

# Lockhart Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018



# Lockhart Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2018

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### Overview

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

65 Green Street  
LOCKHART NSW 2656

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.lockhart.nsw.gov.au](http://www.lockhart.nsw.gov.au).

## Lockhart Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

#### Understanding Council's financial statements

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##### Introduction

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

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

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

## Lockhart 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 17 September 2018.**



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Clr Rodger Schirmer  
**Mayor**  
17 September 2018



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Clr Greg Verdon  
**Councillor**  
17 September 2018



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Peter Veneris  
**General Manager**  
17 September 2018



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Craig Fletcher  
**Responsible Accounting Officer**  
17 September 2018

# Lockhart Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
3,250	Rates and annual charges	3a	3,203	3,145
422	User charges and fees	3b	340	396
144	Interest and investment revenue	3c	173	194
184	Other revenues	3d	315	290
6,777	Grants and contributions provided for operating purposes	3e,f	6,586	13,184
556	Grants and contributions provided for capital purposes	3e,f	1,082	41
<b>Other income:</b>				
–	Net gains from the disposal of assets	5	–	69
–	Net share of interests in joint ventures and associates using the equity method	14	5	–
11,333	<b>Total income from continuing operations</b>		<b>11,704</b>	<b>17,319</b>
<b>Expenses from continuing operations</b>				
2,552	Employee benefits and on-costs	4a	2,823	2,818
92	Borrowing costs	4b	74	65
2,347	Materials and contracts	4c	2,314	3,168
2,984	Depreciation and amortisation	4d	3,174	2,912
1,174	Other expenses	4e	1,340	1,264
–	Net losses from the disposal of assets	5	142	–
–	Net share of interests in joint ventures and associates using the equity method	14	–	4
9,149	<b>Total expenses from continuing operations</b>		<b>9,867</b>	<b>10,231</b>
2,184	<b>Operating result from continuing operations</b>		<b>1,837</b>	<b>7,088</b>
2,184	<b>Net operating result for the year</b>		<b>1,837</b>	<b>7,088</b>
2,184	Net operating result attributable to Council		1,837	7,088
1,628	Net operating result for the year before grants and contributions provided for capital purposes		755	7,047

## Lockhart Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>1,837</b>	<b>7,088</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	3,048	(2,277)
Other comprehensive income – joint ventures and associates	14	1	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,049</b>	<b>(2,277)</b>
<b>Total other comprehensive income for the year</b>		<b>3,049</b>	<b>(2,277)</b>
<b>Total comprehensive income for the year</b>		<b>4,886</b>	<b>4,811</b>
Total comprehensive income attributable to Council		4,886	4,811

## Lockhart Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	11,503	7,677
Receivables	7	257	2,609
Inventories	8	2,290	1,823
Other	8	8	9
<b>Total current assets</b>		<b>14,058</b>	<b>12,118</b>
<b>Non-current assets</b>			
Receivables	7	62	42
Inventories	8	8	355
Infrastructure, property, plant and equipment	9	225,203	218,620
Investments accounted for using the equity method	14	145	139
<b>Total non-current assets</b>		<b>225,418</b>	<b>219,156</b>
<b>TOTAL ASSETS</b>		<b>239,476</b>	<b>231,274</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	860	767
Income received in advance	10	13	13
Borrowings	10	157	36
Provisions	11	924	871
<b>Total current liabilities</b>		<b>1,954</b>	<b>1,687</b>
<b>Non-current liabilities</b>			
Payables	10	2	2
Borrowings	10	3,828	785
Provisions	11	61	55
<b>Total non-current liabilities</b>		<b>3,891</b>	<b>842</b>
<b>TOTAL LIABILITIES</b>		<b>5,845</b>	<b>2,529</b>
<b>Net assets</b>		<b>233,631</b>	<b>228,745</b>
<b>EQUITY</b>			
Accumulated surplus	12	207,833	205,995
Revaluation reserves	12	25,798	22,750
<b>Council equity interest</b>		<b>233,631</b>	<b>228,745</b>
<b>Total equity</b>		<b>233,631</b>	<b>228,745</b>

## Lockhart Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		205,995	22,750	<b>228,745</b>	198,907	25,027	<b>223,934</b>
<b>Net operating result for the year</b>		<b>1,837</b>	–	<b>1,837</b>	<b>7,088</b>	–	<b>7,088</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	3,048	<b>3,048</b>	–	(2,277)	<b>(2,277)</b>
– Joint ventures and associates	14	1	–	<b>1</b>	–	–	<b>–</b>
<b>Other comprehensive income</b>		<b>1</b>	<b>3,048</b>	<b>3,049</b>	<b>–</b>	<b>(2,277)</b>	<b>(2,277)</b>
<b>Total comprehensive income</b>		<b>1,838</b>	<b>3,048</b>	<b>4,886</b>	<b>7,088</b>	<b>(2,277)</b>	<b>4,811</b>
<b>Equity – balance at end of the reporting period</b>		<b>207,833</b>	<b>25,798</b>	<b>233,631</b>	<b>205,995</b>	<b>22,750</b>	<b>228,745</b>



## Lockhart Shire Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
3,250	Rates and annual charges		3,181	3,123
422	User charges and fees		447	427
144	Investment and interest revenue received		174	210
7,334	Grants and contributions		9,991	10,921
–	Bonds, deposits and retention amounts received		57	5
184	Other		1,147	1,237
<b>Payments:</b>				
(3,447)	Employee benefits and on-costs		(2,785)	(2,826)
(1,452)	Materials and contracts		(2,975)	(3,834)
(92)	Borrowing costs		(74)	(65)
(1,174)	Other		(1,445)	(1,363)
<b>5,169</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>7,718</b>	<b>7,835</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		6,300	5,100
–	Sale of real estate assets		427	358
(246)	Sale of infrastructure, property, plant and equipment		481	222
(19)	Deferred debtors receipts		6	39
<b>Payments:</b>				
–	Purchase of investment securities		(6,300)	(5,100)
(5,719)	Purchase of infrastructure, property, plant and equipment		(7,514)	(8,438)
–	Purchase of real estate assets		(456)	(20)
<b>(5,984)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(7,056)</b>	<b>(7,839)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,000	Proceeds from borrowings and advances		3,200	–
<b>Payments:</b>				
–	Repayment of borrowings and advances		(36)	(34)
<b>1,000</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>3,164</b>	<b>(34)</b>
<b>185</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,826</b>	<b>(38)</b>
7,677	Plus: cash and cash equivalents – beginning of year	13a	7,677	7,715
<b>7,862</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>11,503</b>	<b>7,677</b>
<b>Total cash, cash equivalents and investments</b>			<b>11,503</b>	<b>7,677</b>

# Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 17/9/2018.

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

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

##### **Basis of preparation**

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

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

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

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

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

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

and are clearly marked.

##### **(a) New and amended standards adopted by Council**

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

##### **(b) Historical cost convention**

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

##### **(c) Significant accounting estimates and judgements**

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

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

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

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

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) employee benefit provisions – refer Note 11.

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

- (iii) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

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

- General purpose operations
- Sewerage service

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- Bidgeemia Hall Committee
- Lockhart & District Historical Society
- Lockhart Recreation Ground Committee
- Lockhart Showground & Racecourse Management Committee
- The Rock Recreation Ground Management Committee
- The Rock Hall Committee
- The Rock Showground Committee
- Milbrulong Hall Committee
- Tootool Recreation Reserve Committee
- Tourism & Economic Development Committee
- Osborne Recreation Ground Committee
- Pleasant Hill Recreation Ground Committee
- Pleasant Hills Hall Committee
- Yerong Creek Hall Committee
- Yerong Creek Recreation Ground Committee

The **(i)** total income and expenditure from continuing operations and **(ii)** net assets held by these excluded committees and operations is as follows:

<b>Total income from continuing operations</b>	\$219,000
<b>Total expenditure from continuing operations</b>	\$210,000
<b>Total net assets held (i.e. equity)</b>	\$180,000

**Note:** Where actual figures are not known, best estimates have been applied.

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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##### (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.

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

- Prichard Trust

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.

##### New accounting standards and interpretations issued not yet effective

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

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

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

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	–	–	180	189	(180)	(189)	–	–	–	–
Administration	69	147	1,899	1,742	(1,830)	(1,595)	20	6	14,390	13,142
Public Order & Safety	28	158	226	294	(198)	(136)	28	157	767	528
Environment	1,568	1,078	1,420	1,335	148	(257)	954	504	715	489
Community Services & Education	151	141	153	198	(2)	(57)	23	48	–	–
Housing & Community Amenities	130	124	224	210	(94)	(86)	–	–	2,768	2,268
Sewerage Services	480	450	530	467	(50)	(17)	11	11	12,601	10,888
Recreation & Culture	633	239	1,052	736	(419)	(497)	627	114	7,724	4,809
Mining, manufacturing and construction	4	6	13	5	(9)	1	–	–	–	35
Transport and communication	2,858	6,890	3,959	4,838	(1,101)	2,052	1,525	5,579	196,402	196,454
Economic Affairs	153	252	211	213	(58)	39	12	5	4,109	2,522
Share or Gains in associates and joint ventures	–	–	–	4	–	(4)	–	–	–	–
General purpose income	5,625	7,834	–	–	5,625	7,834	3,156	5,499	–	–
Other	5	–	–	–	5	–	2	–	–	139
<b>Total functions and activities</b>	<b>11,704</b>	<b>17,319</b>	<b>9,867</b>	<b>10,231</b>	<b>1,837</b>	<b>7,088</b>	<b>6,358</b>	<b>11,923</b>	<b>239,476</b>	<b>231,274</b>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER AND SAFETY**

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

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES AND EDUCATION**

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

##### **HOUSING AND COMMUNITY AMENITIES**

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

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

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

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes quarries and pits, mineral resources.

##### **TRANSPORT AND COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.



## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	369	315
Farmland	1,890	1,763
Business	101	97
Less: pensioner rebates (mandatory)	(34)	–
<b>Total ordinary rates</b>	<b>2,326</b>	<b>2,175</b>
<b>Special rates</b>		
Bush fire	–	115
<b>Total special rates</b>	<b>–</b>	<b>115</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	361	353
Sewerage services	441	411
Waste management services (non-domestic)	94	91
Less: pensioner rebates (mandatory)	(19)	–
<b>Total annual charges</b>	<b>877</b>	<b>855</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>3,203</b>	<b>3,145</b>

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.

## Lockhart 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>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Sewerage services	16	7
<b>Total specific user charges</b>	<b>16</b>	<b>7</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	40	25
Private works – section 67	38	41
Section 149 certificates (EPA Act)	6	6
Section 603 certificates	6	7
Tipping fees	41	31
Town planning	17	23
<b>Total fees and charges – statutory/regulatory</b>	<b>148</b>	<b>133</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Caravan park	69	43
Cemeteries	37	71
Fire and emergency services levy (FESL) implementation	3	66
Quarry revenues	4	6
RockOOSH fees	60	38
Scrap metal sales – from tips	–	31
Other	3	1
<b>Total fees and charges – other</b>	<b>176</b>	<b>256</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>340</b>	<b>396</b>

**Accounting policy for user charges and fees**

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

## Lockhart 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>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	13	12
– Cash and investments	160	182
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>173</b>	<b>194</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	13	12
General Council cash and investments	111	148
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	18	5
Sewerage fund operations	31	29
<b>Total interest and investment revenue recognised</b>	<b>173</b>	<b>194</b>
<b>Accounting policy for interest and investment revenue</b>		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
<b>(d) Other revenues</b>		
Rental income – other council properties	119	118
Diesel rebate	64	68
Employee contribution to vehicle	6	6
Foodshop inspection	2	2
Garbage bins sales	4	3
Insurance policy rebates/dividend	25	26
Magnolia entry fees	10	–
RockOOSH fees	68	38
Other	17	29
<b>TOTAL OTHER REVENUE</b>	<b>315</b>	<b>290</b>
<b>Accounting policy for other revenue</b>		
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.		

## Lockhart 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
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	913	2,127	–	–
Financial assistance – local roads component	528	1,491	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance – general component	1,087	1,100	–	–
Financial assistance – local roads component	628	764	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	19	17	–	–
<b>Total general purpose</b>	<b>3,175</b>	<b>5,499</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Sewerage	11	11	–	–
– Domestic waste management	21	21	–	–
Back to business grant	5	5	–	–
Bushfire and emergency services	1	132	–	–
Country passenger transport grant	–	–	10	–
Employment and training programs	1	6	–	–
Environmental protection	–	–	448	–
Fire protection – hazard reduction	27	25	–	–
Flood damage – RMS Nov 2016	–	1,669	–	–
Flood mitigation voluntary purchase	433	430	–	–
Heavy vehicle safety and productivity programme	–	1,548	50	–
Heritage and cultural	5	3	–	–
Heritage fund submission	6	5	–	–
Library	24	25	–	–
Lockhart rec ground grant – netball courts	–	25	–	–
Lockhart show ground grant – poultry shed	–	–	–	24
Milbrulong hall grant	–	–	–	17
Museum advisor	10	10	–	–
Museum – items above flood level	–	5	–	–
Museum upgrade	5	–	–	–
Noxious weeds	53	53	–	–
Rockoosh setup and sustainability grants	21	27	–	–
Street lighting	4	4	–	–
Transport (roads to recovery)	1,411	1,613	–	–
Transport (fixing country roads)	–	749	50	–
Youth activities	3	17	–	–
Museum Cultural Hub	25	–	–	–
Stronger Country Communities Pools	–	–	504	–
Gym Equipment	–	–	20	–
Community Building Partnership - Osborne	28	–	–	–
Regional Arts - Water Tower Mural	7	–	–	–
<b>Total specific purpose</b>	<b>2,101</b>	<b>6,383</b>	<b>1,082</b>	<b>41</b>
<b>Total grants</b>	<b>5,276</b>	<b>11,882</b>	<b>1,082</b>	<b>41</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,156	8,669	70	–
– State funding	2,070	3,213	1,012	41
– Other funding	50	–	–	–
	<b>5,276</b>	<b>11,882</b>	<b>1,082</b>	<b>41</b>

## Lockhart 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
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.12 – fixed development consent levies		41	13	–	–
<b>Total developer contributions – cash</b>		<b>41</b>	<b>13</b>	<b>–</b>	<b>–</b>
<b>Total developer contributions</b>	21	<b>41</b>	<b>13</b>	<b>–</b>	<b>–</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Heritage/cultural		–	87	–	–
Pedestrian access and mobility plan		68	–	–	–
RMS contributions (regional roads, block grant)		874	857	–	–
RMS RRRP grant		158	177	–	–
RMS regional roads traffic facilities		68	67	–	–
RMS regional roads supplementary		101	101	–	–
<b>Total other contributions – cash</b>		<b>1,269</b>	<b>1,289</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>		<b>1,269</b>	<b>1,289</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>		<b>1,310</b>	<b>1,302</b>	<b>–</b>	<b>–</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>6,586</b>	<b>13,184</b>	<b>1,082</b>	<b>41</b>

**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.

## Lockhart 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>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	96	86
<b>Add:</b> operating grants recognised in the current period but not yet spent	42	39
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(80)	(29)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>58</u>	<u>96</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	214	208
<b>Add:</b> contributions recognised in the current period but not yet spent	59	6
<b>Unexpended and held as restricted assets (contributions)</b>	<u>273</u>	<u>214</u>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	3,043	3,078
Travel expenses	85	87
Employee leave entitlements (ELE)	404	405
Superannuation	339	322
Workers' compensation insurance	163	127
Fringe benefit tax (FBT)	42	41
Training costs (other than salaries and wages)	31	32
Protective clothing	14	15
Other	17	30
<b>Total employee costs</b>	<b>4,138</b>	<b>4,137</b>
Less: capitalised costs	(1,315)	(1,319)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>2,823</u></b>	<b><u>2,818</u></b>

Number of 'full-time equivalent' employees (FTE) at year end	51	51
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#### Accounting policy for employee benefits and on-costs

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

#### (b) Borrowing costs

##### (i) Interest bearing liability costs

Interest on loans	74	65
<b>Total interest bearing liability costs expensed</b>	<b>74</b>	<b>65</b>
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>	<b><u>74</u></b>	<b><u>65</u></b>

#### Accounting policy for borrowing costs

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

## Lockhart 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>(c) Materials and contracts</b>		
Raw materials and consumables	2,231	3,077
Contractor and consultancy costs	54	55
Auditors remuneration <sup>(1)</sup>	27	35
Legal expenses:		
– Legal expenses: other	2	1
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>	<b><u>2,314</u></b>	<b><u>3,168</u></b>
<b>1. Auditor remuneration</b>		
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		
<b>Auditors of the Council – NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	27	27
<b>Remuneration for audit and other assurance services</b>	<b><u>27</u></b>	<b><u>27</u></b>
<b>Total Auditor-General remuneration</b>	<b><u>27</u></b>	<b><u>27</u></b>
<b>Non NSW Auditor-General audit firms:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	–	8
<b>Remuneration for audit and other assurance services</b>	<b><u>–</u></b>	<b><u>8</u></b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b><u>–</u></b>	<b><u>8</u></b>
<b>Total Auditor remuneration</b>	<b><u>27</u></b>	<b><u>35</u></b>



## Lockhart 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>(d) Depreciation, amortisation and impairment</b>		
<b>Depreciation and amortisation</b>		
Plant and equipment	532	473
Office equipment	27	30
Furniture and fittings	8	9
<b>Infrastructure:</b>		
– Buildings – non-specialised	58	24
– Buildings – specialised	187	207
– Other structures	8	8
– Roads	1,952	1,846
– Bridges	36	36
– Footpaths	34	34
– Stormwater drainage	6	6
– Sewerage network	194	170
– Swimming pools	53	64
– Other open space/recreational assets	79	1
<b>Other assets:</b>		
– Other	–	4
<b>Total depreciation and amortisation costs</b>	<u>3,174</u>	<u>2,912</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u></b>	<u>3,174</u>	<u>2,912</u>

#### Accounting policy for depreciation, amortisation and impairment expenses

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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.

## Lockhart 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>(e) Other expenses</b>		
Advertising	17	10
Bank charges	15	14
Cleaning	16	28
Computer software and maintenance	87	109
Contributions/levies to other levels of government		
– Emergency services levy	5	6
– NSW fire brigade levy	17	17
– NSW rural fire service levy	161	157
– Contribution – noxious weeds	3	3
– Contribution – REROC	17	14
– Contribution – Riverina Regional Library	108	106
– Contribution – sec 355 committees	52	52
– Contribution – sec 356	46	56
– Other contributions/levies	4	4
Councillor expenses – mayoral fee	25	24
Councillor expenses – councillors' fees	91	75
Councillors' expenses (incl. mayor) – other (excluding fees above)	18	22
DCP, S94 and S64 plans updates	3	11
Election expenses	–	20
Electricity and heating	81	75
Fire control expenses	1	2
Insurance	133	120
Kerbside recycling	74	79
Newsletter	15	16
Office supplies and stationery	17	22
Postage	13	13
Printing and photocopying	44	44
Subscriptions and memberships	41	37
Telephone and communications	46	45
Tourism expenses (excluding employee costs)	43	39
Valuation fees	26	25
Other (Bad & Doubtful Debts)	95	–
Other	26	19
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>1,340</u></b>	<b><u>1,264</u></b>

#### Accounting policy for other expenses

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

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		481	210
Less: carrying amount of plant and equipment assets sold/written off		(416)	(269)
<b>Net gain/(loss) on disposal</b>		<b>65</b>	<b>(59)</b>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		–	12
Less: carrying amount of infrastructure assets sold/written off		(425)	(12)
<b>Net gain/(loss) on disposal</b>		<b>(425)</b>	<b>–</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		427	358
Less: carrying amount of real estate assets sold/written off		(209)	(230)
<b>Net gain/(loss) on disposal</b>		<b>218</b>	<b>128</b>
<b>Financial assets</b>	6		
Proceeds from disposal/redemptions/maturities – financial assets		6,300	5,100
Less: carrying amount of financial assets sold/redeemed/matured		(6,300)	(5,100)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(142)</b>	<b>69</b>

#### Accounting policy for disposal of assets

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

#### Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,353	927
Cash-equivalent assets		
– Deposits at call	2,900	700
– Short-term deposits	7,250	6,050
<b>Total cash and cash equivalents</b>	<b>11,503</b>	<b>7,677</b>

#### 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.

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	11,503	–	7,677	–
<b>attributable to:</b>				
External restrictions (refer below)	2,401	–	2,385	–
Internal restrictions (refer below)	7,162	–	4,507	–
Unrestricted	1,940	–	785	–
	<b>11,503</b>	<b>–</b>	<b>7,677</b>	<b>–</b>

\$ '000	2018	2017
<b>Details of restrictions</b>		
<b>External restrictions – other</b>		
Developer contributions – general	267	208
Developer contributions – sewer fund	6	6
Specific purpose unexpended grants	58	96
Sewerage services	2,070	2,075
<b>External restrictions – other</b>	<b>2,401</b>	<b>2,385</b>
<b>Total external restrictions</b>	<b>2,401</b>	<b>2,385</b>
<b>Internal restrictions</b>		
Plant and vehicle replacement	13	13
Employees leave entitlement	741	775
Systems & IT Improvements	160	40
Disaster reserve	–	134
Advance financial assistance – general	1,087	1,100
Advance financial assistance – roads	628	764
Economic development	75	75
Flood damages reserve	–	229
Future election expenses	6	–
Future infrastructure improvements/replacement	–	837
Future landfill land acquisition	–	22
Galore hill reserve	16	16
Gravel pit reserve	–	213
Lockhart recreation ground	10	10
Lockhart swimming pool	–	18
Magnolia lodge admin fee	–	52
Public halls	–	12
Unallocated funds	–	169
Youth flats	–	28
Buildings	115	–
Rehabilitation Reserve	237	–
Disaster Recovery	374	–
Future Infrastructure Development	1,500	–
Borrowed Funds - Pools	2,200	–
<b>Total internal restrictions</b>	<b>7,162</b>	<b>4,507</b>
<b>TOTAL RESTRICTIONS</b>	<b>9,563</b>	<b>6,892</b>

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	169	–	147	–
User charges and fees	6	–	17	–
Accrued revenues				
– Interest on investments	8	–	9	–
Deferred debtors	13	62	39	42
Government grants and subsidies	–	–	2,316	–
Other debtors	156	–	81	–
<b>Total</b>	<b>352</b>	<b>62</b>	<b>2,609</b>	<b>42</b>
<b>Less: provision for impairment</b>				
Other debtors	(95)	–	–	–
<b>Total provision for impairment – receivables</b>	<b>(95)</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>257</u></b>	<b><u>62</u></b>	<b><u>2,609</u></b>	<b><u>42</u></b>
<b>Externally restricted receivables</b>				
<b>Sewerage services</b>				
– Rates and availability charges	43	–	36	–
– Other	2	–	2	–
<b>Total external restrictions</b>	<b>45</b>	<b>–</b>	<b>38</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>212</b>	<b>62</b>	<b>2,571</b>	<b>42</b>
<b>TOTAL NET RECEIVABLES</b>	<b>257</b>	<b>62</b>	<b>2,609</b>	<b>42</b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			–	–
+ new provisions recognised during the year			95	–
<b>Balance at the end of the year</b>			<b>95</b>	<b>–</b>

## 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 (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

## Impairment

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

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

##### Accounting policy for receivables (continued)

##### Impairment (continued)

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 uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

#### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale (refer below)	2,121	8	1,563	355
Stores and materials	169	–	260	–
<b>Total inventories at cost</b>	<b>2,290</b>	<b>8</b>	<b>1,823</b>	<b>355</b>
<b>TOTAL INVENTORIES</b>	<b>2,290</b>	<b>8</b>	<b>1,823</b>	<b>355</b>
<b>(b) Other assets</b>				
Prepayments	8	–	9	–
<b>TOTAL OTHER ASSETS</b>	<b>8</b>	<b>–</b>	<b>9</b>	<b>–</b>

##### Externally restricted assets

There are no restrictions applicable to the above assets.

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
<b>Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		1,485	8	935	355
Industrial/commercial		636	–	628	–
<b>Total real estate for resale</b>		<b>2,121</b>	<b>8</b>	<b>1,563</b>	<b>355</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		1,665	8	1,344	355
Development costs		456	–	219	–
<b>Total costs</b>		<b>2,121</b>	<b>8</b>	<b>1,563</b>	<b>355</b>
<b>Total real estate for resale</b>		<b>2,121</b>	<b>8</b>	<b>1,563</b>	<b>355</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		1,563	355	1,656	472
– Purchases and other costs		456	–	20	–
– Transfers in from (out to) Note 9		(36)	–	–	–
– WDV of sales (expense)	5	(209)	–	(230)	–
– Transfer between current/non-current		347	(347)	117	(117)
<b>Total real estate for resale</b>		<b>2,121</b>	<b>8</b>	<b>1,563</b>	<b>355</b>

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

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

	2018	2017
Real estate for resale	1,508	1,571
	<b>1,508</b>	<b>1,571</b>

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

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

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

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

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

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	
Capital work in progress	176	–	176	–	2,392	–	–	–	–	–	–	2,568	–	2,568	
Plant and equipment	5,913	2,195	3,718	–	1,202	(336)	(532)	–	–	–	–	6,250	2,198	4,052	
Office equipment	379	280	99	–	33	(16)	(27)	–	–	–	–	197	108	89	
Furniture and fittings	152	86	66	–	–	–	(8)	–	–	–	–	152	94	58	
<b>Land:</b>															
– Operational land	1,031	–	1,031	–	–	–	–	(32)	36	–	494	1,529	–	1,529	
– Community land	1,907	–	1,907	–	1	–	–	32	–	–	–	1,940	–	1,940	
<b>Infrastructure:</b>															
– Buildings – non-specialised	2,813	988	1,825	–	38	(16)	(58)	2,144	–	–	607	6,617	2,077	4,540	
– Buildings – specialised	11,149	4,355	6,794	–	81	(52)	(187)	(1,908)	–	–	2,589	14,004	6,687	7,317	
– Other structures	403	134	269	–	23	–	(8)	(78)	–	–	–	298	92	206	
– Roads	211,089	29,265	181,824	1,490	1,584	(421)	(1,952)	–	–	(1,090)	–	212,237	30,872	181,365	
– Bridges	3,653	1,339	2,314	–	–	–	(36)	–	–	(37)	–	3,653	1,376	2,277	
– Footpaths	1,739	735	1,004	–	–	–	(34)	–	–	(15)	–	1,756	767	989	
– Bulk earthworks (non-depreciable)	7,198	–	7,198	–	–	–	–	–	–	(118)	–	7,080	–	7,080	
– Stormwater drainage	600	87	513	–	583	–	(6)	(1)	–	–	–	1,182	93	1,089	
– Sewerage network	14,454	5,685	8,769	–	–	–	(194)	–	–	–	618	15,541	6,348	9,193	
– Swimming pools	2,369	2,182	187	–	–	–	(53)	(99)	–	–	–	1,864	1,829	35	
– Other open space/recreational assets	2,323	1,476	847	–	87	–	(79)	21	–	–	–	2,618	1,742	876	
<b>Other assets:</b>															
– Other	106	27	79	–	–	–	–	(79)	–	–	–	–	–	–	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>267,454</b>	<b>48,834</b>	<b>218,620</b>	<b>1,490</b>	<b>6,024</b>	<b>(841)</b>	<b>(3,174)</b>	<b>–</b>	<b>36</b>	<b>(1,260)</b>	<b>4,308</b>	<b>279,486</b>	<b>54,283</b>	<b>225,203</b>	

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



## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
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	<b>Buildings</b>	
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
<b>Sewer assets</b>		<b>Stormwater assets</b>	
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		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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.

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9(a). 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 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 recognise rural fire service assets of land and buildings. Plant and vehicles of the Rural Fire Service have not been recorded.

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Sewerage services</b>						
WIP	1,287	–	1,287	103	–	103
Infrastructure	15,541	6,348	9,193	14,454	5,685	8,769
<b>Total sewerage services</b>	<b>16,828</b>	<b>6,348</b>	<b>10,480</b>	<b>14,557</b>	<b>5,685</b>	<b>8,872</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>16,828</b>	<b>6,348</b>	<b>10,480</b>	<b>14,557</b>	<b>5,685</b>	<b>8,872</b>

## Lockhart Shire Council

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

## Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	798	2	762	2
Security bonds, deposits and retentions	62	–	5	–
<b>Total payables</b>	<b>860</b>	<b>2</b>	<b>767</b>	<b>2</b>
<b>Income received in advance</b>				
Payments received in advance	13	–	13	–
<b>Total income received in advance</b>	<b>13</b>	<b>–</b>	<b>13</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	157	3,828	36	785
<b>Total borrowings</b>	<b>157</b>	<b>3,828</b>	<b>36</b>	<b>785</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>1,030</b>	<b>3,830</b>	<b>816</b>	<b>787</b>

**(a) Payables and borrowings relating to restricted assets**

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Sewer	79	963	–	–
Payables and borrowings relating to externally restricted assets	79	963	–	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>79</b>	<b>963</b>	<b>–</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>951</b>	<b>2,867</b>	<b>816</b>	<b>787</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>1,030</b>	<b>3,830</b>	<b>816</b>	<b>787</b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

## Lockhart Shire Council

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

## Note 10. 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	821	3,164	–	–	–	<b>3,985</b>
<b>TOTAL</b>	<b>821</b>	<b>3,164</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,985</b>

\$ '000

2018

2017

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

Credit cards/purchase cards	15	15
<b>Total financing arrangements</b>	<b>15</b>	<b>15</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	15	15
<b>Total undrawn financing arrangements</b>	<b>15</b>	<b>15</b>

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

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Payables and borrowings (continued)

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##### 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.

## Lockhart Shire Council

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

## Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	365	–	346	–
Long service leave	507	59	475	53
ELE on-costs	52	2	50	2
<b>Sub-total – aggregate employee benefits</b>	<b>924</b>	<b>61</b>	<b>871</b>	<b>55</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>924</u></b>	<b><u>61</u></b>	<b><u>871</u></b>	<b><u>55</u></b>

**(a) Provisions relating to restricted assets**

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Sewer	5	2	5	2
Provisions relating to externally restricted assets	5	2	5	2
<b>Total provisions relating to restricted assets</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>2</b>
<b>Total provisions relating to unrestricted assets</b>	<b>919</b>	<b>59</b>	<b>866</b>	<b>53</b>
<b>TOTAL PROVISIONS</b>	<b><u>924</u></b>	<b><u>61</u></b>	<b><u>871</u></b>	<b><u>55</u></b>

\$ '000	2018	2017
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**(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	662	669
	<b><u>662</u></b>	<b><u>669</u></b>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

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##### **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.

##### **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.

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

##### Defined Benefit Plans

###### Multi-Employer Pooled Fund

Council participates in an employer sponsored Defined Benefit Superannuation Scheme that is a multi-employer plan.

**(a) Funding arrangements, including methodology to determine rate of contributions and any minimum funding requirements.**

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% of salary
Division D	1.64 times employee contributions

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

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

**(b) Extent to which Council may be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.**

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

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

**(c) Description of any agreed allocation of a deficit or surplus on:**

*(i) wind-up of the plan*

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

*(ii) entity's withdrawal from the plan*

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

**(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:**

*(i) the fact that the plan is a defined benefit plan.*

Council confirms that the plan is a defined benefit plan.



## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

(ii) *why sufficient information is not available to enable Council to account for the plan as a defined benefit plan.*

1. Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
2. The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;
3. Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

(iii) *the expected contribution to the plan for the next annual reporting period*

The expected contributions by Council to the Fund for the next annual reporting period are \$40K.

(iv) *information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.*

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

<i>* Employer reserves only</i>	<i>\$M</i>	<i>Asset Coverage</i>
Assets	1,817.8	
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% p.a.
Salary inflation (plus promotional increases)	3.5% p.a.
Increase in CPI	2.5% p.a.

Council's additional contribution requirements are estimated to remain in place to 30 June 2021 and total \$63K. However, the Trustee is considering extending the additional contribution period in order to build up a satisfactory surplus, allow the Fund to transition to a less risky investment portfolio resulting in a lower assumed long-term investment return.

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

(v) *an indication of the level of Council's participation in the plan compared with other participating entities.*

Council's participation in the Scheme compared with other entities is about 0.05% based on the Council's current level of annual additional contributions of \$37K against total contributions of \$48.7M. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

##### Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

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

#### Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	11,503	7,677
<b>Balance as per the Statement of Cash Flows</b>		<b>11,503</b>	<b>7,677</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>1,837</b>	<b>7,088</b>
Adjust for non-cash items:			
Depreciation and amortisation		3,174	2,912
Net losses/(gains) on disposal of assets		142	(69)
Share of net (profits) or losses of associates/joint ventures		(5)	4
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,231	(2,370)
Decrease/(increase) in inventories		91	(83)
Decrease/(increase) in other assets		1	(3)
Increase/(decrease) in payables		36	347
Increase/(decrease) in other liabilities		57	5
Increase/(decrease) in employee leave entitlements		59	4
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>7,718</b>	<b>7,835</b>

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	5	(4)	145	139
<b>Total</b>	<b>5</b>	<b>(4)</b>	<b>145</b>	<b>139</b>

## (a) Joint arrangements

## (i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

## (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	2018	2017
Riverina Regional Library	Joint venture	145	139
<b>Total carrying amounts – material joint ventures</b>		<b>145</b>	<b>139</b>

## (b) Details

Name of entity	Principal activity
Riverina Regional Library	Provision of Library Services (data is actually from YE 2017, as this is the most recent information available at time of preparing Lockhart Shire's Statements)

## (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Riverina Regional Library	n/a	n/a	3%	3%	3%	3%	3%	3%

## (d) Summarised financial information for joint ventures

	Riverina Regional Library	
Statement of financial position	2018	2017
<b>Current assets</b>		
Cash and cash equivalents	2,275	2,258
Other current assets	17	21
<b>Non-current assets</b>	<b>2,816</b>	<b>2,840</b>
<b>Current liabilities</b>		
Other current liabilities	854	1,018
<b>Non-current liabilities</b>		
Non-current liabilities	2	1
<b>Net assets</b>	<b>4,252</b>	<b>4,100</b>

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Interests in other entities (continued)

\$ '000

	Riverina Regional Library	
	2018	2017
<b>(d) Summarised financial information for joint ventures (cont'd)</b>		
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	4,100	4,205
Profit/(loss) for the period	152	(105)
<b>Closing net assets</b>	<b>4,252</b>	<b>4,100</b>
<b>Council's share of net assets (%)</b>	<b>3.4%</b>	<b>3.4%</b>
<b>Council's share of net assets (\$)</b>	<b>145</b>	<b>139</b>
<b>Statement of comprehensive income</b>		
Income	2,876	2,836
Interest income	25	20
Depreciation and amortisation	(781)	(766)
Interest expense	(8)	(10)
Employee Benefits & On-Costs	(1,278)	(1,353)
Other expenses	(682)	(832)
<b>Profit/(loss) from continuing operations</b>	<b>152</b>	<b>(105)</b>
<b>Total comprehensive income</b>	<b>152</b>	<b>(105)</b>
<b>Share of income – Council (%)</b>	<b>3.4%</b>	<b>3.4%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>5</b>	<b>(4)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>5</b>	<b>(4)</b>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Swimming Pools	2,284	–
Buildings - Specialised	738	–
Drainage - Flood Mitigation	811	–
<b>Total commitments</b>	<b>3,833</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	2,355	–
Later than one year and not later than 5 years	1,478	–
<b>Total payable</b>	<b>3,833</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>		
Future grants and contributions-Pools	1,529	–
Future grants and contributions-Flood Mitigation	744	–
Internally restricted reserves-Pools	859	–
Internally restricted reserves-Flood Mitigation	124	–
Unexpended loans	2,200	–
<b>Total sources of funding</b>	<b>3,833</b>	<b>–</b>

#### Details of capital commitments

There are two public swimming pools in the Shire, both are being redeveloped and upgraded. The Lockhart pool redevelopment and upgrade is currently in progress, so too is the amenities building at The Rock pool. The Rock pool works will be undertaken in the off season in 2019 calendar year.

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

##### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	45	45
Later than one year and not later than 5 years	45	90
<b>Total non-cancellable operating lease commitments</b>	<b>90</b>	<b>135</b>

##### b. Non-cancellable operating leases include the following assets:

Office rentals

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

##### Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## Lockhart Shire Council

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

#### Note 16. Contingencies and other liabilities/assets not recognised

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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) 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.

##### **(ii) StateCover Limited**

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

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

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

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

##### **(iii) 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.

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **ASSETS NOT RECOGNISED** (continued):

##### **(ii) Potential land acquisitions due to planning restrictions imposed by Council**

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

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

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

##### **ASSETS NOT RECOGNISED:**

##### **(i) Land under roads**

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

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

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

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

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

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

##### **(iii) Rural fire fighting assets - plant & vehicles**

These plant & vehicles assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council and accordingly they have not been recognised in these reports.

##### **OTHER**

##### **Rehabilitation of tips and quarries**

The rehabilitation of Council's tips and quarries is being considered by Council, with a long term plan being developed. Council is of the view any 'rehabilitation work will not be required for another ten or more years. Council is placing funds in Reserve for the future acquisition of land and rehabilitation of existing sites.

## Lockhart Shire Council

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

#### Note 17. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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
<b>Financial assets</b>				
Cash and cash equivalents	11,503	7,677	11,503	7,677
Receivables	319	2,651	414	2,651
<b>Total financial assets</b>	<b>11,822</b>	<b>10,328</b>	<b>11,917</b>	<b>10,328</b>
<b>Financial liabilities</b>				
Payables	862	769	862	769
Loans/advances	3,985	821	3,985	821
<b>Total financial liabilities</b>	<b>4,847</b>	<b>1,590</b>	<b>4,847</b>	<b>1,590</b>

Fair value is determined as follows:

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



## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. 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 the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 1% movement in interest rates	66	66	(66)	(66)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	68	68	(68)	(68)

# Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 17. Financial risk management (continued)

\$ '000

#### (b) Credit risk

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

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

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

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

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

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
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	72%	54%	67%	96%
Overdue	28%	46%	33%	4%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### (ii) Ageing of receivables – value

##### Rates and annual charges

	2018	2017
Current	121	99
< 1 year overdue	22	20
1 – 2 years overdue	10	10
2 – 5 years overdue	12	14
> 5 years overdue	4	4
	<b>169</b>	<b>147</b>

##### Other receivables

	2018	2017
Current	137	2,403
0 – 30 days overdue	3	–
31 – 60 days overdue	2	8
61 – 90 days overdue	103	2
> 91 days overdue	–	91
	<b>245</b>	<b>2,504</b>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables		62	800	–	–	862	862
Loans and advances	4.42%	–	331	1,324	4,221	5,876	3,985
<b>Total financial liabilities</b>		<b>62</b>	<b>1,131</b>	<b>1,324</b>	<b>4,221</b>	<b>6,738</b>	<b>4,847</b>
<b>2017</b>							
Trade/other payables		5	764	–	–	769	769
Loans and advances	7.80%	–	99	396	893	1,388	821
<b>Total financial liabilities</b>		<b>5</b>	<b>863</b>	<b>396</b>	<b>893</b>	<b>2,157</b>	<b>1,590</b>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 19 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* -----		
<b>REVENUES</b>					
Rates and annual charges	3,250	3,203	(47)	(1%)	<b>U</b>
User charges and fees	422	340	(82)	(19%)	<b>U</b>
Interest and investment revenue	144	173	29	20%	<b>F</b>
Budget forecasts for interest rates & available cash to invest conservatively less than actual					
Other revenues	184	315	131	71%	<b>F</b>
Council received \$26K more than budgeted for Insurance Rebates & Diesel rebate combined. Dog registration income was \$7K more than budget.					
Operating grants and contributions	6,777	6,586	(191)	(3%)	<b>U</b>
Capital grants and contributions	556	1,082	526	95%	<b>F</b>
Budget initially included Flood Mitigation Construction funding. During the year Council applied for and was successful in receiving Stronger Country Community Grant funding for swimming pools and received first milestone payment in 2017/18.					

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>2,552</b>	<b>2,823</b>	<b>(271)</b>	(11%) <b>U</b>
<b>Borrowing costs</b>	<b>92</b>	<b>74</b>	<b>18</b>	20% <b>F</b>
The budget was based on apply and if successful, drawing down on TCorp loan earlier than May 2018.				
<b>Materials and contracts</b>	<b>2,347</b>	<b>2,314</b>	<b>33</b>	1% <b>F</b>
<b>Depreciation and amortisation</b>	<b>2,984</b>	<b>3,174</b>	<b>(190)</b>	(6%) <b>U</b>
<b>Other expenses</b>	<b>1,174</b>	<b>1,340</b>	<b>(166)</b>	(14%) <b>U</b>
Mainly due to \$95K Provision for Doubtful Debts, Advertising exceeding budget by \$11K and Information Technology exceeding budget by \$12K. The balance of variance due to smaller budget variances of the estimated 60+ general ledger (GLs) accounts and GLs in Budget templates not classified as Other Expenses in Year End templates. This will be addressed in preparation of 2019/20 budget and 2018/19 Statements.				
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>142</b>	<b>(142)</b>	0% <b>U</b>
Council does not budget for gain/loss on disposal of assets.				

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

<b>Cash flows from operating activities</b>	<b>5,169</b>	<b>7,718</b>	<b>2,549</b>	49.3% <b>F</b>
Due mainly to \$2,657K of one-off unbudgeted grants				
<b>Cash flows from investing activities</b>	<b>(5,984)</b>	<b>(7,056)</b>	<b>(1,072)</b>	17.9% <b>U</b>
The majority of above one-grants being capital expenditure				
<b>Cash flows from financing activities</b>	<b>1,000</b>	<b>3,164</b>	<b>2,164</b>	216.4% <b>F</b>
Increase due to successfully applying for additional \$2.2M borrowings for the swimming pool redevelopment and upgrades to The Rock & Lockhart pools.				

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	–	4,052	4,052
Office equipment	30/06/18	–	–	89	89
Furniture and fittings	30/06/18	–	–	58	58
Operational land	30/06/18	–	1,529	–	1,529
Community land	30/06/17	–	–	1,940	1,940
Buildings – non-specialised	30/06/18	–	4,540	–	4,540
Buildings – specialised	30/06/18	–	–	7,317	7,317
Other structures	30/06/16	–	–	206	206
Roads	30/06/18	–	–	181,365	181,365
Bridges	30/06/18	–	–	2,277	2,277
Footpaths	30/06/18	–	–	989	989
Bulk earthworks	30/06/18	–	–	7,080	7,080
Stormwater drainage	30/06/17	–	–	1,089	1,089
Sewerage network	30/06/17	–	–	9,193	9,193
Swimming pools	30/06/16	–	–	35	35
Other open space/recreational assets	30/06/16	–	–	876	876
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>6,069</b>	<b>216,566</b>	<b>222,635</b>

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/12	—	—	3,718	3,718
Office equipment	30/06/12	—	—	99	99
Furniture and fittings	30/06/12	—	—	66	66
Operational land	30/06/17	—	1,031	—	1,031
Community land	30/06/17	—	—	1,907	1,907
Buildings – non-specialised	30/06/13	—	1,825	—	1,825
Buildings – specialised	30/06/13	—	—	6,794	6,794
Other structures	30/06/16	—	—	269	269
Roads	30/06/17	—	—	181,824	181,824
Bridges	30/06/17	—	—	2,314	2,314
Footpaths	30/06/17	—	—	1,004	1,004
Bulk earthworks	30/06/17	—	—	7,198	7,198
Stormwater drainage	30/06/17	—	—	513	513
Sewerage network	30/06/17	—	—	8,769	8,769
Swimming pools	30/06/16	—	—	187	187
Other open space/recreational assets	30/06/16	—	—	847	847
Other assets	30/06/11	—	—	79	79
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>2,856</b>	<b>215,588</b>	<b>218,444</b>

## (2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## Lockhart Shire Council

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

#### Note 19. Fair value measurement (continued)

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

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

The fair valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

##### Infrastructure, property, plant and equipment

###### Plant & Equipment

Council's Plant and equipment incorporates

- Major plants – Graders, Loaders, Rollers, Trucks, tractors.
- Fleet Vehicles – Cars, Utes etc.
- Minor Plant – Pumps, Chainsaws, brush cutters, mowers, concrete mixers.

Council fair values plant and equipment using Level 3 inputs. The observable Level 3 inputs used

- Quoted price for similar assets
- Purchase price
- Useful life of asset
- Current replacement Cost

The 'Cost Approach' is used to value Plant & Equipment

###### Furniture & Fittings

Council's Furniture & Fittings incorporates

- Furniture and fittings – Desks, Chairs, Display Systems

Council fair values furniture fittings using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Furniture & Fittings.

###### Office Equipment

Council's Office Equipment incorporates:

- Office Equipment: workstations, chairs, bookshelves etc.

Council fair values office equipment using Level 3 inputs. The observable Level 3 inputs used include:

- Quoted prices for similar assets
- Current replacement cost
- Purchase prices
- Useful life on asset

The 'Cost Approach' is used to value Office Equipment.



## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

##### Infrastructure – Roads

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved makers parking places as well as alongside roadside.

Council's Road Asset Data contains detailed dimensions and specification for all Council roads. Council fair values, road infrastructure using Level 3 inputs at a component level.

The 'Unit Rate Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's Asset System. (BizeAssets)

Level of componentisation adopted by Council is in accordance with AASB 116, OLG Circular 09-09 and the Institute of Public Work Engineers International Infrastructure Management Manual (IIMM)

The unobservable Level 3 inputs used include:

- Components
- Useful life and residual value
- Asset Condition
- Dimensions and Specification
- Remaining Life of Carriageway
- Unit Rates.

There were no changes in valuation technique from prior year. A desktop valuation was performed this year.

##### Infrastructure – Bridges

A bridge is defined as all structures greater than 6m in trafficable length that convey a road, a footpath or a cycleway across any other physical feature (including waterways and other roads).

Council Road Asset Data contains detailed dimensions and specification for all Council's bridges. Council fair values, bridges (non- componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of bridges takes into consideration the various type of structures such as:

- Bridge Deck/ Superstructure
- Bridge Abutments/Foundations
- Bridge rails and hand rails

There were no changes in valuation technique from prior year. The 'Unit Rate Approach' is used to value bridges. A desktop valuation was performed this year.

##### Infrastructure – Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed, located

## Lockhart Shire Council

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

#### Note 19. Fair value measurement (continued)

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within Council's road reserve. Council Road Asset Data contains detailed dimensions and specifications for all Council footpaths.

Council fair values, footpaths (non-componentised) using Level 3 inputs. The unobservable Level 3 input used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of footpaths takes into consideration the various type of structure such as:

- Length
- Construction Materials

The 'Unit Rate Approach' is used to value footpaths. A desktop valuation was performed this year.

#### Infrastructure – Drainage

Council's Drainage Assets comprise pits, pipes, culverts, open channels, headwalls used to collect and remove stormwater. Council carries fair values drainages assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Components
- Residual value
- Asset Condition
- Dimensions and Specification
- Unit Rates.

In addition, the value of drainage assets takes into consideration the various type of structure such as

- Pipe Diameter
- Pit Type
- Water Quality Device Type
- Culverts and Headwall Constructions Type.

The 'Unit Rates Approach' is used to value drainage assets. A desktop valuation was performed this year.

#### Property – Operational Land

Council's "Operational" land, by definition, has no special restriction other than those that may apply to any piece of land.

Council fair values operational land using an External Valuer every 5 years (last valuation being 2018) using Level 2 inputs. The unobservable Level 2 inputs used include:

- Land Area
- Rate per square Metre
- Planning and Other Restrictions
- Description of Land

The 'Market Approach' is used to value the Operational Land. A full valuation was performed this year.

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

##### Property – Community Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979) This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and

In relation to Community Land the Office of Local Government has reviewed its positions on the use of the Valuer General's Valuations of community land and in association with the Local Government Accounting Advisory Group, the Division has determined that community land may be valued as follows.

- The NSW Valuer General's valuations may be used under revaluation model to represent fair value for the revaluation of community land under clause 31 of AASB 116.
- Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the Valuer General did not provide a UCV.

The 'Cost Approach' is used to value Community land.

##### Property – Buildings (Specialised and non-Specialised)

Council Buildings incorporates Council administration buildings, Public Amenities, Sporting Club Rooms, Depot Buildings and workshops and public halls, Rural Fire Service Buildings and Council Caravan Park.

Council carries fair values of non-specialised buildings using Level 2 inputs and carries fair values of specialised buildings using Level 3. Valuations are generally carried out by an external Valuer, this approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected, and unit rates based on square metres and could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final value determination of fair value. As such these assets are classified as having being valued using Level 3 inputs for specialised buildings and Level 2 inputs for non-specialised buildings.

The unobservable Level 3 inputs used include:

- Condition
- Useful Life of an asset

The 'Cost Approach' is used to value specialised buildings. A full valuation was performed this year.

##### Other Structures, Swimming Pools, Open Space & Recreation:

Council's other structures incorporates the following types of assets;

- Significant single assets such as swimming pools, playgrounds, floodlighting system, tennis courts, tennis shelters, etc. and

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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- Aggregated lower value assets such as recreational / park infrastructures (picnic tables, seats, bollards, fences, BBQs, irrigation systems etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach’ is used to value other structures.

#### **Sewerage Network**

Council’s Sewerage Network incorporates:

- Sewer Lines
- Pump Stations
- Vent Stacks
- Sewer Treatment Plant
- Recycle Water System

Council carries fair value of waste water supply assets using Level 3 inputs. Such valuations are undertaken by Council Staff using the NSW Office of Water Reference Rates Manual.

The unobservable Level 3 inputs used include:

- Residual Value
- Asset Condition
- Components
- Dimensions and specifications
- Unit Rates.

The “Unit Rates Approach’ is used to value the sewerage network.

## Lockhart Shire Council

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

#### Note 19. Fair value measurement (continued)

\$ '000

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

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

	Total	Total
<b>Opening balance – 1/7/16</b>	212,460	212,460
Purchases (GBV)	8,266	8,266
Disposals (WDV)	(271)	(271)
Depreciation and impairment	(2,888)	(2,888)
FV gains – other comprehensive income	(1,979)	(1,979)
<b>Closing balance – 30/6/17</b>	<b>215,588</b>	<b>215,588</b>
Purchases (GBV)	5,084	5,084
Disposals (WDV)	(825)	(825)
Depreciation and impairment	(3,116)	(3,116)
FV gains – other comprehensive income	(165)	(165)
<b>Closing balance – 30/6/18</b>	<b>216,566</b>	<b>216,566</b>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

\$ '000

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

##### 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
<b>IPP&amp;E</b>			
Plant, equipment, furniture, fittings and office equipment	4,199	Cost used to approximate fair value	Gross replacement cost, useful life and residual value
Community Land	1,940	Land values obtained from the NSW Valuer General	Land value, land area
Specialised buildings	7,317	Cost used to approximate fair value	Gross replacement cost, useful life and residual value, asset condition
Other structures	206	Cost used to approximate fair value	Gross replacement cost, useful life and residual value, asset condition
Roads, bridges, footpaths, bulkworks	191,711	Unit rates per sq metre or length	Asset condition, unit rate and dimensions, remaining lives
Stormwater drainage	1,089	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Sewerage Network	9,193	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Swimming Pools	35	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value
Other open space/recreational assets	876	Cost used to approximate fair value	Asset condition and remaining lives, gross replacement cost, residual value

##### c. The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all asset classes in determining who will undertake the valuations. All asset classes with the exception of Operational and Community Land are undertaken by suitably qualified and experienced council officers. External valuers may also be engaged from time to time as management see fit. Land is valued using the Valuer General valuations. Management reviews the valuation reports for consistency and accuracy and to ensure all valuations are current.

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

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

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Related party transactions

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\$ '000

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##### a. Key management personnel

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

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

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	706	668
Post-employment benefits	170	117
Other long-term benefits	14	17
<b>Total</b>	<b>890</b>	<b>803</b>

## Lockhart Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. 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 (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>					
Mayor Schirmer / MSW Fabrication	40,000	–	creditor 30 day account	–	–
Councillor Rockliff / Lockhart Newsagency	8,000	–	creditor 30 day account	–	–
<b>2017</b>					
Mayor Schirmer / MSW Fabrication	15,000	–	Creditor 30 day account	–	–
Councillor Rockliff / Lockhart Newsagency	12,000	–	Creditor 30 day account	–	–
Councillor Driscoll / Sophie Driscoll	18,000	–	Swimming Pool Contractor	–	–



## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	42	–	–	–	–	–	42	–
Community facilities	127	–	–	–	–	–	127	–
Other	39	41	–	18	–	–	98	–
<b>S7.11 contributions – under a plan</b>	<b>208</b>	<b>41</b>	<b>–</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>267</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>208</b>	<b>41</b>	<b>–</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>267</b>	<b>–</b>
S64 contributions	6	–	–	–	–	–	6	–
<b>Total contributions</b>	<b>214</b>	<b>41</b>	<b>–</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>273</b>	<b>–</b>

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - COUNCIL WIDE S94A CONTRIBUTIONS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	42	–	–	–	–	–	42	–
Community facilities	127	–	–	–	–	–	127	–
Other	39	41	–	18	–	–	98	–
<b>Total</b>	<b>208</b>	<b>41</b>	<b>–</b>	<b>18</b>	<b>–</b>	<b>–</b>	<b>267</b>	<b>–</b>

## S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	6	–	–	–	–	–	6	–
<b>Total</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Financial result and financial position by fund

Income Statement by fund		
\$ '000	2018	2018
<b>Continuing operations</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>		
Rates and annual charges	442	2,761
User charges and fees	6	334
Interest and investment revenue	31	142
Other revenues	10	305
Grants and contributions provided for operating purposes	11	6,575
Grants and contributions provided for capital purposes	–	1,082
<b>Other income</b>		
Share of interests in joint ventures and associates using the equity method	–	5
<b>Total income from continuing operations</b>	<b>500</b>	<b>11,204</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	69	2,754
Borrowing costs	4	70
Materials and contracts	263	2,051
Depreciation and amortisation	194	2,980
Other expenses	19	1,321
Net losses from the disposal of assets	–	142
<b>Total expenses from continuing operations</b>	<b>549</b>	<b>9,318</b>
<b>Operating result from continuing operations</b>	<b>(49)</b>	<b>1,886</b>
<b>Net operating result attributable to each council fund</b>	<b>(49)</b>	<b>1,886</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(49)</b>	<b>804</b>

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

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

## Lockhart Shire Council

Notes to the Financial Statements  
as at 30 June 2018

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

Statement of Financial Position by fund		
\$ '000	2018	2018
<b>ASSETS</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>		
Cash and cash equivalents	2,078	9,425
Receivables	43	214
Inventories	–	2,290
Other	–	8
<b>Total current assets</b>	<b>2,121</b>	<b>11,937</b>
<b>Non-current assets</b>		
Receivables	–	62
Infrastructure, property, plant and equipment	10,480	214,723
Investments accounted for using the equity method	–	145
<b>Total non-current assets</b>	<b>10,480</b>	<b>214,938</b>
<b>TOTAL ASSETS</b>	<b>12,601</b>	<b>226,875</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	42	818
Income received in advance	–	13
Borrowings	37	120
Provisions	5	919
<b>Total current liabilities</b>	<b>84</b>	<b>1,870</b>
<b>Non-current liabilities</b>		
Payables	–	2
Borrowings	963	2,865
Provisions	2	59
<b>Total non-current liabilities</b>	<b>965</b>	<b>2,926</b>
<b>TOTAL LIABILITIES</b>	<b>1,049</b>	<b>4,796</b>
<b>Net assets</b>	<b>11,552</b>	<b>222,079</b>
<b>EQUITY</b>		
Accumulated surplus	7,468	200,365
Revaluation reserves	4,084	21,714
<b>Total equity</b>	<b>11,552</b>	<b>222,079</b>

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

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

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>892</u>	<b>8.40%</b>	40.57%	25.09%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>10,617</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>4,031</u>	<b>34.46%</b>	23.33%	30.86%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>11,699</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>10,104</u>	<b>8.36x</b>	8.02x	7.56x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>1,208</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>4,140</u>	<b>37.64x</b>	100.60x	62.95x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>110</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>169</u>	<b>5.03%</b>	4.48%	3.92%	10%
Rates, annual and extra charges collectible	<u>3,363</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>11,503</u>	<b>18.87 mths</b>	11.3 mths	13.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>610</u>				

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 10 and 11.

<sup>(4)</sup> Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>9.30%</b>	41.66%	<b>-9.80%</b>	2.31%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>31.63%</b>	21.22%	<b>97.80%</b>	97.69%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>8.36x</b>	8.02x	<b>25.18x</b>	422.60x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>					

## Notes

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

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

## Lockhart Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Local government industry indicators – by fund (continued)</b>					
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>36.32x</b>	98.77x	<b>0.00x</b>	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>4.31%</b>	3.89%	<b>9.73%</b>	8.37%	< 10% regional & rural
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>16.25</b>	8.56	<b>70.24</b>	90.15	> 3 months
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	

## Notes

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

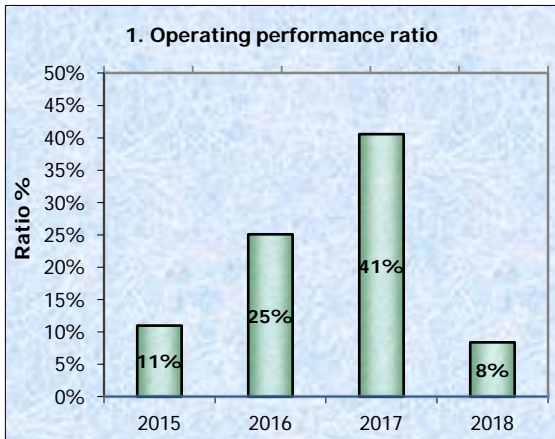
(5) General fund refers to all of Council's activities except for its sewer activity which is listed separately.

End of audited financial statements

# Lockhart Shire Council

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

### Note 23(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**

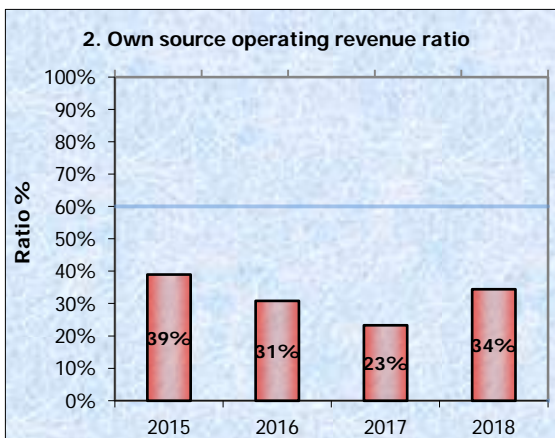
**2017/18 ratio 8.40%**

After last year's impact of the advance FAGs payments, Council's Operating Performance is this year within the average range over past 5 years.

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**

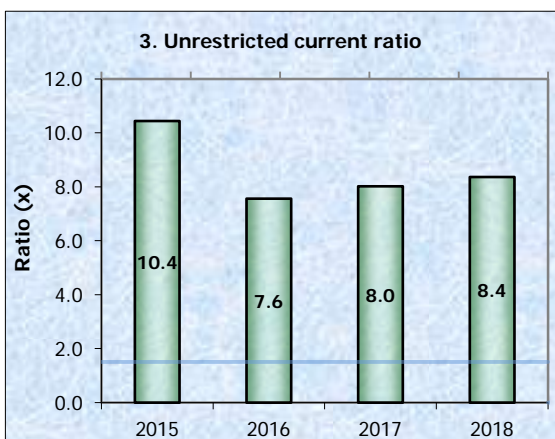
**2017/18 ratio 34.46%**

As grant income was closer to "normal" for the year, ratio has increased back to within the range of average.

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 8.36x**

Council is well above the industry benchmark. Council is in a strong financial position to pay its debts as and when they fall due.

Benchmark: ——— Minimum  $\geq 1.50$

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

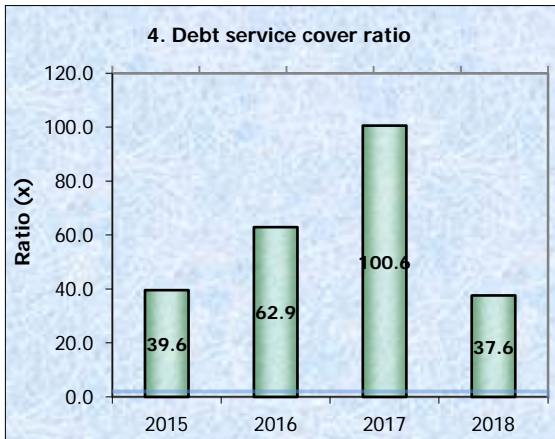
 Ratio achieves benchmark  
 Ratio is outside benchmark



# Lockhart Shire Council

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

### Note 23(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**

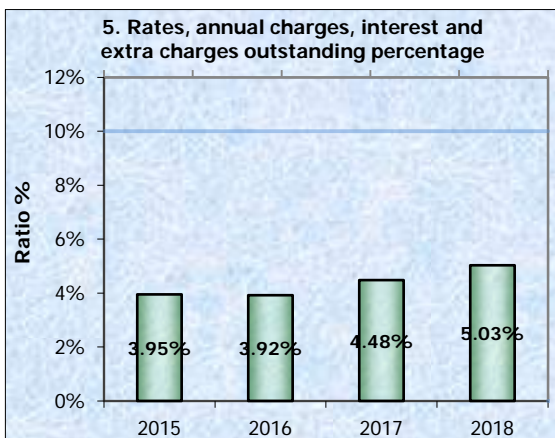
**2017/18 ratio 37.64x**

Reduction from last year is due mainly to less grant income and receiving 4 quarterly Financial Assistance Grants instalments (6 in 2017), also new TCorp loan borrowings drawn down in May 2018.

Benchmark: Minimum  $\geq 2.00$

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**

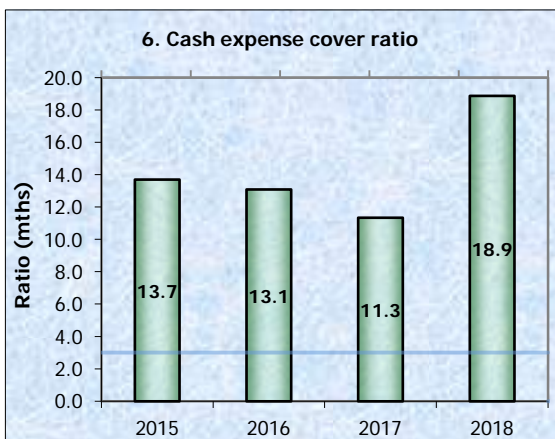
**2017/18 ratio 5.03%**

Council is well under the benchmark for a rural council. This is a reflection of Council's robust debt collection procedures.

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 18.87 mths**

Council continues to maintain a strong liquidity ratio which is well above the benchmark. Increase due to new loan borrowings improving cash position.

Benchmark: Minimum  $\geq 3.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Lockhart Shire Council

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

#### Note 24. Council information and contact details

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**Principal place of business:**

65 Green Street  
LOCKHART NSW 2656

**Contact details**

**Mailing address:**

PO Box 21  
LOCKHART NSW 2656

**Opening hours:**

8:30am to 4:00pm  
Monday to Friday

**Telephone:** 02 6920 5305

**Facsimile:** 02 6920 5247

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

**Email:** [mail@lockhart.nsw.gov.au](mailto:mail@lockhart.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Peter Veneris

**RESPONSIBLE ACCOUNTING OFFICER**

Craig Fletcher

**Elected members**

**MAYOR**

Clr Rodger Schirmer

**Other information**

**ABN:** 82 002 584 082



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

To the Councillors of the Lockhart Shire Council

### **Opinion**

I have audited the accompanying financial report of Lockhart 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan  
Director, Financial Audit Services

25 October 2018  
SYDNEY

Mr Rodger Schirmer  
Mayor  
Lockhart Shire Council  
PO Box 21  
LOCKHART NSW 2656

Contact: Lawrissa Chan  
Phone no: (02) 9275 7255  
Our ref: D1824597/1757

25 October 2018

Dear Mayor

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





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

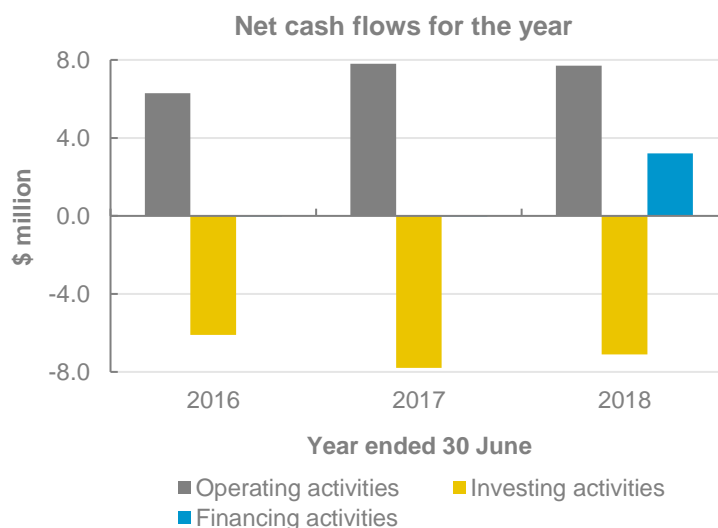
	<b>2018</b>	<b>2017</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	3.2	3.1	 1.8
<b>Grants and contributions revenue</b>	7.7	13.2	 42.0
<b>Operating result for the year</b>	1.8	7.1	 74.1
<b>Net operating result before capital amounts</b>	0.8	7.0	 89.3

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

- Rates and annual charges revenue was \$3.2 million (\$3.1 million for the year ended 30 June 2017). The movement is mainly due to the permissible rate increase of 1.5 per cent granted by the Minister for Local Government and the rise in the total number of rateable properties.
- Grants and contributions revenue was \$7.7 million (\$13.2 million for the year ended 30 June 2017). The movement is mainly due to the impact of various one-off grants that were received in 2017. These include \$1.7 million for flood damage and \$1.5 million for Heavy Vehicle Safety and Productivity Programme. The Financial Assistance Grant (FAG) income was \$2.2 million less in 2018 compared with the prior year.
- Council’s operating result for the year was \$1.8 million (\$7.1 million for the year ended 30 June 2017). The movement was mainly due to the decrease in operational grants received during the year.
- Council’s net operating result before capital grants and contributions was a surplus of \$0.8 million (\$7 million for the year ended 30 June 2017). The movement was mainly due to the decrease in operational grants received during the year.

## STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was \$11.5 million (\$7.7 million for the year ended 30 June 2017). There was a net increase in cash and cash equivalents of \$3.8 million at 30 June 2018.
- Net cash provided by operating activities has slightly decreased by \$0.1 million. This is mainly due to the decrease in cash receipts from grants and contributions of \$0.9 million, which is offset by the reduction in cash payments for materials and contracts of \$0.8 million.
- Net cash used in investing activities decreased by \$0.8 million. This is mainly due to the decrease of purchases of infrastructure, property, plant and equipment of \$0.9 million.
- Net cash provided in financing activities has increased by \$3.2 million. This is due to additional borrowings of \$3.2 million in the current year.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	2.4	2.4	• Externally restricted cash and investments are restricted in their use by externally imposed requirements. There was minimal movement in the externally restricted cash balance.
Internal restrictions	7.2	4.5	
Unrestricted	1.9	0.8	
<b>Cash and investments</b>	<b>11.5</b>	<b>7.7</b>	<ul style="list-style-type: none"> <li>• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internal restrictions is primarily due to an additional restriction of \$2.2 million relating to unspent borrowed funds for the swimming pool redevelopments in the general fund.</li> <li>• Unrestricted cash and investments was \$1.9 million which is available to provide liquidity for day-to-day operations of the Council. The movement in unrestricted cash is mainly due to the receipt of significant government debtors during 2018, which were receivable as at 30 June 2017 (\$2.3 million).</li> </ul>

### Debt

Council has \$4.0 million of borrowings as at 30 June 2018 (2017: \$0.8 million). The borrowings are drawn through T-Corp and relates to capital works for the swimming pools (\$2.2 million) and sewer network (\$1.0 million).

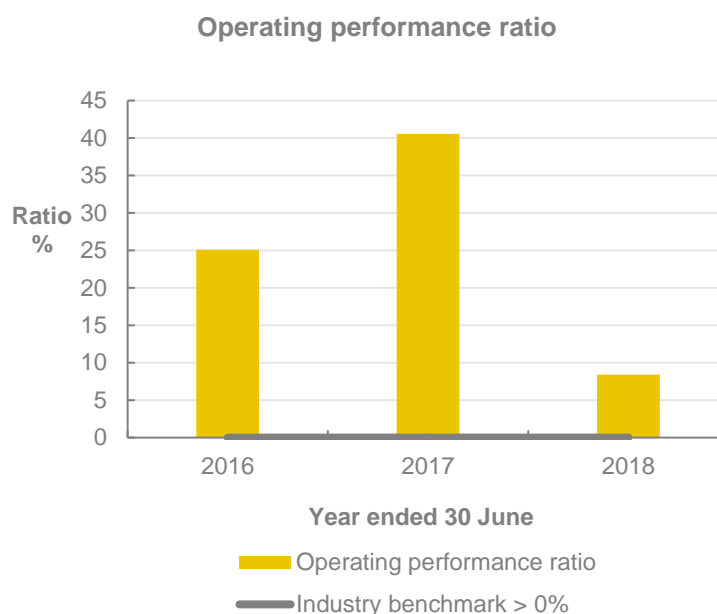


## PERFORMANCE RATIOS

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

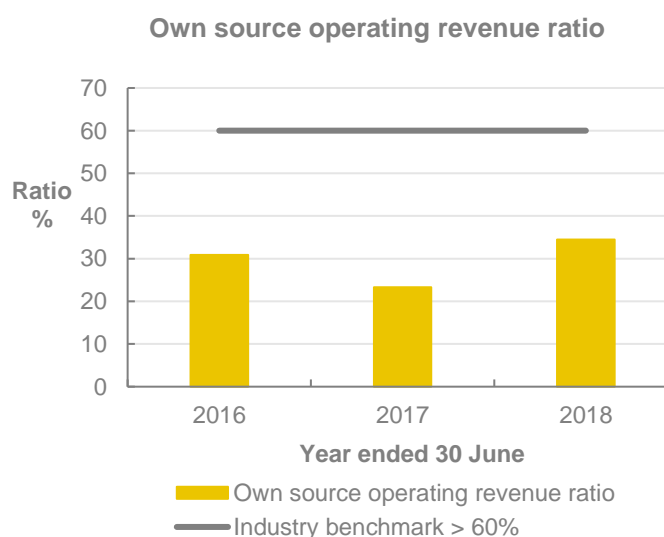
### Operating performance ratio

- The ‘operating 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 0%.
- The operating performance ratio of 8.4% is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditure within operating revenue.
- The operating performance ratio decreased to 8.4% (2017: 40.57%) due to the reduction in grant income in the current financial year.



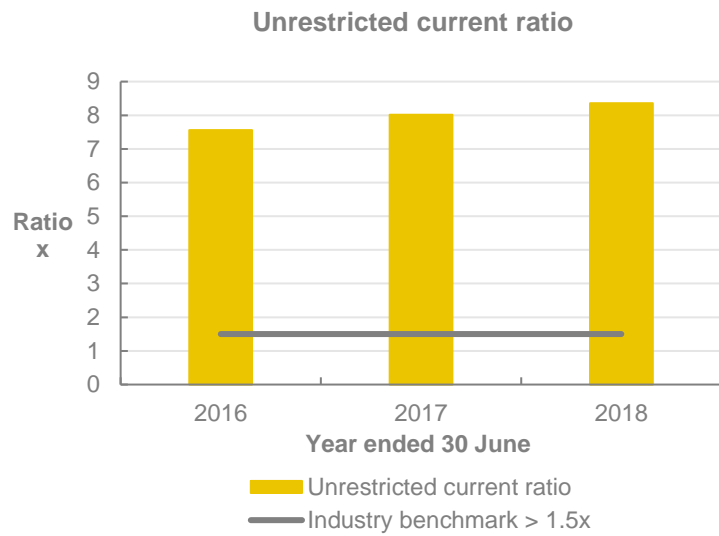
### Own source operating revenue ratio

- The ‘own source operating revenue ratio’ measures Council’s fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent .
- The Council’s own source operating revenue ratio of 34% is below the industry benchmark of 60%. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio increased in 2018, due to the decrease in grants and contribution revenue.



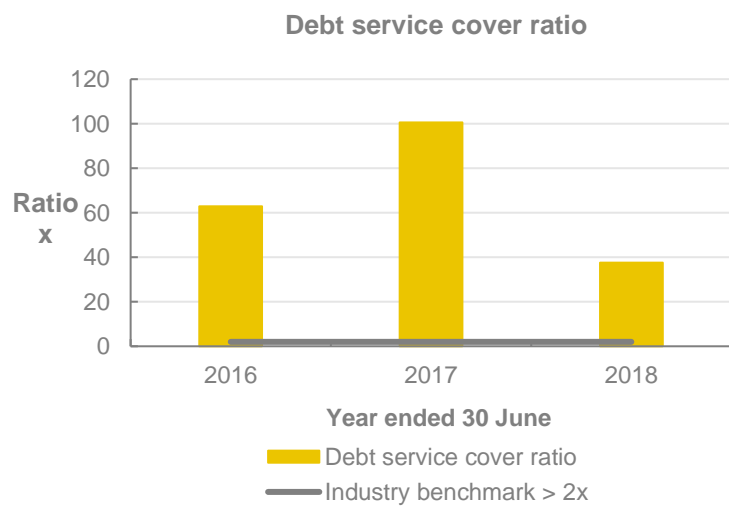
## Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 8.4 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained relatively steady from previous years.



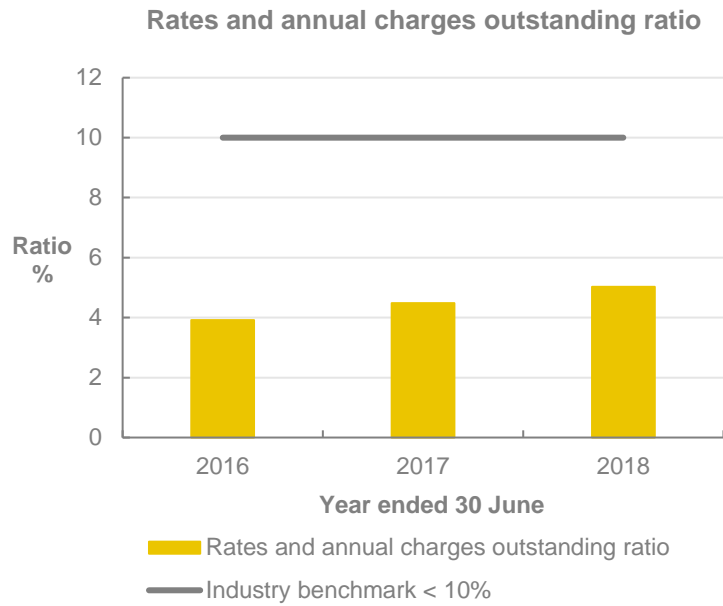
## Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 37.6 times is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- The Council's debt service cover ratio of 37.6 times (2017: 100.6 times) has decreased due to the increase in borrowings in the current financial year.



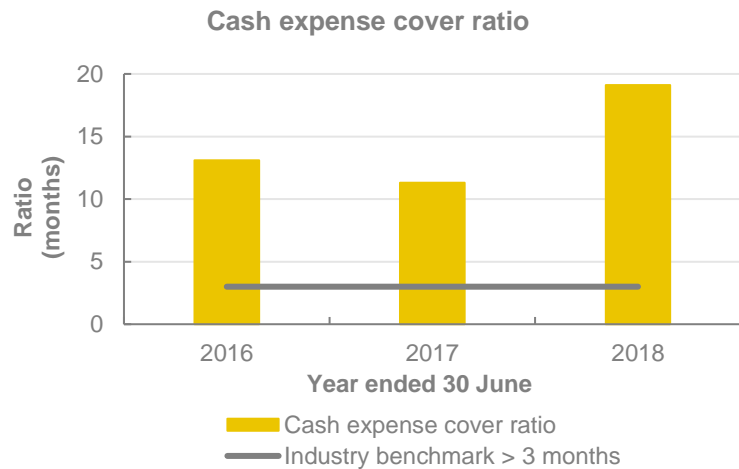
## Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 5% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has remained consistent over the last three years, indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.



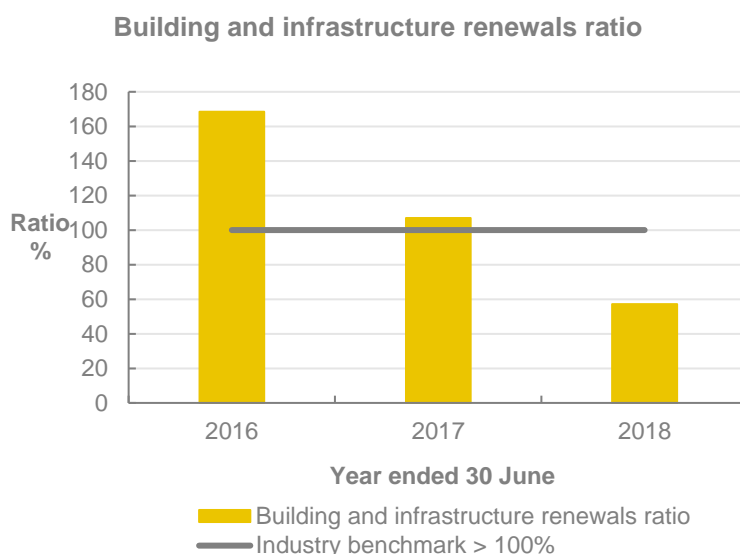
## Cash expense cover ratio

- The cash expense cover ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 18.9 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 18.9 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The Council's cash expense cover ratio increased to 18.9 months (2017: 11.3 months) due to the increase in cash and cash equivalents from new borrowings during the year.



## Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent .
- This ratio is sourced from council's Special Schedule 7 which has not been audited.
- The Council's building and infrastructure renewals ratio of 57.2% is below the industry benchmark of greater than 100%.
- The Council's building and infrastructure renewals ratio decreased to 57.2% (2017: 106.89%) as a result of less asset renewals. There was also an increase in infrastructure capital projects being captured within capital work in progress as at 30 June 2018.



## 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 10(c).

## 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.



Lawrissa Chan  
Director, Financial Audit Services

cc: Peter Veneris, General Manager  
Craig Fletcher, Director of Corporate and Community Services  
Tim Hurst, Chief Executive of the Office of Local Government

# Lockhart Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018



# Lockhart Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Sewerage Business Activity	3
Statement of Financial Position – Sewerage Business Activity	4
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor’s Report</b>	13

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Lockhart 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 17 September 2018.**




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Clr Rodger Schirmer  
Mayor  
17 September 2018




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Clr Greg Verdon  
Councillor  
17 September 2018




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Peter Veneris  
General manager  
17 September 2018




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Craig Fletcher  
Responsible accounting officer  
17 September 2018



## Lockhart Shire Council

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

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	442	430
User charges	6	4
Interest	31	29
Grants and contributions provided for non-capital purposes	11	11
Other income	10	3
<b>Total income from continuing operations</b>	<b>500</b>	<b>477</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	69	87
Borrowing costs	4	–
Materials and contracts	263	190
Depreciation, amortisation and impairment	194	170
Other expenses	19	19
<b>Total expenses from continuing operations</b>	<b>549</b>	<b>466</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(49)</b>	<b>11</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(49)</b>	<b>11</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(49)</b>	<b>11</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(3)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(49)</b>	<b>8</b>
Plus opening retained profits	7,517	7,506
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	3
<b>Closing retained profits</b>	<b>7,468</b>	<b>7,517</b>
<b>Return on capital %</b>	<b>-0.4%</b>	<b>0.1%</b>
<b>Subsidy from Council</b>	<b>321</b>	<b>200</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(49)	8
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>8</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>4</b>

## Lockhart Shire Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,078	2,081
Receivables	43	38
<b>Total current Assets</b>	<b>2,121</b>	<b>2,119</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	10,480	8,872
<b>Total non-current assets</b>	<b>10,480</b>	<b>8,872</b>
<b>TOTAL ASSETS</b>	<b>12,601</b>	<b>10,991</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	42	–
Borrowings	37	–
Provisions	5	5
<b>Total current liabilities</b>	<b>84</b>	<b>5</b>
<b>Non-current liabilities</b>		
Borrowings	963	–
Provisions	2	2
<b>Total non-current liabilities</b>	<b>965</b>	<b>2</b>
<b>TOTAL LIABILITIES</b>	<b>1,049</b>	<b>7</b>
<b>NET ASSETS</b>	<b>11,552</b>	<b>10,984</b>
<b>EQUITY</b>		
Accumulated surplus	7,468	7,517
Revaluation reserves	4,084	3,467
Council equity interest	11,552	10,984
<b>TOTAL EQUITY</b>	<b>11,552</b>	<b>10,984</b>

# Lockhart 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

## Lockhart 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)

None

## Lockhart 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)

##### **Sewerage Service**

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the villages of Lockhart, The Rock and Yerong Creek.

##### **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 in Note 3 are disclosed in whole dollars.

##### *(i) Taxation-equivalent charges*

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

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

## Lockhart 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:

## Lockhart 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 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**

## Lockhart 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	2,769
(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)	27,690
(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	(69,300)

2018 Surplus	(49,000)	2017 Surplus	7,700	2016 Surplus	(28,000)
		2017 Dividend	-	2016 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

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

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



## Lockhart 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


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

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	469
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	10,480
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	331
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-0.53%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	469
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	2.35%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	–
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.53%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Lockhart 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)

<b>NWI F22</b>	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)]	%	<input type="text" value="-9.31%"/>
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <input type="text" value="(56)"/> 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: <input type="text" value="(31)"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="-"/>
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="(49)"/>
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="11"/>

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - 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**  
**Lockhart Shire Council**

To the Councillors of the Lockhart Shire Council

## **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Lockhart Shire Council's (the Council) Declared Business Activity, 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.

The Declared Business Activity of the Council is Sewerage.

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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', with a stylized flourish at the end.

Lawrissa Chan  
Director, Financial Audit Services

25 October 2018  
SYDNEY

# Lockhart Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018



# Lockhart Shire Council

## Special Schedules

for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### Background

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

## Lockhart 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	
<b>Governance</b>	<b>180</b>	<b>–</b>	<b>–</b>	<b>(180)</b>
<b>Administration</b>	<b>3,762</b>	<b>–</b>	<b>–</b>	<b>(3,762)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	223	28	–	(195)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	3	12	–	9
Other	–	–	–	–
<b>Total public order and safety</b>	<b>226</b>	<b>40</b>	<b>–</b>	<b>(186)</b>
<b>Health</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	104	53	–	(51)
Other environmental protection	571	433	–	(138)
Solid waste management	470	521	–	51
Street cleaning	–	–	448	448
Drainage	–	–	–	–
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>1,145</b>	<b>1,007</b>	<b>448</b>	<b>310</b>
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	32	46	–	14
Children's services	149	151	–	2
<b>Total community services and education</b>	<b>181</b>	<b>197</b>	<b>–</b>	<b>16</b>
<b>Housing and community amenities</b>				
Public cemeteries	77	37	–	(40)
Public conveniences	–	–	–	–
Street lighting	51	4	–	(47)
Town planning	265	102	–	(163)
Council Housing	11	30	–	19
Youth Flats	8	16	–	8
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>412</b>	<b>189</b>	<b>–</b>	<b>(223)</b>
<b>Sewerage services</b>	<b>500</b>	<b>550</b>	<b>–</b>	<b>50</b>



## Lockhart 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	
<b>Recreation and culture</b>				
Public libraries	114	30	–	(84)
Museums	20	51	–	31
Art galleries	–	2	–	2
Community centres and halls	23	–	–	(23)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	4	–	–	(4)
Sporting grounds and venues	52	–	–	(52)
Swimming pools	144	5	504	365
Parks and gardens	373	–	20	(353)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>730</b>	<b>88</b>	<b>524</b>	<b>(118)</b>
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	13	4	–	(9)
<b>Total mining, manufacturing and const.</b>	<b>13</b>	<b>4</b>	<b>–</b>	<b>(9)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	99	–	–	(99)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	458	–	–	(458)
Unsealed rural roads (URR) – local	664	–	–	(664)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Bus Shelter	–	–	10	10
Footpaths	12	–	–	(12)
Aerodromes	7	–	–	(7)
Other transport and communication	1,267	2,457	100	1,290
<b>Total transport and communication</b>	<b>2,507</b>	<b>2,457</b>	<b>110</b>	<b>60</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	67	68	–	1
Shops & Offices	27	34	–	7
Private Works	27	37	–	10
Other economic affairs	90	321	–	231
<b>Total economic affairs</b>	<b>211</b>	<b>460</b>	<b>–</b>	<b>249</b>
<b>Totals – functions</b>	<b>9,867</b>	<b>4,992</b>	<b>1,082</b>	<b>(3,793)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>5,625</b>		<b>5,625</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>5</b>		<b>5</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>9,867</b>	<b>10,622</b>	<b>1,082</b>	<b>1,837</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Lockhart Shire Council

Special Schedule 2 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	2,359	2,323
Plus or minus adjustments <sup>(2)</sup>	b	2	1
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>2,361</b>	<b>2,324</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	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	54	35
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>2,415</b>	<b>2,359</b>
Plus (or minus) last year's carry forward total	l	(0)	(0)
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>(0)</b>	<b>(0)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>2,415</b>	<b>2,359</b>
Less notional general income yield	p	2,414	2,359
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>1</b>	<b>(0)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>1</b>	<b>(0)</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Lockhart Shire Council

To the Councillors of Lockhart Shire Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Lockhart 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.

### 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](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Lawrissa Chan  
Director, Financial Audit Services

25 October 2018  
SYDNEY

# Lockhart 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
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	73	51
b. Engineering and supervision	49	35
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	9	9
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	36	24
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	8	8
g. Chemical costs	–	–
h. Energy costs	28	29
i. Effluent management	12	17
j. Biosolids management	–	–
k. Maintenance expenses	116	100
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	194	170
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	24	4
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>549</b>	<b>447</b>

## Lockhart 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>Income</b>		
<b>6. Residential charges</b> (including rates)	359	411
<b>7. Non-residential charges</b>		
a. Access (including rates)	83	–
b. Usage charges	6	–
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	31	29
<b>11. Other income</b>	10	7
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	11	11
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>500</u>	<u>458</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>(49)</u>	<u>11</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(49)	11

## Lockhart 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>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	–
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<u>–</u>	<u>–</u>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<u>–</u>	<u>–</u>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	679	680
b. Residential (unoccupied, ie. vacant lot)	87	86
c. Non-residential (occupied)	120	117
d. Non-residential (unoccupied, ie. vacant lot)	37	37
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 10,764	\$ 10,629

## Lockhart 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
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	6	–	6
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,070	–	2,070
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	43	–	43
c. User charges	–	–	–
d. Other	2	–	2
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	10,480	10,480
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>2,121</u>	<u>10,480</u>	<u>12,601</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	42	–	42
<b>34. Borrowings</b>	37	963	1,000
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	5	2	7
<b>36. Total liabilities</b>	<u>84</u>	<u>965</u>	<u>1,049</u>
<b>37. NET ASSETS COMMITTED</b>	<u>2,037</u>	<u>9,515</u>	<u>11,552</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			7,467
<b>39. Asset revaluation reserve</b>			4,085
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<u>11,552</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			16,828
<b>43. Accumulated current cost</b> depreciation of system assets			(6,348)
<b>44. Written down current cost</b> of system assets			<u>10,480</u>



## Lockhart Shire Council

### Note to Special Schedule 5 for the year ended 30 June 2018

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

(item 1a of Special Schedule 5) comprises the following:

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

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedule 5) comprises the following:

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

**Operational expenses** (item 2 of Special Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

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

**Other expenses** (item 4c of Special Schedule 5) includes all expenses not recorded elsewhere.

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

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

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

**Residential charges** <sup>(2)</sup> (item 6 of Special Schedule 5) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedule 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

**Other income** (item 11 of Special Schedule 5) includes all income not recorded elsewhere.

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

#### Notes:

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

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

## Lockhart 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 <sup>a</sup>	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	Aged Care			20	16	587	933	0%	100%	0%	0%	0%
	Caravan Park			5		299	465	40%	5%	40%	5%	10%
	Council Depot			10	10	552	1,160	5%	20%	75%	0%	0%
	Council Housing			5	2	1,430	1,814	35%	65%	0%	0%	0%
	Council Office			8	12	1,545	1,897	100%	0%	0%	0%	0%
	Fire					824	1,154	57%	23%	20%	0%	0%
	Halls			35	3	1,548	2,922	0%	8%	92%	0%	0%
	Rec & Culture			35		3,999	8,079	6%	32%	24%	38%	0%
	Shops & Offices			45	23	680	1,195	0%	92%	0%	8%	0%
	Youth			10	2	171	340	0%	75%	75%	25%	-75%
	Swimming Pool					45	222	662	0%	15%	85%	0%
	<b>Sub-total</b>	-	-	<b>173</b>	<b>113</b>	<b>11,857</b>	<b>20,621</b>	<b>19.0%</b>	<b>33.5%</b>	<b>32.6%</b>	<b>15.9%</b>	<b>-1.0%</b>
Other structures	Other structures					206						
	<b>Sub-total</b>	-	-	-	-	<b>206</b>	-	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

## Lockhart 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 <sup>a</sup>	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
<b>Roads</b>	Sealed roads	–		500	557	112,661	136,423	25%	50%	25%	0%	0%
	Unsealed roads	–		500	664	64,045	69,187	40%	10%	50%	0%	0%
	Bridges	–		25		2,278	3,653	75%	15%	10%	0%	0%
	Footpaths	–		20	12	989	1,756	90%	5%	5%	0%	0%
	Other road assets	–			35	4,077	6,045	0%	10%	90%	0%	0%
	Bulk earthworks	–				7,080	7,080	30%	40%	30%	0%	0%
	Other	–				581						
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,045</b>	<b>1,268</b>	<b>191,711</b>	<b>224,144</b>	<b>30.4%</b>	<b>35.3%</b>	<b>34.2%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Sewerage network</b>	Sewerage network	90		95	173	9,193	15,541	10%	25%	63%	2%	0%
	<b>Sub-total</b>	<b>90</b>	<b>–</b>	<b>95</b>	<b>173</b>	<b>9,193</b>	<b>15,541</b>	<b>10.0%</b>	<b>25.0%</b>	<b>63.0%</b>	<b>2.0%</b>	<b>0.0%</b>

## Lockhart 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 <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–		60		1,089	1,182	95%	5%			0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>60</b>	<b>–</b>	<b>1,089</b>	<b>1,182</b>	<b>95.0%</b>	<b>5.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	2,200		50	45	35	1,864	0%	10%	50%	30%	10%
	Open Space/Recreation	–		250	265	876	2,618	50%	23%	25%	2%	0%
	<b>Sub-total</b>	<b>2,200</b>	<b>–</b>	<b>300</b>	<b>310</b>	<b>911</b>	<b>4,482</b>	<b>29.2%</b>	<b>17.6%</b>	<b>35.4%</b>	<b>13.6%</b>	<b>4.2%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>2,290</b>	<b>–</b>	<b>1,673</b>	<b>1,864</b>	<b>214,967</b>	<b>265,970</b>	<b>28.6%</b>	<b>34.2%</b>	<b>35.7%</b>	<b>1.6%</b>	<b>0.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Lockhart 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	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>1,490</u>	<b>57.15%</b>	106.89%	168.49%	>= 100%
Depreciation, amortisation and impairment	<u>2,607</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>2,290</u>	<b>1.07%</b>	1.32%	0.80%	< 2.00%
Net carrying amount of infrastructure assets	<u>214,967</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>1,864</u>	<b>111.42%</b>	106.46%	113.96%	> 100%
Required asset maintenance	<u>1,673</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>–</u>	<b>0.00%</b>	0.00%	0.00%	
Gross replacement cost	<u>265,970</u>				

**Notes**

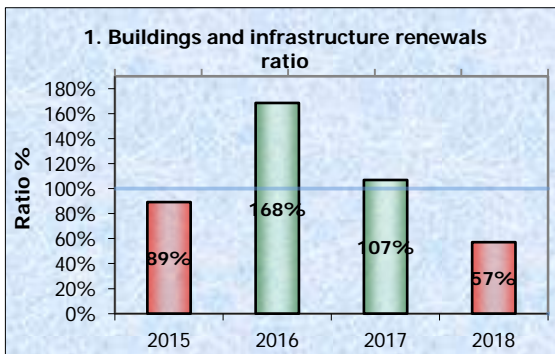
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(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.

# Lockhart 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.

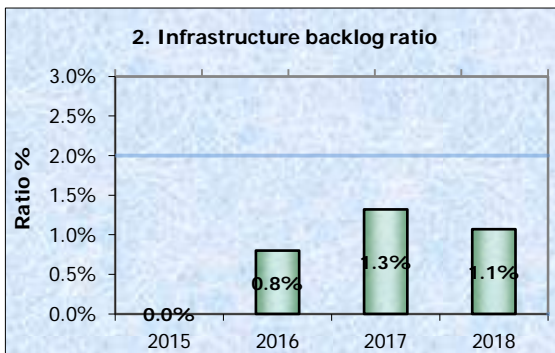
**Commentary on 2017/18 result**

**2017/18 Ratio 57.15%**

Much of Council's capital works for 2017/18 were new assets. Council's 4 year average is still above the benchmark.

Benchmark: ——— Minimum >=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.

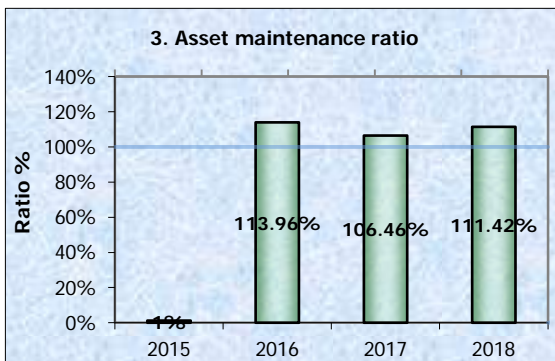
**Commentary on 2017/18 result**

**2017/18 Ratio 1.07%**

This ratio has remained constant over the last 3 years, and continues to be under the industry benchmark.

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.

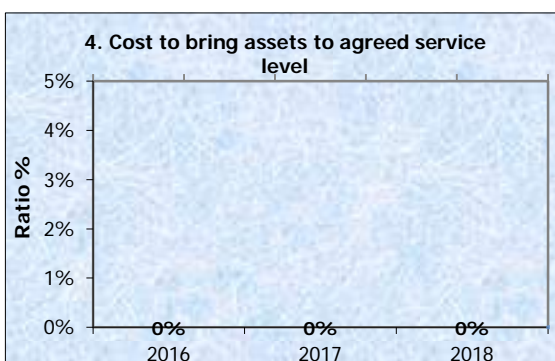
**Commentary on 2017/18 result**

**2017/18 Ratio 111.42%**

This ratio has remained constant over the last 3 years, and continues to be above the industry benchmark.

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.

**Commentary on 2017/18 result**

**2017/18 Ratio 0.00%**

## Lockhart Shire Council

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

	General indicators <sup>(1)</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>					
Asset renewals <sup>(3)</sup>	<b>61.75%</b>	115.05%	<b>0.00%</b>	0.00%	>= 100%
Depreciation, amortisation and impairment					
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>1.07%</b>	1.24%	<b>0.98%</b>	3.09%	< 2.00%
Net carrying amount of infrastructure assets					
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>107.16%</b>	108.61%	<b>182.11%</b>	88.24%	> 100%
Required asset maintenance					
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>0.00%</b>	0.00%	<b>0.00%</b>	0.00%	
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.