

Bland Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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



Bland Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	73
– On the Conduct of the Audit (Sect 417 [3])	76

Overview

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

6-10 Shire Street
West Wyalong NSW 2371

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

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

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

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

Bland Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Bland Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

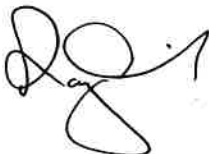
Signed in accordance with a resolution of Council made on 30th November 2018.



Brian Monaghan
Mayor
30th November 2018



Liz McGlynn
Councillor
30th November 2018



Raymond Smith
General Manager
30th November 2018



Christopher Karam
Responsible Accounting Officer
30th November 2018

Bland Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 2017
Income from continuing operations				
Revenue:				
8,507	Rates and annual charges	3a	8,604	8,313
1,320	User charges and fees	3b	1,440	1,244
290	Interest and investment revenue	3c	704	1,189
230	Other revenues	3d	412	339
10,017	Grants and contributions provided for operating purposes	3e,f	12,137	16,748
1,034	Grants and contributions provided for capital purposes	3e,f	1,664	1,493
Other income:				
374	Net gains from the disposal of assets		143	111
21,772	Total income from continuing operations		25,104	29,437
Expenses from continuing operations				
6,512	Employee benefits and on-costs	4a	6,573	6,352
179	Borrowing costs		293	291
5,037	Materials and contracts	4b	5,954	5,386
5,211	Depreciation and amortisation	4c	8,507	6,850
2,084	Other expenses	4d	2,214	1,989
19,023	Total expenses from continuing operations		23,541	20,868
2,749	Operating result from continuing operations		1,563	8,569
2,749	Net operating result for the year		1,563	8,569
1,715	Net operating result for the year before grants and contributions provided for capital purposes		(101)	7,076

Bland Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	Restated 2017
Net operating result for the year (as per Income Statement)		1,563	8,569
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	7	(16,609)	5,122
Impairment (loss) reversal relating to IPP&E	7	1,134	(5,731)
Total items which will not be reclassified subsequently to the operating result		(15,475)	(609)
Total other comprehensive income for the year		(15,475)	(609)
Total comprehensive income for the year		(13,912)	7,960

Bland Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	5a	3,551	8,567	2,113
Investments	5b	24,700	15,200	14,000
Receivables	6	1,387	1,249	863
Inventories		704	860	614
Other		102	120	–
Total current assets		30,444	25,996	17,590
Non-current assets				
Investments	5b	3,036	3,036	2,200
Receivables	6	108	146	292
Infrastructure, property, plant and equipment	7	330,911	348,789	350,019
Other		198	198	198
Total non-current assets		334,253	352,169	352,709
TOTAL ASSETS		364,697	378,165	370,299
LIABILITIES				
Current liabilities				
Payables	8	714	573	888
Income received in advance	8	303	139	–
Borrowings	8	147	174	170
Provisions	9	2,923	2,839	2,809
Total current liabilities		4,087	3,725	3,867
Non-current liabilities				
Payables	8	39	–	–
Borrowings	8	1,100	1,307	1,456
Provisions	9	4,495	4,245	4,048
Total non-current liabilities		5,634	5,552	5,504
TOTAL LIABILITIES		9,721	9,277	9,371
Net assets		354,976	368,888	360,928
EQUITY				
Accumulated surplus	10	134,552	132,989	124,420
Revaluation reserves	10	220,424	235,899	236,508
Total equity		354,976	368,888	360,928

Bland Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Restated Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		132,989	235,899	368,888	124,420	250,391	374,811
Correction of prior period errors	10 (b)	–	–	–	–	(13,883)	(13,883)
Restated opening balance		132,989	235,899	368,888	124,420	236,508	360,928
Restated net operating result for the year		1,563	–	1,563	8,569	–	8,569
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	7	–	(16,609)	(16,609)	–	5,122	5,122
– Impairment (loss) reversal relating to IPP&E	7	–	1,134	1,134	–	(5,731)	(5,731)
Other comprehensive income		–	(15,475)	(15,475)	–	(609)	(609)
Total comprehensive income (c&d)		1,563	(15,475)	(13,912)	8,569	(609)	7,960
Equity – balance at end of the reporting period		134,552	220,424	354,976	132,989	235,899	368,888

Bland Shire Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 2017
Cash flows from operating activities				
Receipts:				
8,507	Rates and annual charges		8,613	8,331
1,320	User charges and fees		1,681	812
290	Investment and interest revenue received		592	1,232
11,051	Grants and contributions		13,801	18,241
230	Other		338	1,577
Payments:				
(6,512)	Employee benefits and on-costs		(6,533)	(6,303)
(5,037)	Materials and contracts		(5,591)	(5,719)
(179)	Borrowing costs		(80)	(75)
(2,084)	Other		(2,157)	(3,161)
7,586	Net cash provided (or used in) operating activities	11b	10,664	14,935
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		39	34
–	Sale of infrastructure, property, plant and equipment		571	467
Payments:				
–	Purchase of investment securities		(9,500)	(2,036)
–	Purchase of infrastructure, property, plant and equipment		(6,546)	(6,589)
–	Purchase of real estate assets		(10)	(212)
–	Net cash provided (or used in) investing activities		(15,446)	(8,336)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
–	Repayment of borrowings and advances		(234)	(145)
–	Net cash flow provided (used in) financing activities		(234)	(145)
7,586	Net increase/(decrease) in cash and cash equivalents		(5,016)	6,454
–	Plus: cash and cash equivalents – beginning of year	11a	8,567	2,113
7,586	Cash and cash equivalents – end of the year	11a	3,551	8,567
Additional Information:				
	plus: Investments on hand – end of year	5b	27,736	18,236
	Total cash, cash equivalents and investments		31,287	26,803

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	15
4	Expenses from continuing operations	21
5(a)	Cash and cash equivalent assets	25
5(b)	Investments	26
5(c)	Restricted cash, cash equivalents and investments – details	27
6	Receivables	28
7	Infrastructure, property, plant and equipment	30
8	Payables and borrowings	33
9	Provisions	36
10	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	40
11	Statement of cash flows – additional information	43
12	Commitments for expenditure	43
13	Contingencies and other liabilities/assets not recognised	44
14	Financial risk management	46
15	Material budget variations	50
16	Fair value measurement	52
17	Related party transactions	62
18	Statement of developer contributions	64
19	Financial result and financial position by fund	66
20(a)	Statement of performance measures – consolidated results	68
20(b)	Statement of performance measures – by fund	69
	Additional council disclosures (unaudited)	
20(c)	Statement of performance measures – consolidated results (graphs)	71

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30/11/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 17 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 15 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 7,
- (ii) estimated tip remediation provisions – refer Note 9,
- (iii) employee benefit provisions – refer Note 9.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 6.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Sewerage service

(b) The Trust Fund

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

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

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.

Bland Shire Council

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

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

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

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	Restated 2017	2018	Restated 2017	2018	2017	2018	Restated 2017
Our People	2,120	2,170	2,372	2,192	(252)	(22)	1,787	1,790	–	3,608
Our Places	10,940	13,029	16,414	14,094	(5,474)	(1,065)	6,065	8,321	312,108	339,072
Our Leadership	11,799	13,932	3,475	3,376	8,324	10,556	4,537	6,375	–	35,100
Our Prosperity	245	306	1,280	1,206	(1,035)	(900)	84	136	33,779	385
Other	–	–	–	–	–	–	–	–	18,810	–
Total functions and activities	25,104	29,437	23,541	20,868	1,563	8,569	12,473	16,622	364,697	378,165

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Our People

Ensure health and support services address the needs of the community. Partner with organisations to strengthen community health and safety. Nurture a strong sense of community and enrich the cultural life of the residents. Ensure services are accessible for all residents.

Our Places

Work in partnership with key stakeholders to provide equitable access to Council's road infrastructure, services and facilities. Manage waste and recycling to improve the utilisation of existing resources, including exploring new technologies. Manage water and sewerage resources. Ensure that public places and facilities are well maintained and easily accessible. Develop, implement and monitor appropriate programs, plans and budgets for the effective and efficient management of Council's assets and infrastructure.

Our Leadership

To provide quality leadership, governance and management to develop strong community partnerships. Provide opportunities for all stakeholders to contribute to Council's decision making. Lead the community. Develop and maintain a framework of plans and policies that ensures open and transparent Council information.

Our Prosperity

Work with our communities and businesses to use our resources in a sustainable way for the future of the Bland Shire. Promote the Shire as a place to do business. Visitors and tourists are welcomed.

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,063	1,021
Farmland	3,842	3,758
Mining	913	899
Business	465	453
Total ordinary rates	6,283	6,131
Special rates		
Sewerage services	1,394	1,317
Total special rates	1,394	1,317
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	696	650
Waste management services (non-domestic)	231	215
Total annual charges	927	865
TOTAL RATES AND ANNUAL CHARGES	8,604	8,313

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

Accounting policy for rates and annual charges

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	170	125
Sewerage services	15	66
Waste management services (non-domestic)	15	66
Other	–	13
Total specific user charges	200	270
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	125	102
Private works – section 67	241	17
Section 603 certificates	16	16
Other	1	–
Total fees and charges – statutory/regulatory	383	135
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	2	–
Aged care	28	25
Cemeteries	98	141
Child care	206	240
Community amenities	78	20
Community development	7	5
Drainage diagrams	4	4
Lease rentals	303	125
Leaseback fees – Council vehicles	45	47
Libraries	5	7
Parks and gardens	4	52
Public health	16	21
RMS (formerly RTA) charges (state roads not controlled by Council)	14	107
Saleyards	47	45
Total fees and charges – other	857	839
TOTAL USER CHARGES AND FEES	1,440	1,244

Accounting policy for user charges and fees

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	42	44
– Cash and investments	657	518
Dividend income	5	627
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>704</u>	<u>1,189</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	42	44
General Council cash and investments	650	1,134

Restricted investments/funds – external:

Sewerage fund operations	12	11
--------------------------	----	----

Total interest and investment revenue recognised	<u>704</u>	<u>1,189</u>
---	-------------------	---------------------

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	55	87
Fines	2	1
Diesel rebate	92	80
Donations	4	4
Insurance claim recoveries	40	46
Paid parental leave	28	34
Sales – general	70	20
Staff contributions	13	5
WHS incentive	41	41
Other	67	21
<u>TOTAL OTHER REVENUE</u>	<u>412</u>	<u>339</u>

Accounting policy for other revenue

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

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

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

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,490	6,328	–	–
Financial assistance – local roads component	2,911	4,184	–	–
Other				
Pensioners' rates subsidies – general component	41	43	–	–
Total general purpose	7,442	10,555	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	26	27	–	–
Aged care	60	71	–	–
Bushfire and emergency services	51	177	–	–
Childrens services	993	1,303	–	–
Community centres	248	284	–	–
Community services	70	64	149	–
Economic development	10	50	–	–
Employment and training programs	6	5	–	–
Flood restoration	–	1,041	–	–
Heritage and cultural	12	4	–	–
Library	36	37	–	–
Library – special projects	–	–	200	–
Noxious weeds	62	82	–	–
Recreation and culture	–	–	201	–
Street lighting	31	30	–	–
Transport (roads to recovery)	2,604	2,514	–	–
Transport (other roads and bridges funding)	272	–	–	378
Total specific purpose	4,481	5,689	550	378
Total grants	11,923	16,244	550	378
Grant revenue is attributable to:				
– Commonwealth funding	10,073	13,095	–	378
– State funding	1,850	3,149	550	–
	11,923	16,244	550	378

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	14	3
S 64 – sewerage service contributions		–	–	68	3
Total developer contributions – cash		–	–	82	6
Total developer contributions	18	–	–	82	6
Other contributions:					
Cash contributions					
Bushfire services		–	118	–	–
Community services		13	38	–	–
Recreation and culture		10	11	(17)	21
RMS contributions (regional roads, block grant)		183	336	1,049	1,088
Other		8	1	–	–
Total other contributions – cash		214	504	1,032	1,109
Total other contributions		214	504	1,032	1,109
Total contributions		214	504	1,114	1,115
TOTAL GRANTS AND CONTRIBUTIONS		12,137	16,748	1,664	1,493

Accounting policy for contributions

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

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

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

Bland Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	2,988	1,866
Add: operating grants recognised in the current period but not yet spent	609	1,358
Less: operating grants recognised in a previous reporting period now spent	(669)	(236)
Unexpended and held as restricted assets (operating grants)	<u>2,928</u>	<u>2,988</u>
Contributions		
Add: contributions recognised in the current period but not yet spent	207	–
Unexpended and held as restricted assets (contributions)	<u>207</u>	<u>–</u>

Bland Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
(a) Employee benefits and on-costs			
Salaries and wages		4,191	4,016
Travel expenses		12	15
Employee leave entitlements (ELE)		1,050	1,067
Superannuation		826	814
Workers' compensation insurance		312	264
Fringe benefit tax (FBT)		56	63
Training costs (other than salaries and wages)		107	104
Other		19	9
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>6,573</u>	<u>6,352</u>
Number of 'full-time equivalent' employees (FTE) at year end		115	115

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 13 for more information.

Bland Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(b) Materials and contracts		
Raw materials and consumables	5,074	4,411
Contractor and consultancy costs	511	613
Auditors remuneration ⁽¹⁾	46	78
Legal expenses:		
– Legal expenses: other	59	36
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	67	81
Printing and stationery	99	87
Water	98	80
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>5,954</u>	<u>5,386</u>

1. Auditor remuneration

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

(i) Audit and other assurance services

Audit and review of financial statements	46	78
Remuneration for audit and other assurance services	<u>46</u>	<u>78</u>

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	Restated 2017
(c) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		1,150	589
Office equipment		99	109
Furniture and fittings		4	8
Land improvements (depreciable)		51	77
Infrastructure:			
– Buildings – non-specialised		788	337
– Other structures		104	51
– Roads		4,305	4,026
– Bridges		266	61
– Footpaths		90	89
– Stormwater drainage		168	114
– Sewerage network		395	313
– Swimming pools		65	65
– Other open space/recreational assets		717	704
– Other infrastructure		182	182
Other assets:			
– Library books		26	25
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	7 & 9	97	100
Total depreciation and amortisation costs		<u>8,507</u>	<u>6,850</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>8,507</u>	<u>6,850</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 7 for IPPE assets.

Impairment of non-financial assets

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

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Other expenses		
Advertising	114	80
Bad and doubtful debts	17	28
Bank charges	14	11
Child care – parent fees	253	299
Computer software charges	4	–
Contributions/levies to other levels of government	456	258
Councillor expenses – mayoral fee	14	22
Councillor expenses – councillors' fees	112	102
Councillors' expenses (incl. mayor) – other (excluding fees above)	23	33
Donations, contributions and assistance to other organisations (Section 356)	77	71
Election expenses	–	44
Electricity and heating	206	202
Fire control expenses	75	76
Insurance	399	425
Street lighting	149	123
Subscriptions and publications	68	83
Telephone and communications	129	125
Tourism expenses (excluding employee costs)	–	5
Other	104	2
<u>TOTAL OTHER EXPENSES</u>	<u>2,214</u>	<u>1,989</u>

Accounting policy for other expenses

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

Bland Shire Council

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

Note 5(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	1,374	1,939
Cash-equivalent assets		
– Deposits at call	2,177	4,628
– Short-term deposits	–	2,000
Total cash and cash equivalents	3,551	8,567

Accounting policy for cash and cash equivalents

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Long Term Deposits'	24,700	3,036	15,200	3,036
Total investments	24,700	3,036	15,200	3,036
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>28,251</u>	<u>3,036</u>	<u>23,767</u>	<u>3,036</u>

Accounting policy for investments

Classification

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

(a) 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 greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables and receivables (Note 6) 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.

Recognition and de-recognition

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

Bland Shire Council

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

Note 5(c). Restricted cash, cash equivalents and investments – details

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	28,251	3,036	23,767	3,036
attributable to:				
External restrictions (refer below)	601	3,036	494	3,036
Internal restrictions (refer below)	13,936	–	10,496	–
Unrestricted	13,714	–	12,777	–
	28,251	3,036	23,767	3,036

\$ '000	2018		2017	
Details of restrictions				
External restrictions – other				
Developer contributions – general			112	98
Developer contributions – sewer fund			95	27
Specific purpose unexpended grants			2,928	2,863
Sewerage services			502	542
External restrictions – other			3,637	3,530
Total external restrictions			3,637	3,530
Internal restrictions				
Plant and vehicle replacement			933	836
Infrastructure replacement			10,391	6,730
Employees leave entitlement			1,513	730
Carry over works			672	610
Land development			427	385
Other			–	1,205
Total internal restrictions			13,936	10,496
TOTAL RESTRICTIONS			17,573	14,026

Bland Shire Council

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

Note 6. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	501	108	472	146
Interest and extra charges	101	–	47	–
User charges and fees	537	–	614	–
Accrued revenues				
– Interest on investments	188	–	130	–
Net GST receivable	154	–	83	–
Other debtors	6	–	3	–
Total	1,487	108	1,349	146
Less: provision for impairment				
Rates and annual charges	(70)	–	(70)	–
User charges and fees	(30)	–	(30)	–
Total provision for impairment – receivables	(100)	–	(100)	–
TOTAL NET RECEIVABLES	1,387	108	1,249	146
Externally restricted receivables				
Sewerage services				
– Other	131	–	93	–
Total external restrictions	131	–	93	–
Unrestricted receivables	1,256	108	1,156	146
TOTAL NET RECEIVABLES	1,387	108	1,249	146

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables and receivables (Note 6) in the Statement of Financial Position.

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

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

Impairment

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

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017 Restated			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	618	–	618	–	1,181	–	–	–	(618)	–	–	1,181	–	1,181
Plant and equipment	12,649	6,646	6,003	–	1,969	(443)	(1,150)	–	–	–	3,521	19,899	9,999	9,900
Office equipment	1,663	963	700	–	12	–	(99)	–	–	–	–	1,675	1,062	613
Furniture and fittings	152	126	26	–	–	–	(4)	–	–	–	–	152	130	22
Land:														
– Operational land	1,708	–	1,708	–	–	–	–	–	–	–	–	1,708	–	1,708
– Community land	3,256	–	3,256	–	–	–	–	–	–	(625)	–	2,631	–	2,631
Land improvements – non-depreciable	1,013	–	1,013	–	–	–	–	–	–	–	–	1,013	–	1,013
Land improvements – depreciable	1,473	589	884	–	–	–	(51)	–	–	(65)	–	1,576	808	768
Infrastructure:														
– Buildings – non-specialised	33,556	8,190	25,366	–	78	–	(788)	–	–	–	2,570	39,928	12,702	27,226
– Other structures	1,923	658	1,265	–	–	–	(104)	–	–	–	2,277	5,586	2,148	3,438
– Roads	217,649	66,294	151,355	3,915	–	–	(4,305)	1,134	–	(35,667)	–	177,025	60,593	116,432
– Bridges	16,890	1,707	15,183	–	–	–	(266)	–	–	(178)	–	18,429	3,690	14,739
– Footpaths	4,669	1,323	3,346	–	–	–	(90)	–	–	–	2,282	9,201	3,663	5,538
– Bulk earthworks (non-depreciable)	78,933	–	78,933	–	–	–	–	–	–	(2,307)	–	76,626	–	76,626
– Stormwater drainage	21,875	2,864	19,011	–	–	–	(168)	–	–	–	4,099	32,124	9,182	22,942
– Sewerage network	23,085	7,809	15,276	–	–	–	(395)	–	–	–	–	23,085	8,204	14,881
– Swimming pools	2,561	621	1,940	–	–	–	(65)	–	–	–	1,811	5,085	1,399	3,686
– Other open space/recreational assets	19,563	2,381	17,182	–	13	–	(717)	–	–	–	1,800	31,068	12,790	18,278
– Other infrastructure	11,080	6,350	4,730	–	–	–	(182)	–	–	–	3,873	16,542	8,121	8,421
Other assets:														
– Library books	517	359	158	–	–	–	(26)	–	–	–	–	517	385	132
Reinstatement, rehabilitation and restoration assets (refer Note 9):														
– Tip assets	3	1	2	–	–	–	–	–	–	–	–	3	1	2
– Gravel pits	2,031	1,257	774	–	–	–	(97)	–	–	–	–	2,030	1,353	677
– Sewer treatment facilities	106	46	60	–	–	–	–	–	–	–	–	107	50	57
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	456,973	108,184	348,789	3,915	3,253	(443)	(8,507)	1,134	(618)	(38,842)	22,233	467,191	136,280	330,911

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

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.

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

Rural Fire Service assets

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

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

Bland Shire Council

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

Note 8. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	590	–	368	–
Accrued expenses:				
– Borrowings	–	–	15	–
– Salaries and wages	83	–	149	–
Security bonds, deposits and retentions	5	–	5	–
Other	36	39	36	–
Total payables	714	39	573	–
Income received in advance				
Payments received in advance	303	–	139	–
Total income received in advance	303	–	139	–
Borrowings				
Loans – secured ¹	100	1,100	100	1,225
Chattel mortgage	47	–	74	82
Total borrowings	147	1,100	174	1,307
TOTAL PAYABLES AND BORROWINGS	1,164	1,139	886	1,307

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 14.

Bland Shire Council

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

Note 8. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	1,325	(125)	–	–	–	1,200
Other (enter details...)	156	(109)	–	–	–	47
TOTAL	1,481	(234)	–	–	–	1,247

\$ '000

2018

2017

(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	350	350
Credit cards/purchase cards	61	61
Total financing arrangements	411	411
Undrawn facilities as at balance date:		
– Bank overdraft facilities	350	350
– Credit cards/purchase cards	61	61
Total undrawn financing arrangements	411	411

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance 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.

Bland Shire Council

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

Note 9. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	883	–	816	–
Long service leave	2,027	64	2,009	42
Other leave	13	–	14	–
Sub-total – aggregate employee benefits	2,923	64	2,839	42
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,431	–	4,203
Sub-total – asset remediation/restoration	–	4,431	–	4,203
<u>TOTAL PROVISIONS</u>	<u>2,923</u>	<u>4,495</u>	<u>2,839</u>	<u>4,245</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Sewer	179	–	163	–
Provisions relating to externally restricted assets	179	–	163	–
Total provisions relating to restricted assets	179	–	163	–
Total provisions relating to unrestricted assets	2,744	4,495	2,676	4,245
<u>TOTAL PROVISIONS</u>	<u>2,923</u>	<u>4,495</u>	<u>2,839</u>	<u>4,245</u>

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

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

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

Provisions – employees benefits	1,849	1,804
	1,849	1,804

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	Other provisions	
	Asset remediation	Total
At beginning of year	4,203	4,203
Changes to provision:		
Unwinding of discount	228	228
Total other provisions at end of year	4,431	4,431
2017		
At beginning of year	3,987	3,987
Changes to provision:		
Unwinding of discount	216	216
Total other provisions at end of year	4,203	4,203

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Accounting policy for provisions

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

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

Restoration

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Provisions (continued)

Rehabilitation

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

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

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

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

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) 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.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

A revaluation of all Council Roads was conducted in 2017/18. The review identified Road Assets as having residual values. Council removed the residual values for roads to bring the accounting treatment in line with AASB116.

The adjustment has been treated as a prior period error in the 30 June 2018 financial statements, based on the fact the previous valuation had residual values for roads.

The correction of a prior period error will result in a decrement of \$32,734,000.

The above error has been corrected by restating the beginning balances to Roads included in Infrastructure, Property, Plant and Equipment in the Statement of Financial Position for the earliest prior period presented. The impact of depreciation has been adjusted, with a total increase of \$1,015,000.

A revaluation of all Council buildings was conducted in 2018 with a review on methodology for valuing assets. A comparison of the asset registers identified that previous building valuations were undertaken on an asset stock comprising of 132 structures. The review identified Building Asset stock comprising of 200 structures.

The additional 68 building assets identified in the 2017/18 revaluation affects the written down value of the building asset class by increasing it by \$6,051,000.

These assets impact Council's financial position for periods prior to the earliest period presented in Council's financial statements.

The opening balances of relevant line items in the financial statements have been restated to reflect these additional assets.

Depreciation has been adjusted, with a total increase of \$61,000

A revaluation of all Other Open Spaces/Recreational Assets was conducted in 2018 with a review on methodology for valuing assets.

The nature of this financial class has been difficult to reconcile between historical asset registers that were used to determine previous valuations compared to current asset register used to develop 2018 valuations. However a contractor was engaged to undertake visual inspections of this financial class. This has resulted in a current and improved asset register.

The adjustment has been treated as a prior period error in the 30 June 2018 financial statements, based on the fact the previous valuation was done without a visual inspection of assets.

The correction of a prior period error will result in a revaluation increase of \$12,800,000 as at 1 July 2016, with an additional revaluation amount of \$763,000 included in the 2017/18 statements.

These assets were not previously recognised and valued and hence this is the reason for this positive movement. No residual values were applied to this class. Depreciation has been adjusted, with a total increase of \$512,000.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(b) Correction of errors relating to a previous reporting period (continued)

Changes to the opening Statement of Financial Position at 1 July 2016

	Original Balance 1 July, 2016	Impact Increase/ (decrease)	Restated Balance 1 July, 2016
Statement of Financial Position			
Roads	191,040	(32,734)	158,306
Buildings - non-specialised	17,309	6,051	23,360
Other open Space/Recreational Assets	5,076	12,800	17,876
Total Infrastructure, Property, Plant and Equipment	363,902	(13,883)	350,019
Accumulated Surplus	124,420	-	124,420
Revaluation Reserves	250,391	(13,883)	236,508
Total equity	354,531	(13,883)	340,648

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Roads	185,104	(33,749)	151,355
Buildings	19,376	5,990	25,366
Other open Space/Recreational Assets	4,894	12,288	17,182
Total Infrastructure, Property, Plant and Equipment	364,260	(15,471)	348,789
Accumulated Surplus	134,577	(1,588)	132,989
Revaluation Reserves	249,782	(13,883)	235,899
Total equity	384,359	(15,471)	368,888

Bland Shire Council

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

Note 10. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(b) Correction of errors relating to a previous reporting period (continued)

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Income Statement			
Depreciation and amortisation	5,262	1,588	6,850
Total expenses from continuing operations	19,280	1,588	20,868
Net operating result for the year	10,157	(1,588)	8,569
	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Comprehensive Income			
Total comprehensive income for the year	10,157	(1,588)	8,569

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	5a	3,551	8,567
Balance as per the Statement of Cash Flows		3,551	8,567
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,563	8,569
Adjust for non-cash items:			
Depreciation and amortisation		8,507	6,850
Net losses/(gains) on disposal of assets		(143)	(111)
Unwinding of discount rates on reinstatement provisions		228	216
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(100)	(302)
Increase/(decrease) in provision for doubtful debts		–	62
Decrease/(increase) in inventories		141	(64)
Decrease/(increase) in other assets		18	(120)
Increase/(decrease) in payables		222	(269)
Increase/(decrease) in accrued interest payable		(15)	–
Increase/(decrease) in other accrued expenses payable		(66)	39
Increase/(decrease) in other liabilities		203	54
Increase/(decrease) in employee leave entitlements		106	10
Increase/(decrease) in other provisions		–	1
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,664	14,935

Note 12. Commitments for expenditure

(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment			
Buildings		64	88
Road construction		–	970
Other infrastructure		358	22
Total commitments		422	1,080
These expenditures are payable as follows:			
Within the next year		422	1,080
Total payable		422	1,080
Sources for funding of capital commitments:			
Unrestricted general funds		9	710
Externally restricted reserves		281	370
Internally restricted reserves		132	–
Total sources of funding		422	1,080

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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.

Bland Shire Council

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

Note 13. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	3,551	8,567	3,551	8,567
Investments				
-Long Term Deposits	27,736	18,236	27,736	18,236
Receivables	1,495	1,395	1,495	1,395
Total financial assets	32,782	28,198	32,782	28,198
Financial liabilities				
Payables	753	573	598	573
Loans/advances	1,247	1,481	1,247	1,481
Total financial liabilities	2,000	2,054	1,845	2,054

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.

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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
2018				
Possible impact of a 1% movement in interest rates	290	290	290	290
2017				
Possible impact of a 1% movement in interest rates	226	226	226	226

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	57%	98%	0%	74%
Overdue	43%	2%	100%	26%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	350	–
< 1 year overdue	117	344
1 – 2 years overdue	50	107
2 – 5 years overdue	43	82
> 5 years overdue	49	85
	609	618

Other receivables

	2018	2017
Current	965	766
61 – 90 days overdue	21	111
	986	877

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	5	518	75	–	598	753
Loans and advances	4.20%	–	203	574	821	1,598	1,247
Total financial liabilities		5	721	649	821	2,196	2,000
2017							
Trade/other payables	0.00%	5	568	–	–	573	573
Loans and advances	4.20%	–	237	674	698	1,609	1,481
Total financial liabilities		5	805	674	698	2,182	2,054

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 20 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	8,507	8,604	97	1%	F
User charges and fees	1,320	1,440	120	9%	F
Interest and investment revenue	290	704	414	143%	F
Funds invested was more than expected producing a higher than budgeted interest return					
Other revenues	230	412	182	79%	F
Donations of \$50k received for Tourism construction at Ungarie. \$28k extra due to Sale of Land for unpaid rates					
Operating grants and contributions	10,017	12,137	2,120	21%	F
Extra funding received due to Flood damage event in 2016. Unbudgeted funding for Strengthening communities program					
Capital grants and contributions	1,034	1,664	630	61%	F
Received addition block grant funding in 2018. Unbudgeted Library Grant \$200k for refurbishment					
Net gains from disposal of assets	374	143	(231)	(62%)	U
Disposals did not net what was expected from Trade-ins and sales of plant for the year					

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	6,512	6,573	(61)	(1%)	U
Borrowing costs	179	293	(114)	(64%)	U
Budget did not take in to account remediation liabilities					
Materials and contracts	5,037	5,954	(917)	(18%)	U
Road works activities included Flood damage works and addition R2R works resulted in increases in M&C					
Depreciation and amortisation	5,211	8,507	(3,296)	(63%)	U
Adjustment due to revaluation prior year corrections					
Other expenses	2,084	2,214	(130)	(6%)	U

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

Cash flows from operating activities	7,586	10,664	3,078	40.6%	F
Increase in R2R fund of \$1.3M, Strengthening Communities 503k, Addit \$500k in FAG funding					
Cash flows from investing activities	-	(15,446)	(15,446)	0.0%	U
High level of turnover in Investment activity led to this result					
Cash flows from financing activities	-	(234)	(234)	0.0%	U
Is consistent with borrowing costs for loan and Chattel mortgage					

Bland Shire Council

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

Note 16. 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:

2018	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	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held to maturity'	30/06/18	–	27,736	–	27,736
Total financial assets		–	27,736	–	27,736
Financial liabilities					
Loans/advances	30/06/18	–	1,247	–	1,247
Payables	30/06/18	–	598	–	598
Total financial liabilities		–	1,845	–	1,845

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

\$ '000

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

2018	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	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	9,900	–	9,900
Office equipment	30/06/18	–	613	–	613
Furniture and fittings	30/06/18	–	22	–	22
Operational land	30/06/18	–	1,708	–	1,708
Community land	30/06/18	–	2,631	–	2,631
Land improvement – non-depreciable	30/06/18	–	–	1,013	1,013
Land improvement – depreciable	30/06/18	–	–	768	768
Buildings	30/06/18	–	–	27,226	27,226
Other structure	30/06/18	–	–	3,438	3,438
Roads – surface	30/06/18	–	–	45,851	45,851
Roads – pavement	30/06/18	–	–	67,030	67,030
Street lights	30/06/18	–	–	103	103
Aerodrome	30/06/18	–	–	3,448	3,448
Bridges	30/06/18	–	–	14,217	14,217
Traffic facilities	30/06/18	–	–	522	522
Footpath	30/06/18	–	–	5,538	5,538
Road – formation	30/06/18	–	–	76,626	76,626
Stormwater	30/06/18	–	–	14,444	14,444
Kerb and gutter	30/06/18	–	–	8,498	8,498
Sewer	30/06/18	–	–	14,881	14,881
Library	30/06/18	–	–	132	132
Work in progress	30/06/18	–	–	1,181	1,181
Gravel restoration asset	30/06/18	–	–	677	677
Sewer restoration asset	30/06/18	–	–	57	57
Tip restoration asset	30/06/18	–	–	2	2
Open Space/Recreational Assets	30/06/18	–	–	18,278	18,278
Swimming Pools	30/06/18	–	–	3,686	3,686
Other Infrastructure	30/06/18	–	–	8,421	8,421
Total infrastructure, property, plant and equipment		–	14,874	316,037	330,911

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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	
Recurring fair value measurements					
Financial assets					
Investments – 'Held to maturity'	30/06/17	–	18,236	–	18,236
Total financial assets		–	18,236	–	18,236
Financial liabilities					
Loans/advances	30/06/17	–	1,481	–	1,481
Payables	30/06/17	–	573	–	573
Total financial liabilities		–	2,054	–	2,054
Infrastructure, property, plant and equipment					
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	30/06/17	–	–	2	2
Total infrastructure, property, plant and equipment		–	11,693	358,297	369,990

(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 2018

Note 16. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (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:

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

Level 2 Inputs

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.

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 18(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.

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

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.

Street Lights

Street Lights 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.

Bridges

Bridges 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.

Footpaths

Footpaths 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.

Open Space/Recreational Assets

Open Space/Recreational 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.

Swimming Pools

Swimming Pools 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 Infrastructure

Other infrastructure 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.

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.

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

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	Total
Opening balance – 1/7/16	1,013	961	17,309	1,100	20,383
Transfers from/(to) another asset class	–	–	(146)	–	(146)
Purchases (GBV)	–	–	2,489	214	2,703
Depreciation and impairment	–	(77)	(276)	(50)	(403)
Closing balance – 30/6/17	1,013	884	19,376	1,264	22,537
Adoption of AASB 13	–	(41)	–	2,288	2,247
Transfers from/(to) another asset class	–	–	8,070	–	8,070
Purchases (GBV)	–	–	78	–	78
Depreciation and impairment	–	(75)	(298)	(114)	(487)
Closing balance – 30/6/18	1,013	768	27,226	3,438	32,445

	Roads- surface	Roads- pavement	Street lights	Aerodrome	Total
Opening balance – 1/7/16	86,754	103,622	107	3,103	193,586
Purchases (GBV)	2,806	–	–	–	2,806
Depreciation and impairment	(2,909)	(88)	–	(30)	(3,027)
FV gains – other comprehensive income	–	–	(3)	–	(3)
Closing balance – 30/6/17	86,651	103,534	104	3,073	193,362
Adoption of AASB 13	(38,648)	(38,466)	–	408	(76,706)
Purchases (GBV)	1,791	2,123	–	–	3,914
Depreciation and impairment	(5,077)	(161)	(1)	(33)	(5,272)
Impairment Reversal	1,134	–	–	–	1,134
Closing balance – 30/6/18	45,851	67,030	103	3,448	116,432

Bland Shire Council

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

Note 16. 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)

	Bridges	Traffic facilities	Footpath	Road-formation (earthwork)	Total
Opening balance – 1/7/16	15,244	557	3,424	78,933	98,158
Purchases (GBV)	–	–	11	–	11
Depreciation and impairment	(61)	(11)	(89)	–	(161)
Closing balance – 30/6/17	15,183	546	3,346	78,933	98,008
Adoption of AASB 13	(382)	–	2,282	(2,308)	(408)
Transfers from/(to) another asset class	(545)	–	–	–	(545)
Depreciation and impairment	(39)	(24)	(90)	–	(153)
Closing balance – 30/6/18	14,217	522	5,538	76,625	96,902

	Stormwater pipes, pits and drain	Kerb and gutter	Sewer	Library	Total
Opening balance – 1/7/16	10,563	8,539	10,403	183	29,688
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
Closing balance – 30/6/17	10,513	8,498	15,276	158	34,445
Adoption of AASB 13	4,099	–	–	–	4,099
Depreciation and impairment	(168)	–	(395)	(26)	(589)
Closing balance – 30/6/18	14,444	8,498	14,881	132	37,955

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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)

	WIP	Gravel restoration asset	Sewer restoration asset	Tip restoration asset	Total
Opening balance – 1/7/16	868	870	63	2	1,803
Transfers from/(to) another asset class	(868)	–	–	–	(868)
Purchases (GBV)	618	–	–	–	618
Depreciation and impairment	–	(96)	(3)	–	(99)
Closing balance – 30/6/17	618	774	60	2	1,454
Transfers from/(to) another asset class	(618)	–	–	–	(618)
Purchases (GBV)	1,181	–	–	–	1,181
Depreciation and impairment	–	(97)	(3)	–	(100)
Closing balance – 30/6/18	1,181	677	57	2	1,917

	Other infrastructure	Recreation asset	Swimming pool	Total
Opening balance – 1/7/16	1,809	5,076	2,005	8,890
Purchases (GBV)	–	10	–	10
Depreciation and impairment	(152)	(192)	(65)	(409)
Closing balance – 30/6/17	1,657	4,894	1,940	8,491
Adoption of AASB 13	3,873	13,562	1,811	19,246
Transfers from/(to) another asset class	3,073	–	–	3,073
Disposals (WDV)	–	13	–	13
Depreciation and impairment	(182)	(191)	(65)	(438)
Closing balance – 30/6/18	8,421	18,278	3,686	30,385

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. 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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Land improvement – non-depreciable	1,013	Written down current replacement cost	Gross replacement cost Asset condition
Land improvement – depreciable	768	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Buildings	27,226	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Other structure	3,438	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Roads – surface	45,851	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Roads – pavement	67,030	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Street lights	103	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Aerodrome	3,448	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Bridges	14,217	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Traffic facilities	522	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Footpath	5,538	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 2018

Note 16. 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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Road – formation	76,626	Current replacement cost	Gross replacement cost
Stormwater	14,444	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	14,881	Written down current replacement cost	Gross replacement cost Asset condition Useful life Residual value
Library	132	Written down current replacement cost	Gross replacement cost Useful life
Work in progress	1,181	Current replacement cost	Gross replacement cost
Gravel restoration asset	677	Written down current replacement cost	Restoration cost – historic Discount rate
Sewer restoration asset	57	Gross replacement cost	Restoration cost – historic Discount rate
Tip restoration asset	2	Written down current replacement cost	Restoration cost – historic Discount rate
Other Infrastructure	8,421	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Recreational Assets	18,278	Written down current replacement cost	Gross replacement cost Asset condition Useful life
Swimming Pools	3,686	Written down current replacement cost	Gross replacement cost Asset condition Useful life

(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 2018

Note 17. Related party transactions

\$' 000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	669	669
Total	669	669

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	(incl. loans and commitments) Actual \$		Actual \$	Actual \$
2018						
Employee expenses relating to close family of KMP	1	83,000	–	Council Staff award	–	–
2017						
Employee expenses relating to close family of KMP	1	81,000	–	Council Staff award	–	–
Supply of Electrical Services	2	14,000	–	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 2018

Note 18. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3	–	–	–	–	–	3	–
Roads	3	–	–	–	–	–	3	–
Parking	7	–	–	–	–	–	7	–
Open space	1	–	–	–	–	–	1	–
Community facilities	81	14	–	–	–	–	95	–
Other	3	–	–	–	–	–	3	–
S7.11 contributions – under a plan	98	14	–	–	–	–	112	–
Total S7.11 and S7.12 revenue under plans	98	14	–	–	–	–	112	–
S64 contributions	27	68	–	–	–	–	95	–
Total contributions	125	82	–	–	–	–	207	–

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	3	–	–	–	–	–	3	–
Roads	3	–	–	–	–	–	3	–
Parking	7	–	–	–	–	–	7	–
Open space	1	–	–	–	–	–	1	–
Community facilities	81	14	–	–	–	–	95	–
Other	3	–	–	–	–	–	3	–
Total	98	14	–	–	–	–	112	–

Bland Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial result and financial position by fund

Income Statement by fund	2018	2018
\$ '000		
Continuing operations	Sewer	General¹
Income from continuing operations		
Rates and annual charges	1,394	7,210
User charges and fees	82	1,358
Interest and investment revenue	12	692
Other revenues	–	412
Grants and contributions provided for operating purposes	–	12,137
Grants and contributions provided for capital purposes	–	1,664
Other income		
Net gains from disposal of assets	–	143
Total income from continuing operations	1,488	23,616
Expenses from continuing operations		
Employee benefits and on-costs	168	6,405
Borrowing costs	–	293
Materials and contracts	951	5,003
Depreciation and amortisation	420	8,087
Other expenses	–	2,214
Total expenses from continuing operations	1,539	22,002
Operating result from continuing operations	(51)	1,614
Net operating result for the year before grants and contributions provided for capital purposes	(51)	(50)

¹ 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 2018

Note 19. Financial result and financial position by fund (continued)

Statement of Financial Position by fund		
\$ '000	2018	2018
ASSETS	Sewer	General¹
Current assets		
Cash and cash equivalents	3,301	250
Investments	1,308	23,392
Receivables	142	1,245
Inventories	–	704
Other	–	102
Total current assets	4,751	25,693
Non-current assets		
Investments	–	3,036
Receivables	–	108
Infrastructure, property, plant and equipment	15,628	315,283
Other	–	198
Total non-current assets	15,628	318,625
TOTAL ASSETS	20,379	344,318
LIABILITIES		
Current liabilities		
Payables	–	714
Income received in advance	–	303
Borrowings	–	147
Provisions	–	2,923
Total current liabilities	–	4,087
Non-current liabilities		
Payables	7	32
Borrowings	–	1,100
Provisions	172	4,323
Total non-current liabilities	179	5,455
TOTAL LIABILITIES	179	9,542
Net assets	20,200	334,776
EQUITY		
Accumulated surplus	14,016	120,536
Revaluation reserves	6,184	214,240
Total equity	20,200	334,776

¹ 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 2018

Note 20(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(244)</u>	-1.05%	25.02%	15.05%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	23,297				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>11,160</u>	44.71%	37.80%	43.79%	> 60.00%
Total continuing operating revenue ⁽¹⁾	24,961				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>29,442</u>	14.30x	14.36x	9.10x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	2,059				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,556</u>	16.24x	32.35x	19.85x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	527				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>640</u>	6.93%	6.60%	7.43%	< 10% regional & rural
Rates, annual and extra charges collectible	9,241				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>31,287</u>	25.72 mths	20.9 mths	14.9 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	1,216				

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 5-6 inclusive.

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

⁽³⁾ Refer to Notes 8 and 9.

⁽⁴⁾ Refer to Note 8(b) and 9(b) – 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 2018

Note 20(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Sewer indicators		Benchmark
	2018	2017	2018	2017	
Local government industry indicators – by fund					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-0.88%	26.37%	-3.43%	-0.14%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions					
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	41.20%	34.66%	100.00%	100.00%	> 60.00%
Total continuing operating revenue ⁽¹⁾					
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	6.71x	14.36x	113.32x	27.44x	> 1.5x
Current liabilities less specific purpose liabilities ^(3,4)					

Notes

(1) - (4) Refer to Notes at Note 20a 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 2018

Note 20(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Sewer indicators		Benchmark
	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)					
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15.54x	31.59x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	8.02%	7.60%	0.79%	0.83%	< 10% regional & rural
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	23.01	18.49	0.00	0.00	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	

Notes

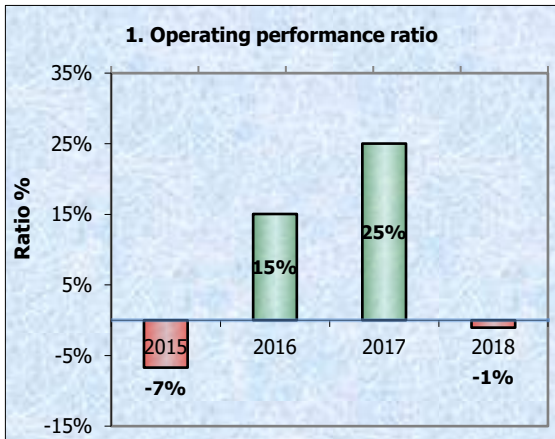
(1) Refer to Notes at Note 20a above.

(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 2018

Note 20(c). Statement of performance measures – consolidated results (graphs)



Purpose of operating performance ratio

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

Commentary on 2017/18 result

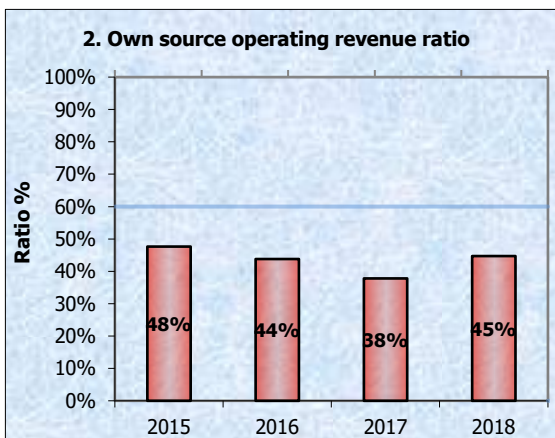
2017/18 ratio -1.05%

Result has been affected by the removal of residual values for roads, which impacted on the depreciation value for roads.

Benchmark: — Minimum $\geq 0.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2017/18 result

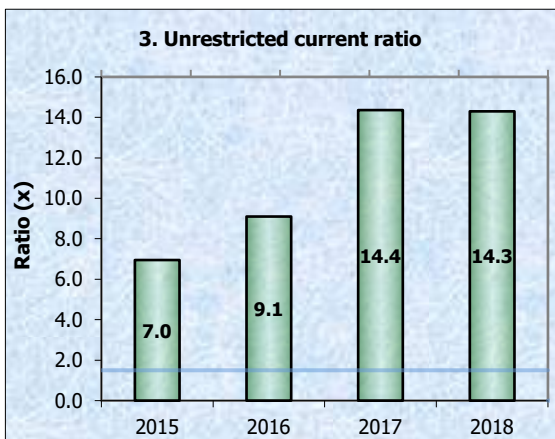
2017/18 ratio 44.71%

Own source revenue is usually around this level. The majority of our revenue is grant based which makes it not possible to achieve a bench mark of 60% own source revenue.

Benchmark: — Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 14.30x

Council is well placed to meet it's obligations in our ordinary activities.

Benchmark: — Minimum ≥ 1.50

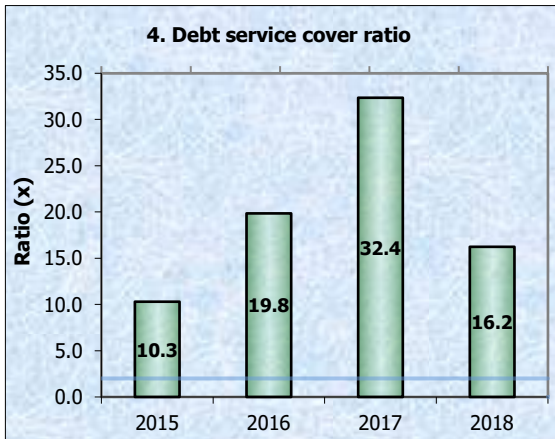
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Bland Shire Council

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

Note 20(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

Commentary on 2017/18 result

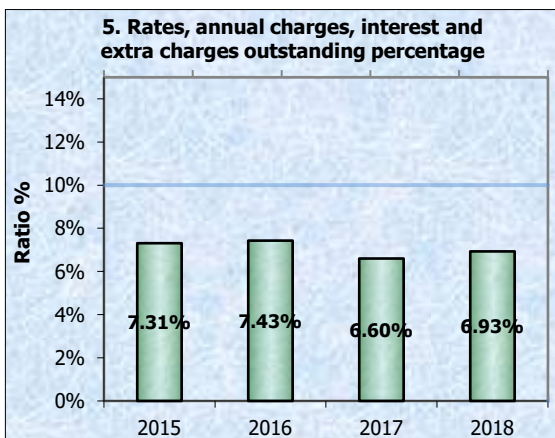
2017/18 ratio 16.24x

Council's position is strong position to meet the our obligations with our Loan and lease payments

Benchmark: Minimum >=2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2017/18 result

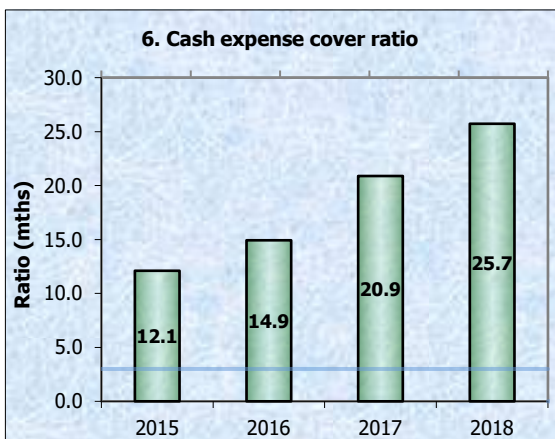
2017/18 ratio 6.93%

Council adopts a proactive approach in recovery of outstanding rates and charges providing a result that is well inside the acceptable benchmark

Benchmark: Maximum <10.00%

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 25.72 mths

Efficient financial management practices have enabled council to operate efficiently in meeting it's expense obligations

Benchmark: Minimum >=3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



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

To the Councillors of the Bland Shire Council

Opinion

I have audited the accompanying financial report of Bland Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 15 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Caroline Karakatsanis
Director, Financial Audit Services

30 November 2018
SYDNEY

Cr Brian Monaghan
Mayor
Bland Shire Council
PO Box 21
WEST WYALONG NSW 2671

Contact: Caroline Karakatsanis
Phone no: (02) 9275 7143
Our ref: D1814456/1694

30 November 2018

Dear Mayor

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

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

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	8.6	8.3	↑ 3.5
Grants and contributions revenue	13.8	18.2	↓ 24.3
Operating result for the year	1.6	8.6	↓ 81.8
Net operating result before capital amounts	(0.1)	7.1	↓ 101

Council's operating result (\$1.6 million including the effect of depreciation and amortisation expense of \$8.5 million) was \$7.0 million lower than the 2016–17 result. This was primarily due to a reduction in grants and contributions revenue and an increase in depreciation.

Grants and contributions revenue (\$13.8 million) decreased by \$4.4 million (24.3 per cent) in 2017–2018 due to:

- \$2.8 million of 2017–2018 financial assistance grants received in 2016–17, and
- \$1.0 million one-off flood restoration grant received in 2016–17.

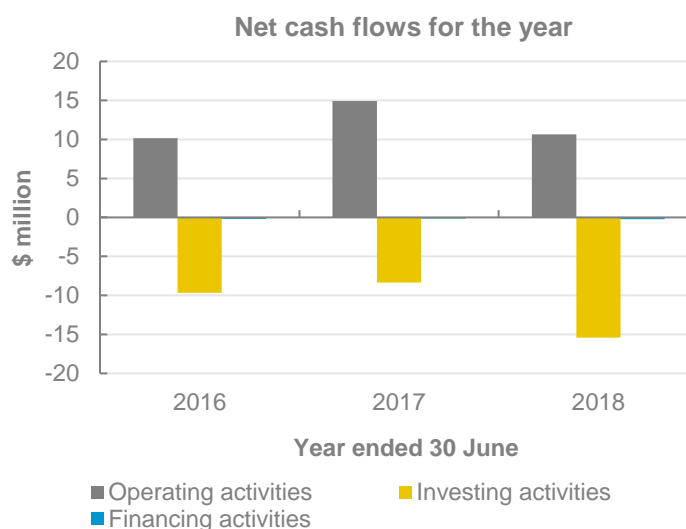
Depreciation expense (\$8.5 million) increased by \$1.7 million primarily due to Council adopting the straight-line depreciation method in 2017-18.

The net operating result before capital grants and contributions (loss of \$0.1 million) was \$7.2 million lower than the 2016–17 result. This was primarily due to a reduction in grants and contributions revenue and an increase in depreciation.

Rates and annual charges revenue (\$8.6 million) increased by \$0.3 million (3.5 per cent) in 2017–2018. This was primarily due to the 2.3 per cent rate rise.

STATEMENT OF CASH FLOWS

- The Council reported positive operating cash flows in the past three years.
- Increasing investing cash outflows represents acquisitions of \$6.5 million infrastructure assets and \$9.5 million investment securities in 2017/18.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	3.6	3.5	The Council increased the infrastructure replacement reserve by \$3.6 million. This increased the internally restricted cash at 30 June 2018.
Internal restrictions	13.9	10.5	
Unrestricted	13.7	12.8	
Cash and investments	31.3	26.8	

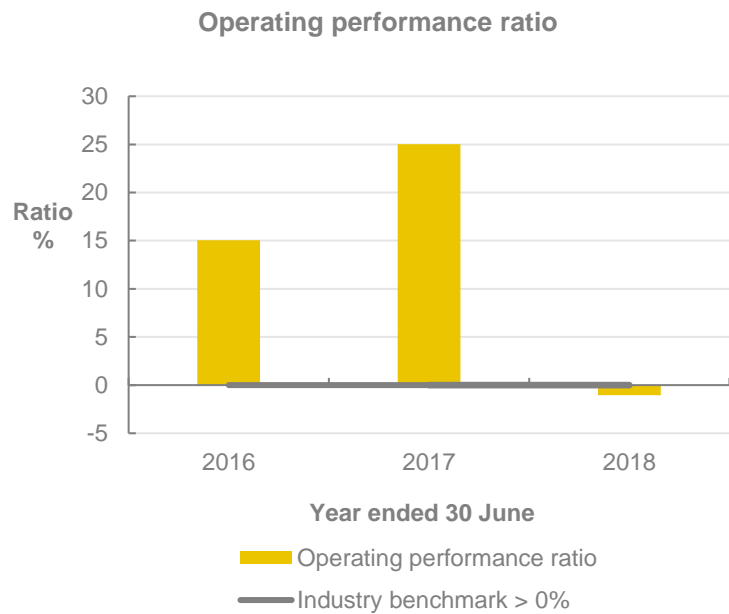
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 20 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- Council achieved the benchmark for the 2015-16 and 2016-17 years. Council did not achieve the benchmark ratio in 2017-18.
- A higher ratio of 25.0 for 2016-17 was due to early receipt of Financial Assistance Grants of \$2.8 million.
- The ratio decreased to -1.0 per cent in 2017-18 primarily due to a decrease in capital grants and contributions and an increase in depreciation expense.

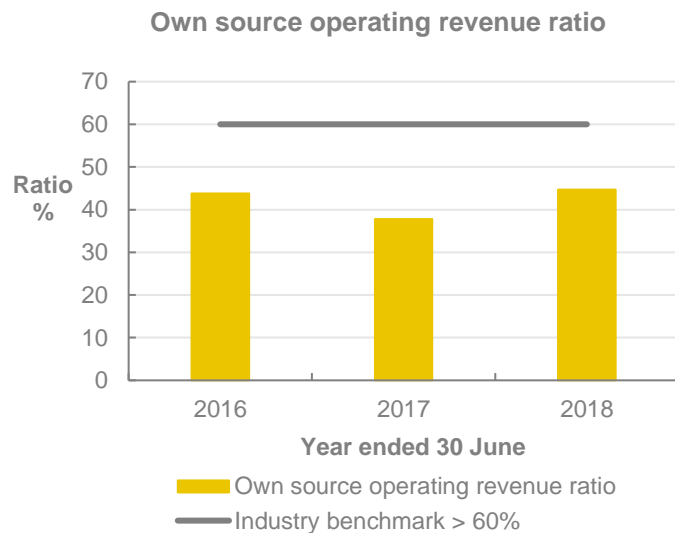
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue was below the benchmark of 60 per cent because of the low rates revenue base.
- The own source operating revenue ratio has not met the benchmark for the past three years.

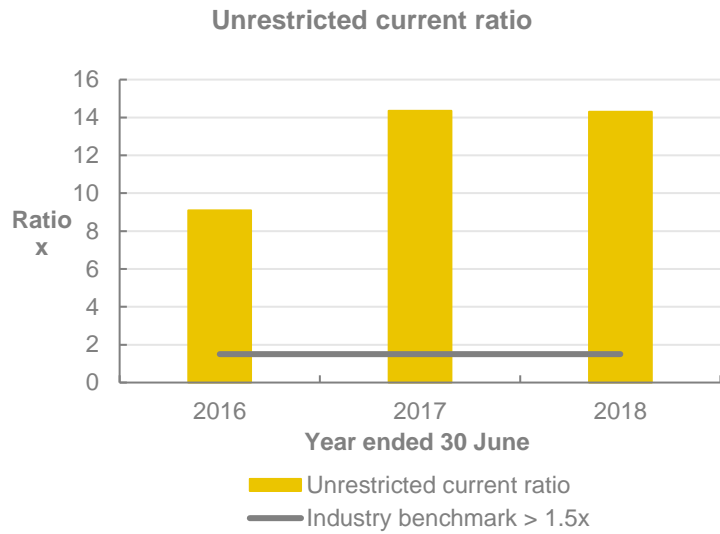
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council continued to exceed the unrestricted current ratio benchmark for the past three years.
- The Council will be able to meet its short-term obligations as and when they fall due.

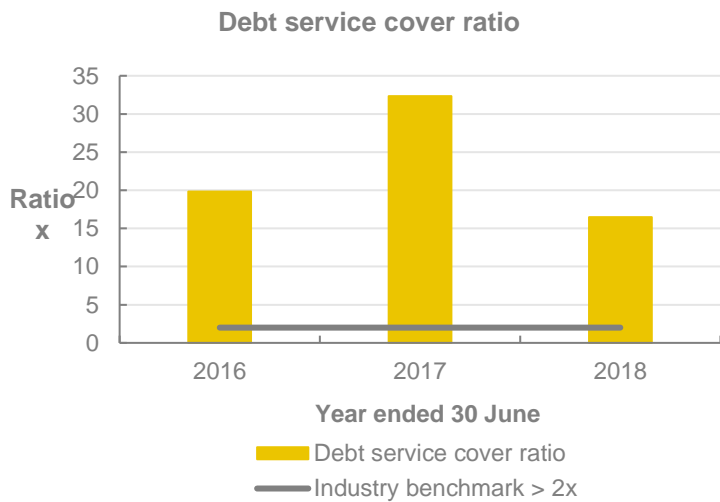
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council continued to exceed by a good margin the debt service cover ratio benchmark for the past three years.
- The 2016-17 ratio was higher due to early receipt of Financial Assistance Grants of \$2.8 million.

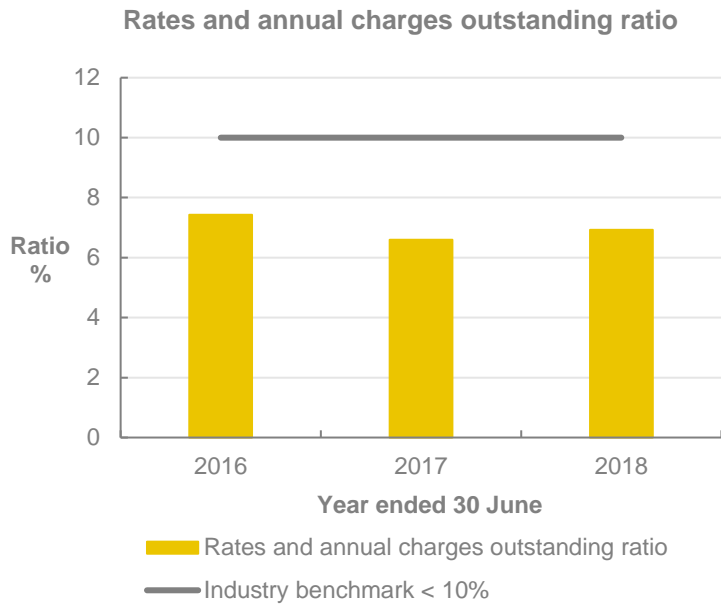
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council achieved the benchmark for outstanding rates and annual charges for the past three years.
- The collection procedures of the Council operated effectively to collect approximately 93 per cent of the rates and annual charges revenue within the receivable dates.

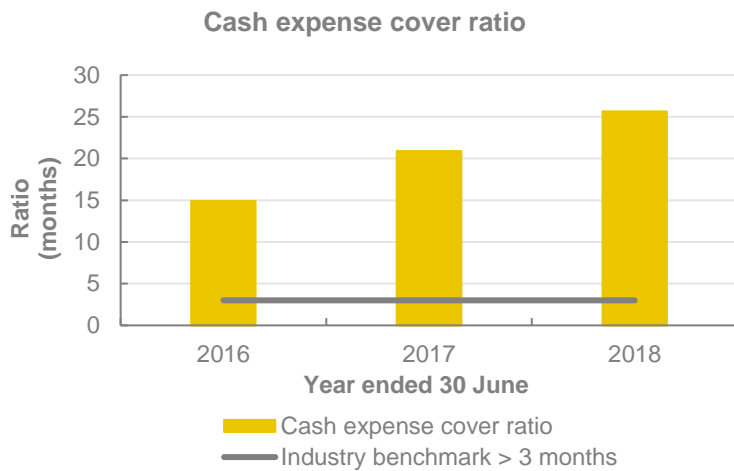
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council exceeded the benchmark of 3 months by a good margin for the past three years.
- It will be able to meet its immediate expenses for more than 25 months without additional cash inflows.

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.

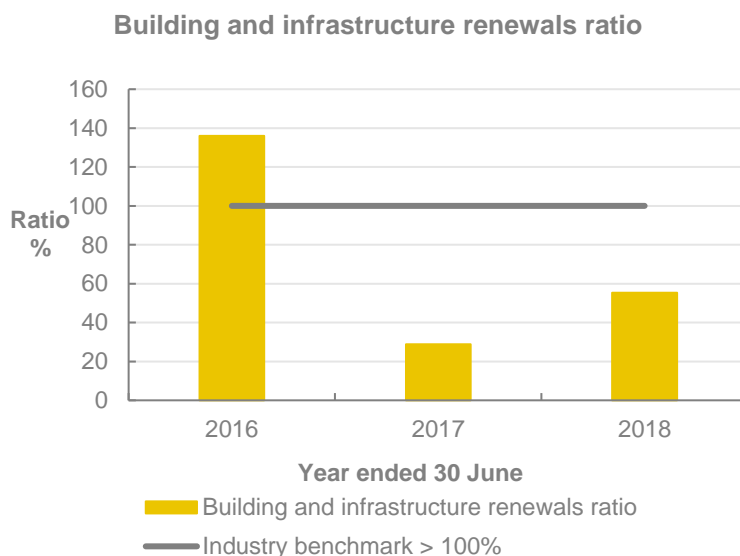


Building and infrastructure renewals ratio (unaudited)

- Council has not achieved the benchmark for this ratio in the past two years.
- Achieving this ratio is dependent on Council's plan to undertake asset 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 council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 8.

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 Raymond Smith, General Manager
Ms Adele Casey, Director of Corporate, Community & Development Services
Tim Hurst, Chief Executive of the Office of Local Government

Bland Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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



Bland Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Sewerage Business Activity	3
Statement of Financial Position – Sewerage Business Activity	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor’s Report	

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 2018

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

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

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

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

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

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

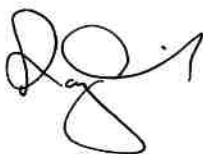
Signed in accordance with a resolution of Council made on 30th November 2018.



Brian Monaghan
Mayor
30th November 2018



Liz McGlynn
Councillor
30th November 2018



Raymond Smith
General manager
30th November 2018



Christopher Karam
Responsible accounting officer
30th November 2018

Bland Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,394	1,329
Liquid trade waste charges	12	66
Fees	70	3
Interest	12	11
Total income from continuing operations	1,488	1,409
Expenses from continuing operations		
Employee benefits and on-costs	168	–
Materials and contracts	951	1,076
Depreciation, amortisation and impairment	420	335
Total expenses from continuing operations	1,539	1,411
Surplus (deficit) from continuing operations before capital amounts	(51)	(2)
Surplus (deficit) from continuing operations after capital amounts	(51)	(2)
Surplus (deficit) from all operations before tax	(51)	(2)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(51)	(2)
Plus opening retained profits	9,187	9,189
Closing retained profits	9,136	9,187
Return on capital %	-0.3%	0.0%
Subsidy from Council	462	381
Calculation of dividend payable:		
Surplus (deficit) after tax	(51)	(2)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Bland Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3,301	3,071
Investments	1,308	1,308
Receivables	142	93
Total current Assets	4,751	4,472
Non-current assets		
Infrastructure, property, plant and equipment	15,628	15,942
Total non-current assets	15,628	15,942
TOTAL ASSETS	20,379	20,414
LIABILITIES		
Current liabilities		
Provisions	–	163
Total current liabilities	–	163
Non-current liabilities		
Payables	7	–
Provisions	172	–
Total non-current liabilities	179	–
TOTAL LIABILITIES	179	163
NET ASSETS	20,200	20,251
EQUITY		
Accumulated surplus	14,016	14,065
Revaluation reserves	6,184	6,186
Council equity interest	20,200	20,251
TOTAL EQUITY	20,200	20,251

Bland Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	10

Bland Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

Nil

Bland Shire Council

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

Note 1. Significant accounting policies (continued)

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

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

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

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

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

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

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.

Bland Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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:

Bland Shire Council

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

Note 1. Significant accounting policies (continued)

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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

Local government 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 water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Bland Shire Council

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,835
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	58,350
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	177,300

2018 Surplus	(51,000)	2017 Surplus	(2,000)	2016 Surplus	230,300
		2017 Dividend	-	2016 Dividend	-

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

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)	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]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Bland Shire Council

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,476
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	15,164
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,118
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-0.39%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,476
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.00%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	–
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.39%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Bland Shire Council

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-2.96%
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	(50)
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 report
Bland Shire Council

To the Councillors of the Bland Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Bland Shire Council's (the Council) Declared Business Activity (Sewerage), which comprise the Income Statement of the Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of the Declared Business Activity as at 30 June 2018, 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 report presents fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Caroline Karakatsanis
Director, Financial Audit Services

30 November 2018
SYDNEY

Bland Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

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



Bland Shire Council

Special Schedules for the year ended 30 June 2018

Contents		Page
Special Schedules ¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	8
Special Schedule 6	Sewerage Service – Statement of Financial Position	11
Notes to Special Schedule 5		12
Special Schedule 7	Report on Infrastructure Assets	13

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

Background

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

Bland Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	–	–	–	–
Administration	2,906	475	–	(2,431)
Public order and safety				
Fire service levy, fire protection, emergency services	603	51	–	(552)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	115	14	–	(101)
Other	–	–	–	–
Total public order and safety	718	65	–	(653)
Health	–	4	–	4
Environment				
Noxious plants and insect/vermin control	291	63	–	(228)
Other environmental protection	516	15	–	(501)
Solid waste management	1,035	1,138	–	103
Street cleaning	5	–	–	(5)
Drainage	209	–	–	(209)
Stormwater management	–	–	–	–
Total environment	2,056	1,216	–	(840)
Community services and education				
Administration and education	333	77	149	(107)
Social protection (welfare)	77	44	–	(33)
Aged persons and disabled	366	340	–	(26)
Children's services	1,108	1,226	–	118
Total community services and education	1,884	1,687	149	(48)
Housing and community amenities				
Public cemeteries	116	98	–	(18)
Public conveniences	160	–	–	(160)
Street lighting	156	31	–	(125)
Town planning	123	26	–	(97)
Other community amenities	–	–	–	–
Total housing and community amenities	555	155	–	(400)
Water supplies	–	–	–	–
Sewerage services	1,539	1,488	–	(51)

Bland Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	311	248	–	(63)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	345	10	–	(335)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	560	42	87	(431)
Swimming pools	371	18	94	(259)
Parks and gardens (lakes)	673	57	20	(596)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,260	375	201	(1,684)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	3	129	–	126
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	3	129	–	126
Transport and communication				
Urban roads (UR) – local	1,808	1	–	(1,807)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,722	14	2,604	896
Sealed rural roads (SRR) – regional	1,394	766	466	(162)
Unsealed rural roads (URR) – local	3,833	–	–	(3,833)
Unsealed rural roads (URR) – regional	1,261	272	–	(989)
Bridges on UR – local	168	–	–	(168)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	41	2	–	(39)
Footpaths	23	–	–	(23)
Aerodromes	164	3	–	(161)
Other transport and communication	204	–	–	(204)
Total transport and communication	10,618	1,058	3,070	(6,490)
Economic affairs				
Camping areas and caravan parks	51	19	–	(32)
Other economic affairs	949	594	–	(355)
Total economic affairs	1,000	613	–	(387)
Totals – functions	23,539	7,265	3,420	(12,854)
General purpose revenues ⁽¹⁾		14,417		14,417
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	23,539	21,682	3,420	1,563

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	6,370	6,276
Plus or minus adjustments ⁽²⁾	b	(5)	–
Notional general income	c = (a + b)	6,365	6,276
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	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	146	94
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	6,511	6,370
Plus (or minus) last year's carry forward total	l	1	1
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	1	1
Total permissible income	o = k + n	6,512	6,371
Less notional general income yield	p	6,511	6,370
Catch-up or (excess) result	q = o – p	1	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	1	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Bland Shire Council

To the Councillors of Bland Shire Council

Opinion

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

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', written in a cursive style.

Caroline Karakatsanis
Director, Financial Audit Services

30 November 2018
SYDNEY

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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	386	216
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	328	320
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	68	119
d. Energy costs	31	30
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	55	46
g. Chemical costs	–	–
h. Energy costs	10	12
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	240	333
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	420	335
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,538	1,411

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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,394	1,329
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	70	3
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	12	66
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	12	11
11. Other income	–	–
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	–	–
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,488</u>	<u>1,409</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>(50)</u>	<u>(2)</u>
16a. Operating result (less grants for acquisition of assets)	(50)	(2)

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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	64
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	<u>–</u>	<u>64</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,560	1,556
b. Residential (unoccupied, ie. vacant lot)	109	113
c. Non-residential (occupied)	242	240
d. Non-residential (unoccupied, ie. vacant lot)	34	35
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 34,110	\$ 34,679

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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	95	–	95
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	502	–	502
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	11	–	11
c. User charges	–	–	–
d. Other	4,142	–	4,142
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	14,967	–	14,967
b. Plant and equipment	662	–	662
30. Other assets	–	–	–
31. Total assets	<u>20,379</u>	<u>–</u>	<u>20,379</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	179	–	179
36. Total liabilities	<u>179</u>	<u>–</u>	<u>179</u>
37. NET ASSETS COMMITTED	<u>20,200</u>	<u>–</u>	<u>20,200</u>
EQUITY			
38. Accumulated surplus			14,016
39. Asset revaluation reserve			6,184
40. Other reserves			–
41. TOTAL EQUITY			<u>20,200</u>
Note to system assets:			
42. Current replacement cost of system assets			23,172
43. Accumulated current cost depreciation of system assets			(8,008)
44. Written down current cost of system assets			<u>15,164</u>

Bland Shire Council

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

Administration ⁽¹⁾

(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 ⁽¹⁾

(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 ⁽²⁾ (item 6 of Special Schedule 5) include all income from residential charges.

Non-residential charges ⁽²⁾ (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:

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

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

Bland Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	7,238	7,238	850	316	27,226	39,605	10%	22%	56%	7%	5%
	Sub-total	7,238	7,238	850	316	27,226	39,605	10.0%	22.0%	56.0%	7.0%	5.0%
Other structures	Other structures					3,438						
	Sub-total	–	–	–	–	3,438	–	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	5,926	5,926	1,811	907	102,797	153,110	6%	84%	5%	5%	0%
	Unsealed roads	–	–	180	3,658	8,723	18,509	3%	97%			0%
	Bridges	4,539	4,539	540	1	14,738	18,429	4%	3%	90%	3%	0%
	Footpaths	2,150	2,150	235	40	5,538	9,201	11%	13%	61%	15%	0%
	Other road assets	47	47	8	–	314	809	51%	25%	23%	1%	0%
	Bulk earthworks					76,626	76,626	100%				0%
	Other					4,599						
	Sub-total	12,662	12,662	2,774	4,606	213,335	276,684	32.0%	53.7%	10.9%	3.5%	0.0%

Bland Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Sewerage network	4,936	4,936	613	635	15,078	23,085	0%	37%	62%	1%	0%
	Other					(197)						
	Sub-total	4,936	4,936	613	635	14,881	23,085	0.0%	37.0%	62.0%	1.0%	0.0%
Stormwater drainage	Stormwater drainage	2,130	2,130	350	44	18,897	32,124	40%	28%	20%	12%	0%
	Other					4,045						
	Sub-total	2,130	2,130	350	44	22,942	32,124	40.0%	28.0%	20.0%	12.0%	0.0%
Open space/recreational assets	Swimming pools	88	88	42	61	5,395	5,085	32%	61%	7%	0%	0%
	Other	7,224	7,224	749	702	16,569	33,606	15%	27%	36%	18%	4%
	Sub-total	7,312	7,312	791	763	21,964	38,691	17.2%	31.5%	32.2%	15.6%	3.5%
Other infrastructure assets	Other	3,548	3,548	331	95	8,421	16,542	10%	11%	19%	60%	0%
	Sub-total	3,548	3,548	331	95	8,421	16,542	10.0%	11.0%	19.0%	60.0%	0.0%

Bland Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
	TOTAL – ALL ASSETS	37,826	37,826	5,709	6,459	312,207	426,731	26.6%	44.2%	20.8%	7.6%	0.8%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Bland Shire Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	3,915	55.30%	24.96%	136.01%	>= 100%
Depreciation, amortisation and impairment	7,080				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	37,826	12.09%	5.43%	2.68%	< 2.00%
Net carrying amount of infrastructure assets	312,975				
3. Asset maintenance ratio					
Actual asset maintenance	6,459	113.14%	114.28%	149.46%	> 100%
Required asset maintenance	5,709				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	37,826	8.86%	3.37%	0.00%	
Gross replacement cost	426,731				

Notes

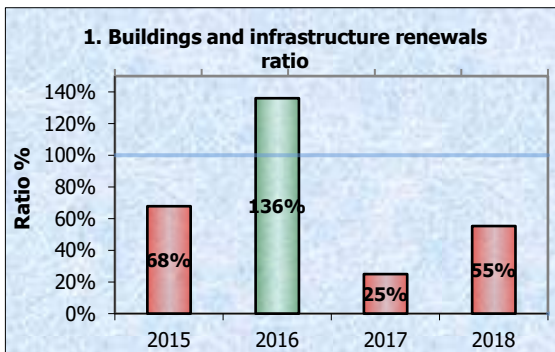
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Bland Shire Council

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



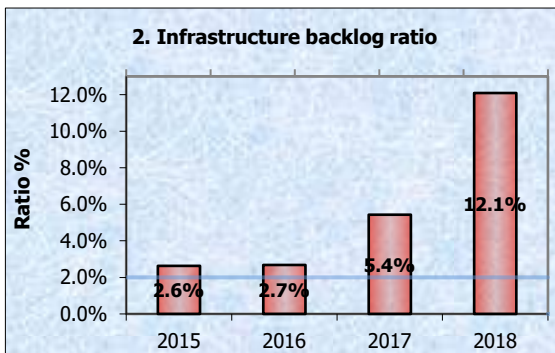
Purpose of asset renewals ratio

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

2017/18 Ratio 55.30%

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



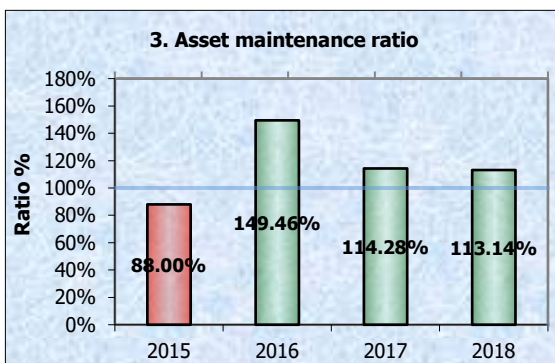
Purpose of infrastructure backlog ratio

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

2017/18 Ratio 12.09%

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



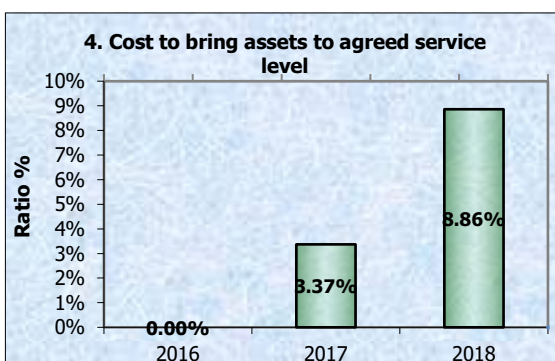
Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

2017/18 Ratio 113.14%

Benchmark: ——— Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ 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.

2017/18 Ratio 8.86%

Bland Shire Council

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

	General indicators ⁽¹⁾		Sewer indicators		Benchmark
	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund					
1. Buildings and infrastructure renewals ratio ⁽²⁾					
Asset renewals ⁽³⁾	58.56%	25.65%	0.00%	0.00%	>= 100%
Depreciation, amortisation and impairment					
2. Infrastructure backlog ratio ⁽²⁾					
Estimated cost to bring assets to a satisfactory standard	11.03%	4.27%	33.17%	1.48%	< 2.00%
Net carrying amount of infrastructure assets					
3. Asset maintenance ratio					
Actual asset maintenance	114.29%	107.03%	103.59%	192.77%	> 100%
Required asset maintenance					
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	8.15%	3.51%	21.38%	0.98%	
Gross replacement cost					

Notes

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