surface	Roads- pavement	Street lights	Aerodrome	<b>Total</b>
<b>Opening balance – 1/7/15</b>	86,300	103,487	112	3,136	193,035
Purchases (GBV)	3,272	223	–	–	3,495
Depreciation and impairment	(2,818)	(88)	(5)	(33)	(2,944)
<b>Closing balance – 30/6/16</b>	<b>86,754</b>	<b>103,622</b>	<b>107</b>	<b>3,103</b>	<b>193,586</b>
Purchases (GBV)	2,806	–	–	–	2,806
Depreciation and impairment	(2,909)	(88)	–	(30)	(3,027)
FV gains – other comprehensive income	–	–	(3)	–	(3)
<b>Closing balance – 30/6/17</b>	<b>86,651</b>	<b>103,534</b>	<b>104</b>	<b>3,073</b>	<b>193,362</b>

	Bridges	Traffic facilities	Footpath	Road- formation (earthwork)	<b>Total</b>
<b>Opening balance – 1/7/15</b>	15,306	568	3,514	78,929	98,317
Purchases (GBV)	–	–	–	4	4
Depreciation and impairment	(62)	(11)	(90)	–	(163)
<b>Closing balance – 30/6/16</b>	<b>15,244</b>	<b>557</b>	<b>3,424</b>	<b>78,933</b>	<b>98,158</b>
Purchases (GBV)	–	–	11	–	11
Depreciation and impairment	(61)	(11)	(89)	–	(161)
<b>Closing balance – 30/6/17</b>	<b>15,183</b>	<b>546</b>	<b>3,346</b>	<b>78,933</b>	<b>98,008</b>

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Stormwater pipes, pits and drain	Kerb and gutter	Sewer	Library	Total
<b>Opening balance – 1/7/15</b>	10,408	8,580	10,447	208	29,643
Transfers from/(to) another asset class	–	–	19	–	19
Purchases (GBV)	227	–	17	–	244
Depreciation and impairment	(72)	(41)	(234)	(25)	(372)
FV gains – other comprehensive income	–	–	154	–	154
<b>Closing balance – 30/6/16</b>	<b>10,563</b>	<b>8,539</b>	<b>10,403</b>	<b>183</b>	<b>29,688</b>
Purchases (GBV)	23	–	64	–	87
Depreciation and impairment	(73)	(41)	(313)	(25)	(452)
Revaluation Decrement to Equity	–	–	(559)	–	(559)
Revaluation Increments to Equity	–	–	5,681	–	5,681
<b>Closing balance – 30/6/17</b>	<b>10,513</b>	<b>8,498</b>	<b>15,276</b>	<b>158</b>	<b>34,445</b>
	WIP	Gravel restoration asset	Sewer restoration asset	Tip restoration asset	Total
<b>Opening balance – 1/7/15</b>	90	967	67	2	1,126
Transfers from/(to) another asset class	(30)	–	–	–	(30)
Purchases (GBV)	808	–	–	–	808
Depreciation and impairment	–	(97)	(4)	–	(101)
<b>Closing balance – 30/6/16</b>	<b>868</b>	<b>870</b>	<b>63</b>	<b>2</b>	<b>1,803</b>
Transfers from/(to) another asset class	(868)	–	–	–	(868)
Purchases (GBV)	618	–	–	–	618
Depreciation and impairment	–	(96)	(3)	–	(99)
<b>Closing balance – 30/6/17</b>	<b>618</b>	<b>774</b>	<b>60</b>	<b>2</b>	<b>1,454</b>
	Other infrastructure	Recreation asset	Swimming pool	Total	
<b>Opening balance – 1/7/15</b>	1,932	5,244	2,070	9,246	
Purchases (GBV)	27	–	–	27	
Disposals (WDV)	–	24	–	24	
Depreciation and impairment	(150)	(192)	(65)	(407)	
<b>Closing balance – 30/6/16</b>	<b>1,809</b>	<b>5,076</b>	<b>2,005</b>	<b>8,890</b>	
Purchases (GBV)	–	10	–	10	
Depreciation and impairment	(152)	(192)	(65)	(409)	
<b>Closing balance – 30/6/17</b>	<b>1,657</b>	<b>4,894</b>	<b>1,940</b>	<b>8,491</b>	

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Land improvement – non-depreciable	1,013	Written down current replacement cost	Gross replacement cost Asset condition
Land improvement – depreciable	884	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Buildings	19,376	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Other structure	9,755	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Roads – surface	86,651	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Roads – pavement	103,534	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Street lights	104	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Aerodrome	3,073	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Bridges	15,183	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Traffic facilities	546	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Footpath	3,346	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Road – formation	78,933	Current replacement cost	Gross replacement cost
Stormwater	10,513	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Kerb and gutter	8,498	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Sewer	15,276	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value Valuation done by Assetic to 30/6/17
Library	158	Written down current replacement cost	Gross replacement cost Useful life



## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.** (continued)

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E (continued)</b>			
Work in progress	618	Current replacement cost	Gross replacement cost
Gravel restoration asset	774	Written down current replacement cost	Restoration cost – historic Discount rate
Sewer restoration asset	60	Gross replacement cost	Restoration cost – historic Discount rate
Tip restoration asset	2	Written down current replacement cost	Restoration cost – historic Discount rate

**(5). Highest and best use**

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

## Bland Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 28. Related party disclosures

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 \$ '000
 

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**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
<b>Compensation:</b>	
Short-term benefits	669,154
Post-employment benefits	—
Other long-term benefits	—
Termination benefits	—
<b>Total</b>	<u><b>669,154</b></u>

## Bland 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.

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	Note	\$'000	(incl. loans and commitments) \$'000		\$'000	\$'000
Employee expenses relating to close family of KMP	1	81	–	Council Staff award	–	–
Supply of Electrical Services	2	14	–	30 day terms on Invoices	–	–

1 Employee was employed by Council under the relevant pay award on an arms length basis

2 Council utilised the services of contractor for electrical work based on submitted quote and availability to carry out the work when required where the total cost of electrical work done for council by various contractors totalled \$67K

## Bland Shire Council

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

#### Note 29. Council information and contact details

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**Principal place of business:**

6 Shire St  
West Wyalong NSW 2671

**Contact details**

**Mailing address:**

PO Box 21  
West Wyalong NSW 2671

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Telephone:** 02 6972 2266

**Facsimile:** 02 6972 2145

**Internet:** [www.blandshire.nsw.gov.au](http://www.blandshire.nsw.gov.au)

**Email:** [council@blandshire.nsw.gov.au](mailto:council@blandshire.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Will Marsh

**Elected members**

**MAYOR**

Tony Lord

**RESPONSIBLE ACCOUNTING OFFICER**

Christopher Karam

**Other information**

**ABN:** 13 251 814 087



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Bland Shire Council**

To the Councillors of the Bland Shire Council

## Opinion

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

In my opinion,

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

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

## Basis for Opinion

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

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

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

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

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

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

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

### **Other Matter**

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

### **The Councillors' Responsibility for the Financial Statements**

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

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://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.



Caroline Karakatsanis  
Director, Financial Audit Services

28 February 2018  
SYDNEY

Mr Tony Lord  
 Mayor  
 Bland Shire Council  
 PO Box 21  
 WEST WYALONG NSW 2671

Contact: Caroline Karakatsanis  
 Phone no: (02) 9275 7143  
 Our ref: D1803947/1694

28 February 2018

Dear Mayor

**Report on the Conduct of the Audit  
 for the 30 June 2017  
 Bland Shire Council**

I have audited the general purpose financial statements of the Bland 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**

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	8.3	8.1	2.0 ↑
<b>Grants and contributions revenue</b>	18.2	14.0	30.5 ↑
<b>Operating result for the year</b>	10.2	5.2	95.7 ↑
<b>Net operating result before capital amounts</b>	8.7	3.8	226.5 ↑



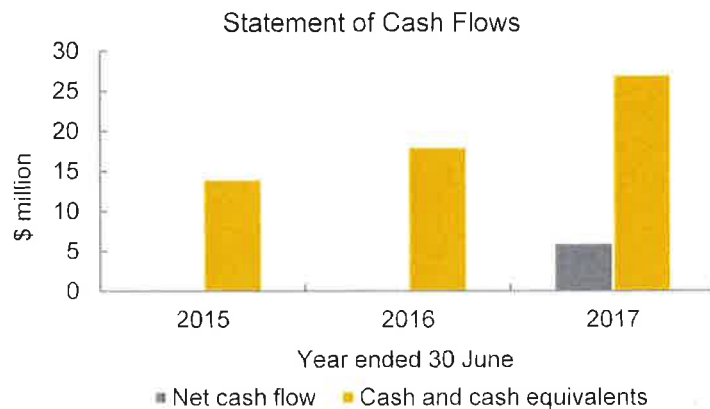
The operating result was impacted by:

- Operating grants and contributions were higher in 2017 by \$4.1 million which was mainly due to the advance payment of the Financial Assistance Grant for 2018, received in 2017 and additional flood restoration funding to repair flood and storm damaged roads from the previous wet winter.
- Materials and contracts were lower in 2017 by \$0.7 million primarily due to lower expenditure on raw materials and consumables compared to last year.

The operating surplus was generated from general fund, with Note 21 reporting a small loss in the Sewer fund.

## STATEMENT OF CASH FLOWS

The net cash inflow of \$6.5 million (inflow of \$0.4 million in 2016) was due to a \$4.8 million improvement in cash provided by operating activities which was mainly due to a \$4.2 million increase in grants and contributions receipts. This allowed Council to acquire \$6.6 million in IPP&E and make loan repayments of \$0.15 million.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	3.5	2.3	Externally restricted balances include unexpended specific purpose grants, water, sewer and domestic waste management.
Internal restrictions	10.5	8.2	Balances are internally restricted due to Council policy or decision for forward plans including works programs.
Unrestricted	12.8	7.8	Unrestricted balances provide liquidity for day to day operations.
Cash and investments	26.8	18.1	

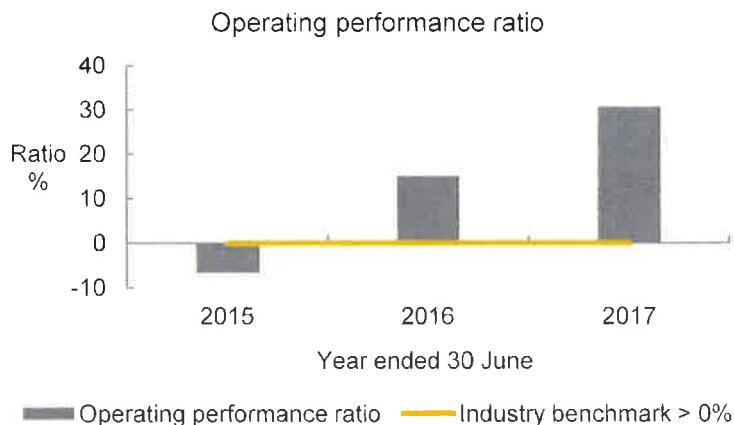
## PERFORMANCE RATIOS

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

## Operating performance ratio

The Council has achieved a strong ratio of 30.7 per cent which was assisted by receiving the 2018 financial assistance grant in advance.

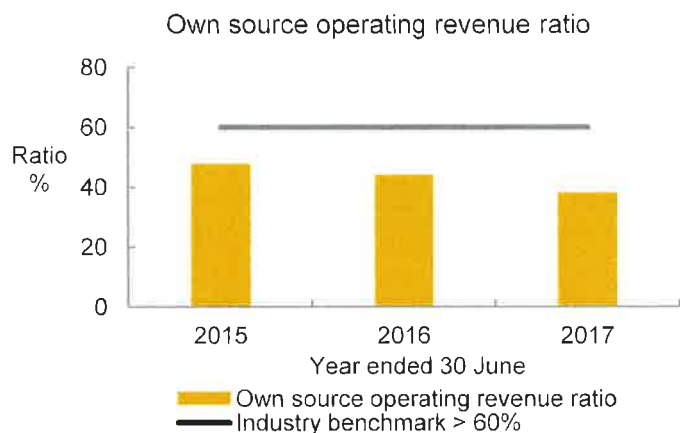
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



## Own source operating revenue ratio

Council has been below the benchmark for the past 3 years. This year the ratio has decreased due to an increase in grants and contributions which is mainly due to receiving the 2018 financial assistance grant in advance.

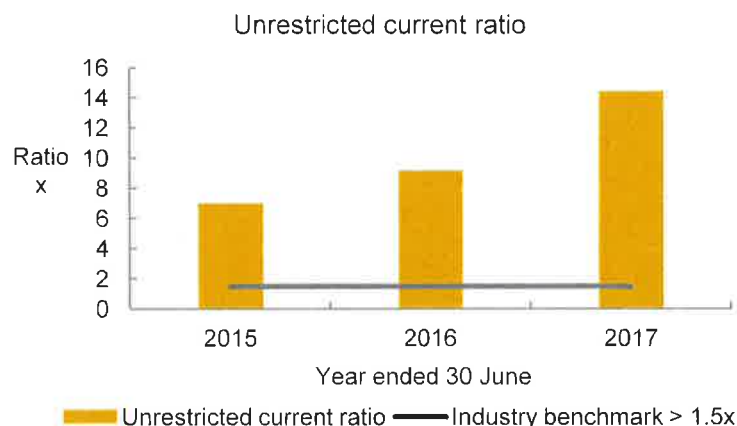
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

Council effectively manages its liquidity to consistently exceed the benchmark of 1.5 times.

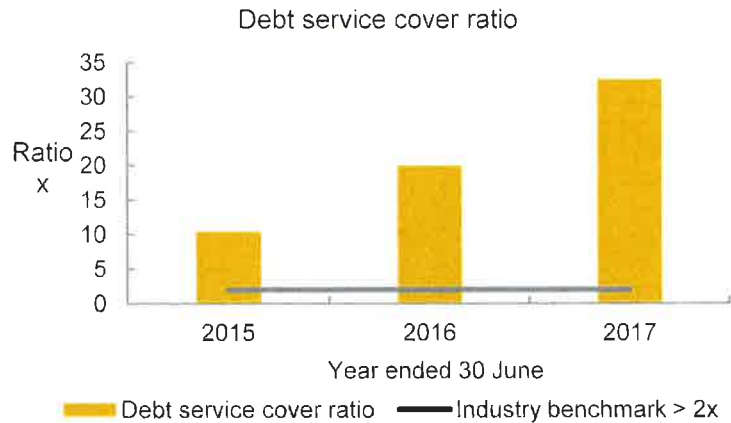
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

This ratio has improved over the past few years as Council continues to repay its existing loans and not draw down additional loan funds.

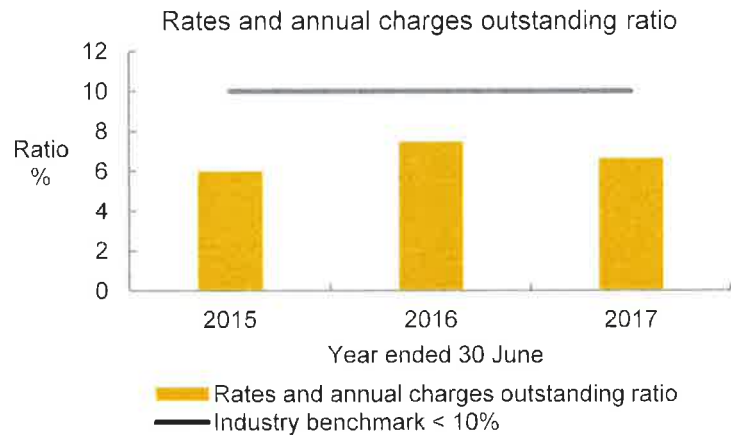
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding ratio

Council has consistently performed well with this ratio and continues to outperform the benchmark for rural Councils with an effective debt recovery program.

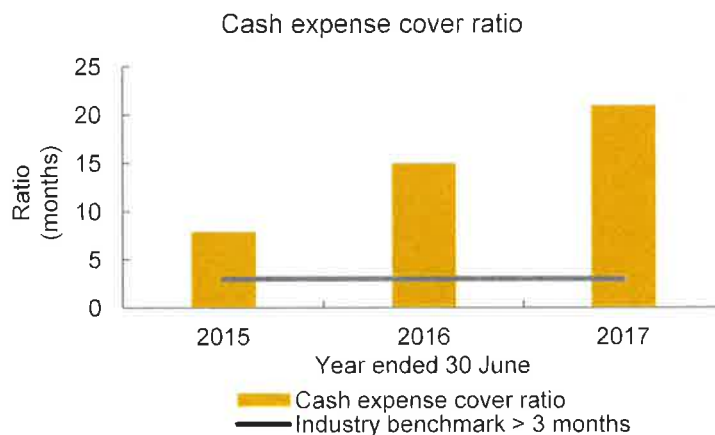
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



### Cash expense cover ratio

Council has a strong liquidity position which has continued to improve. Council comfortably exceeds the benchmark as it has done for many years.

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.

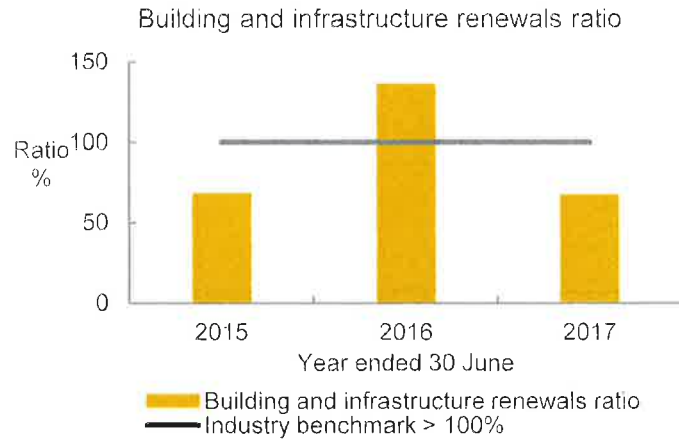


## Building and infrastructure renewals ratio

Council has exceeded the benchmark once in the past three years. Achieving this ratio is dependent on the management plan of Council to undertake renewal works.

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.



## OTHER MATTERS

### Council Entities

Council has no other entities that are reportable entities.

### 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.

Caroline Karakatsanis  
Director, Financial Audit Services

cc: Mr Ray Smith, General Manager  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Bland Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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***“Working with the people to  
improve our quality of life”***



## Bland Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

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<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	3
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	4
Statement of Financial Position – Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	5
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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).
-

## Bland 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 27 February 2018.**



Tony Lord  
Mayor



Jan Wyse  
Councillor



Will Marsh  
General manager



Christopher Karam  
Responsible accounting officer



## Bland Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,329	1,245
User charges	–	–
Liquid trade waste charges	66	70
Fees	3	5
Interest	11	13
Grants and contributions provided for non-capital purposes	–	22
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	–	–
<b>Total income from continuing operations</b>	<b>1,409</b>	<b>1,355</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	–	–
Borrowing costs	–	–
Materials and contracts	1,076	770
Depreciation, amortisation and impairment	335	256
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	–	–
<b>Total expenses from continuing operations</b>	<b>1,411</b>	<b>1,026</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(2)</b>	<b>329</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(2)</b>	<b>329</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(2)</b>	<b>329</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(99)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(2)</b>	<b>230</b>
<b>Plus opening retained profits</b>	<b>9,189</b>	<b>8,860</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	99
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>9,187</b>	<b>9,189</b>
<b>Return on capital %</b>	<b>0.0%</b>	<b>3.0%</b>
<b>Subsidy from Council</b>	<b>381</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(2)	230
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>230</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>115</b>

## Bland Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,071	2,880
Investments	1,308	1,308
Receivables	93	50
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>4,472</b>	<b>4,238</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	15,942	11,136
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>15,942</b>	<b>11,136</b>
<b>TOTAL ASSETS</b>	<b>20,414</b>	<b>15,374</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	163	–
<b>Total current liabilities</b>	<b>163</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	155
<b>Total non-current liabilities</b>	<b>–</b>	<b>155</b>
<b>TOTAL LIABILITIES</b>	<b>163</b>	<b>155</b>
<b>NET ASSETS</b>	<b>20,251</b>	<b>15,219</b>
<b>EQUITY</b>		
Retained earnings	14,065	14,396
Revaluation reserves	6,186	823
Other reserves	–	–
Council equity interest	20,251	15,219
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>20,251</b>	<b>15,219</b>

## Bland Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	9

## Bland Shire Council

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

#### Note 1. Significant accounting policies

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

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

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

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

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

#### National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

**Nil**

##### Category 2

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

##### a. Sewerage Services

*The operation of sewer reticulation and treatment schemes as West Wyalong, Ungarie and Barmedman.*

#### Monetary amounts

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

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

#### (i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-

## Bland Shire Council

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

#### Note 1. Significant accounting policies (continued)

nominated business activities and are reflected in Special Purpose Financial Statements.

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

#### Notional rate applied (%)

##### Corporate income tax rate – 30%

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

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

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

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

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

#### Income tax

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

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

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

provision equivalent to the corporate income tax rate, currently 30%..

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of

## Bland Shire Council

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

#### Note 1. Significant accounting policies (continued)

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.

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

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

#### (iv) Dividends

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

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

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

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

## Bland Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 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	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="5,832"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text"/>

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="–"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="58,320"/>
(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	<input type="text" value="495,000"/>

2017 Surplus	<input type="text" value="(2,000)"/>	2016 Surplus	<input type="text" value="230,300"/>	2015 Surplus	<input type="text" value="266,700"/>
		2016 Dividend	<input type="text" value="–"/>	2015 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="–"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	<input type="text"/>

**3. Required outcomes for 4 criteria**

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

(i)	Completion of strategic business plan (including financial plan)	<input type="text" value="NO"/>
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text" value="YES"/>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="NO"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="YES"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="NO"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="YES"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="NO"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

## Bland Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

---

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


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,398
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	15,276
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,076
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	64
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-0.08%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	1,398
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.00%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	64
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.08%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



## Bland Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-3.86%
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)		-
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)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	-

- 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

#### Bland Shire Council

To the Councillors of the Bland Shire Council

### Opinion

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

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 the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Matter**

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

## **The Councillors' Responsibility for the Financial Statements**

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

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- 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.



Caroline Karakatsanis  
Director, Financial Audit Services

28 February 2018  
SYDNEY

# Bland Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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***“Working with the people to  
improve our quality of life”***



# Bland Shire Council

## Special Schedules for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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### 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.

## Bland 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	
<b>Governance</b>	–	–	–	–
<b>Administration</b>	4,078	423	–	(3,655)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	374	202	–	(172)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	132	16	–	(116)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>506</b>	<b>218</b>	<b>–</b>	<b>(288)</b>
<b>Health</b>	–	6	–	6
<b>Environment</b>				
Noxious plants and insect/vermin control	274	83	–	(191)
Other environmental protection	492	39	–	(453)
Solid waste management	958	1,084	–	126
Street cleaning	18	–	–	(18)
Drainage	114	–	–	(114)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>1,856</b>	<b>1,206</b>	<b>–</b>	<b>(650)</b>
<b>Community services and education</b>				
Administration and education	311	69	–	(242)
Social protection (welfare)	78	72	–	(6)
Aged persons and disabled	276	385	–	109
Children's services	1,084	1,565	–	481
<b>Total community services and education</b>	<b>1,749</b>	<b>2,091</b>	<b>–</b>	<b>342</b>
<b>Housing and community amenities</b>				
Public cemeteries	108	141	–	33
Public conveniences	119	–	–	(119)
Street lighting	130	30	–	(100)
Town planning	69	4	3	(62)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>426</b>	<b>175</b>	<b>3</b>	<b>(248)</b>
<b>Water supplies</b>	–	–	–	–
<b>Sewerage services</b>	<b>1,435</b>	<b>1,395</b>	<b>3</b>	<b>(37)</b>

## Bland 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	
<b>Recreation and culture</b>				
Public libraries	307	45	–	(262)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	321	11	–	(310)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	501	19	21	(461)
Swimming pools	356	–	–	(356)
Parks and gardens (lakes)	572	52	–	(520)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>2,057</b>	<b>127</b>	<b>21</b>	<b>(1,909)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	3	105	–	102
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>3</b>	<b>105</b>	<b>–</b>	<b>102</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	366	118	–	(248)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,114	3,610	378	2,874
Sealed rural roads (SRR) – regional	1,125	336	1,088	299
Unsealed rural roads (URR) – local	2,674	–	–	(2,674)
Unsealed rural roads (URR) – regional	790	–	–	(790)
Bridges on UR – local	129	–	–	(129)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	23	3	–	(20)
Footpaths	22	–	–	(22)
Aerodromes	95	1	–	(94)
Other transport and communication	234	–	–	(234)
<b>Total transport and communication</b>	<b>6,572</b>	<b>4,068</b>	<b>1,466</b>	<b>(1,038)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	67	20	–	(47)
Other economic affairs	531	246	–	(285)
<b>Total economic affairs</b>	<b>598</b>	<b>266</b>	<b>–</b>	<b>(332)</b>
<b>Totals – functions</b>	<b>19,280</b>	<b>10,080</b>	<b>1,493</b>	<b>(7,707)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>17,864</b>		<b>17,864</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>19,280</b>	<b>27,944</b>	<b>1,493</b>	<b>10,157</b>

(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



## Bland 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
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	–	1,626	<b>1,626</b>	–	145	–	–	75	–	1,481	<b>1,481</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>–</b>	<b>1,626</b>	<b>1,626</b>	<b>–</b>	<b>145</b>	<b>–</b>	<b>–</b>	<b>75</b>	<b>–</b>	<b>1,481</b>	<b>1,481</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>–</b>	<b>1,626</b>	<b>1,626</b>	<b>–</b>	<b>145</b>	<b>–</b>	<b>–</b>	<b>75</b>	<b>–</b>	<b>1,481</b>	<b>1,481</b>

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).

## Bland 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
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	216	99
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	320	242
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	119	75
d. Energy costs	30	27
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	46	43
g. Chemical costs	–	–
h. Energy costs	12	14
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	333	269
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	335	256
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
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)	–	–
<b>5. Total expenses</b>	<b>1,411</b>	<b>1,025</b>

## Bland 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>Income</b>		
<b>6. Residential charges</b> (including rates)	1,329	1,245
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	3	5
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	66	70
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	11	13
<b>11. Other income</b>	–	–
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	–	21
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>1,409</u>	<u>1,354</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>(2)</u>	<u>329</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(2)	329

## Bland 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>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	64	81
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>64</b>	<b>81</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,556	1,549
b. Residential (unoccupied, ie. vacant lot)	113	118
c. Non-residential (occupied)	240	236
d. Non-residential (unoccupied, ie. vacant lot)	35	37
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 34,679	\$ 35,689

## Bland 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
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	782	–	782
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	11	–	11
c. User charges	–	–	–
d. Other	3,683	–	3,683
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	15,276	–	15,276
b. Plant and equipment	666	–	666
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>20,418</b>	<b>–</b>	<b>20,418</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	167	–	167
<b>36. Total liabilities</b>	<b>167</b>	<b>–</b>	<b>167</b>
<b>37. NET ASSETS COMMITTED</b>	<b>20,251</b>	<b>–</b>	<b>20,251</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			14,067
<b>39. Asset revaluation reserve</b>			6,184
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>20,251</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			23,085
<b>43. Accumulated current cost</b> depreciation of system assets			(7,809)
<b>44. Written down current cost</b> of system assets			<b>15,276</b>

## Bland Shire Council

### Notes to Special Schedule 5

for the year ended 30 June 2017

#### Administration <sup>(1)</sup>

(item 1a of Special Schedule 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 <sup>(1)</sup>

(item 1b of Special Schedule 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 Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedule 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 Schedule 5) includes all expenses not recorded elsewhere.

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

**Impairment losses** (item 4d and 4e of Special Schedule 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 Schedule 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 12a of Special Schedule 5 is for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's sewerage revenue.

**Residential charges** <sup>(2)</sup> (item 6 of Special Schedule 5) 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** <sup>(2)</sup> (items 7a, 7b of Special Schedule 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** (item 11 of Special Schedule 5) includes all income not recorded elsewhere.

**Other contributions** (item 13c of Special Schedule 5) including capital contributions for sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> 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 17 for sewerage, and not in items 1a and 1b).

<sup>(2)</sup> 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.

## Bland 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 <sup>a</sup>	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
<b>Buildings</b>	Buildings – non-specialised	389	389	463	147	19,376	27,505		33%	62%	5%	0%
	<b>Sub-total</b>	<b>389</b>	<b>389</b>	<b>463</b>	<b>147</b>	<b>19,376</b>	<b>27,505</b>	<b>0.0%</b>	<b>32.8%</b>	<b>62.2%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	–	–	1,265	1,923		100%			0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,265</b>	<b>1,923</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	1,103	1,103	361	659	41,890	47,554	40%	39%	14%	6%	2%
	Unsealed roads	3,922	3,922	1,284	2,342	148,945	169,080	40%	39%	14%	6%	2%
	Bridges	3,620	3,620	919	224	15,183	16,890	0%	0%	55%	10%	36%
	Footpaths	323	323	157	10	3,346	4,669	11%	13%	60%	17%	0%
	Bulk earthworks	–	–	–	–	78,933	78,933	100%				0%
	Other	–	–	–	–	(5,731)	–					
	<b>Sub-total</b>	<b>8,968</b>	<b>8,968</b>	<b>2,721</b>	<b>3,235</b>	<b>282,566</b>	<b>317,126</b>	<b>52.1%</b>	<b>26.9%</b>	<b>13.3%</b>	<b>4.7%</b>	<b>2.9%</b>
<b>Sewerage network</b>	Sewerage network	226	226	401	773	15,276	23,084	0%	16%	79%	4%	1%
	<b>Sub-total</b>	<b>226</b>	<b>226</b>	<b>401</b>	<b>773</b>	<b>15,276</b>	<b>23,084</b>	<b>0.0%</b>	<b>16.1%</b>	<b>79.4%</b>	<b>3.6%</b>	<b>0.9%</b>

## Bland 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 <sup>a</sup>	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	
<b>Stormwater drainage</b>	Stormwater drainage	–	–	–	–	19,011	21,875	70%	30%				0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,011</b>	<b>21,875</b>	<b>70.0%</b>	<b>30.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	556	556	43	43	1,940	2,561	16%	9%	57%	12%	6%	
	Other	3,701	3,701	1,062	842	4,894	6,763	16%	9%	57%	12%	6%	
	<b>Sub-total</b>	<b>4,257</b>	<b>4,257</b>	<b>1,105</b>	<b>885</b>	<b>6,834</b>	<b>9,324</b>	<b>16.2%</b>	<b>9.5%</b>	<b>56.8%</b>	<b>12.0%</b>	<b>5.5%</b>	
<b>Other infrastructure assets</b>	Other	26	26	50	377	4,730	11,080	44%	21%	34%	1%	0%	
	<b>Sub-total</b>	<b>26</b>	<b>26</b>	<b>50</b>	<b>377</b>	<b>4,730</b>	<b>11,080</b>	<b>43.9%</b>	<b>21.3%</b>	<b>33.9%</b>	<b>0.9%</b>	<b>0.1%</b>	
	<b>TOTAL – ALL ASSETS</b>	<b>13,866</b>	<b>13,866</b>	<b>4,740</b>	<b>5,417</b>	<b>349,058</b>	<b>411,917</b>	<b>45.4%</b>	<b>26.7%</b>	<b>21.0%</b>	<b>4.5%</b>	<b>2.4%</b>	

## Notes:

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

## Infrastructure asset condition assessment 'key'

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



## Bland 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
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>2,914</u>	<b>28.89%</b>	>= 100%	136.01%	67.82%
Depreciation, amortisation and impairment	<u>10,085</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>13,866</u>	<b>5.12%</b>	< 2%	2.68%	2.63%
Net carrying amount of infrastructure assets	<u>271,009</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>5,417</u>	<b>1.14</b>	> 1.00	1.49	0.88
Required asset maintenance	<u>4,740</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>13,866</u>	<b>3.37%</b>		0.00%	
Gross replacement cost	<u>411,917</u>				

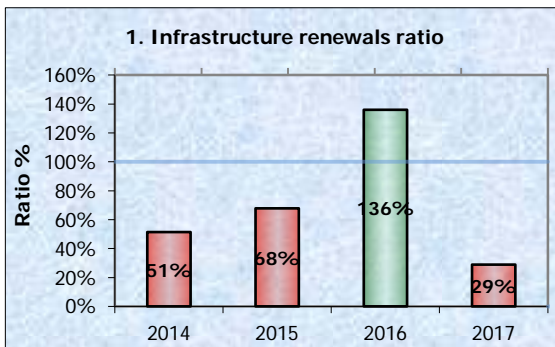
## Notes

\* 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.

# Bland Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



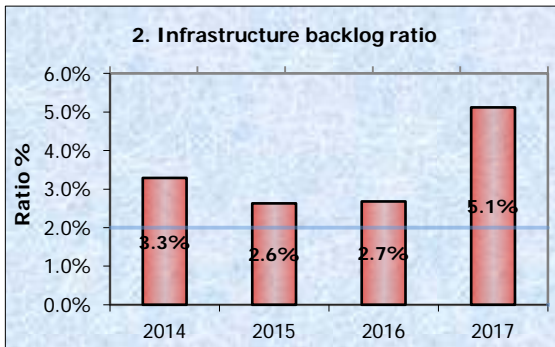
**Purpose of asset renewals ratio**

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

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>28.89%</b>

Benchmark: —— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



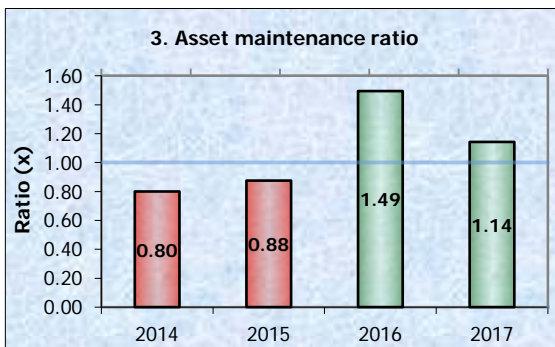
**Purpose of infrastructure backlog ratio**

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

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>5.12%</b>

Benchmark: —— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



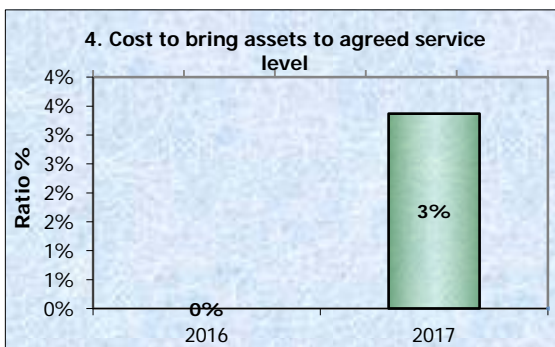
**Purpose of asset maintenance ratio**

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

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>1.14 x</b>

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.

Commentary on 2016/17 result	
<b>2016/17 Ratio</b>	<b>3.37%</b>

## Bland Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Benchmark	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
<u>Asset renewals <sup>(2)</sup></u>		<b>0.00%</b>	<b>29.82%</b>
Depreciation, amortisation and impairment	>= 100%		
	prior period:	0.00%	144.05%
<b>2. Infrastructure backlog ratio</b>			
<u>Estimated cost to bring assets to a satisfactory standard</u>		<b>1.48%</b>	<b>5.33%</b>
Net carrying amount of infrastructure assets	< 2%		
	prior period:	5.29%	2.57%
<b>3. Asset maintenance ratio</b>			
<u>Actual asset maintenance</u>		<b>1.93</b>	<b>1.07</b>
Required asset maintenance	> 1.00		
	prior period:	0.81	1.54
<b>4. Cost to bring assets to agreed service level</b>			
<u>Estimated cost to bring assets to an agreed service level set by Council</u>		<b>0.98%</b>	<b>3.51%</b>
Gross replacement cost			

## Notes

- (1) General fund refers to all of Council's activities except for its sewer activity which is 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.

## Bland Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	6,148	6,259
Plus or minus adjustments <sup>(2)</sup>	b	–	–
<b>Notional general income</b>	c = (a + b)	<b>6,148</b>	<b>6,259</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	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	111	94
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>6,259</b>	<b>6,353</b>
Plus (or minus) last year's carry forward total	l	1	1
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>1</b>
<b>Total permissible income</b>	o = k + n	<b>6,260</b>	<b>6,354</b>
Less notional general income yield	p	6,259	6,370
<b>Catch-up or (excess) result</b>	q = o – p	<b>1</b>	<b>(16)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>1</b>	<b>(16)</b>

**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

### Bland Shire Council

To the Councillors of Bland 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 Bland Shire Council (the Council) for the year ending 30 June 2018.

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Matter**

Special Schedule No. 8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 30 October 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of Special Schedule No. 8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](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.



Caroline Karakatsanis  
Director, Financial Audit Services

28 February 2018  
SYDNEY