

# Central Tablelands Water

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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"Developing a commercial focus as it operates in partnership with the communities it serves, fostering their development and growth, while maintaining both its level of service and its prices at an acceptable level"



# Central Tablelands Water

## General Purpose Financial Statements

for the year ended 30 June 2017

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### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 20 November 2017. Council has the power to amend and reissue these financial statements.
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## Central Tablelands Water

### General Purpose Financial Statements

for the year ended 30 June 2017

## Understanding Council's financial statements

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### Introduction

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

### What you will find in the statements

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

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

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

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

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

### Who uses the financial statements?

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

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

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

### More information

A review of Council's financial performance and position for the 16/17 financial year can be found at Note 29 of the financial statements.

## Central Tablelands Water

### General Purpose Financial Statements

for the year ended 30 June 2017

### Statement by Councillors and Management

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 18 October 2017.**



Cr David Somerville  
Chairman



Cr Kevin Walker  
Deputy Chairman



Gavin Rhodes  
General Manager



Peter McFarlane  
Responsible Accounting Officer

# Central Tablelands Water

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup>			Actual	Actual
2017	\$ '000	Notes	2017	2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
1,220	Rates and annual charges	3a	1,225	1,216
4,049	User charges and fees	3b	3,985	3,941
173	Interest and investment revenue	3c	210	206
63	Other revenues	3d	247	197
56	Grants and contributions provided for operating purposes	3e,f	55	56
139	Grants and contributions provided for capital purposes	3e,f	177	287
<b>Other income:</b>				
80	Net gains from the disposal of assets	5	85	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>5,780</b>	<b>Total income from continuing operations</b>		<b>5,984</b>	<b>5,903</b>
<b>Expenses from continuing operations</b>				
1,794	Employee benefits and on-costs	4a	1,768	1,766
172	Borrowing costs	4b	172	198
888	Materials and contracts	4c	927	769
1,913	Depreciation and amortisation	4d	1,807	1,822
–	Impairment	4d	–	–
864	Other expenses	4e	771	765
–	Net losses from the disposal of assets	5	–	51
<b>5,631</b>	<b>Total expenses from continuing operations</b>		<b>5,445</b>	<b>5,371</b>
<b>149</b>	<b>Operating result from continuing operations</b>		<b>539</b>	<b>532</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>149</b>	<b>Net operating result for the year</b>		<b>539</b>	<b>532</b>
149	Net operating result attributable to Council		539	532
–	Net operating result attributable to non-controlling interests		–	–
<b>10</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>362</b>	<b>245</b>

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

## Central Tablelands Water

### Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>539</b>	<b>532</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	11,128	854
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>11,128</b>	<b>854</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>11,128</b>	<b>854</b>
<b>Total comprehensive income for the year</b>		<b>11,667</b>	<b>1,386</b>
<b>Total comprehensive income attributable to Council</b>		<b>11,667</b>	<b>1,386</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

# Central Tablelands Water

## Statement of Financial Position as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	1,165	873
Investments	6b	6,200	7,000
Receivables	7	351	354
Inventories	8	261	349
Other	8	23	35
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>8,000</b>	<b>8,611</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	3	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	67,958	56,274
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	10
<b>Total non-current assets</b>		<b>67,961</b>	<b>56,284</b>
<b>TOTAL ASSETS</b>		<b>75,961</b>	<b>64,895</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	274	201
Income received in advance	10	91	81
Borrowings	10	437	409
Provisions	10	602	874
<b>Total current liabilities</b>		<b>1,404</b>	<b>1,565</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	1,908	2,345
Provisions	10	4	7
<b>Total non-current liabilities</b>		<b>1,912</b>	<b>2,352</b>
<b>TOTAL LIABILITIES</b>		<b>3,316</b>	<b>3,917</b>
<b>Net assets</b>		<b>72,645</b>	<b>60,978</b>
<b>EQUITY</b>			
Retained earnings	20	33,102	32,563
Revaluation reserves	20	39,543	28,415
Other reserves	20	–	–
<b>Council equity interest</b>		<b>72,645</b>	<b>60,978</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>72,645</b>	<b>60,978</b>

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

## Central Tablelands Water

## Statement of Changes in Equity

for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		32,563	28,415	–	60,978	–	60,978	32,031	27,561	–	59,592	–	59,592
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>32,563</b>	<b>28,415</b>	<b>–</b>	<b>60,978</b>	<b>–</b>	<b>60,978</b>	<b>32,031</b>	<b>27,561</b>	<b>–</b>	<b>59,592</b>	<b>–</b>	<b>59,592</b>
<b>c. Net operating result for the year</b>		<b>539</b>	<b>–</b>	<b>–</b>	<b>539</b>	<b>–</b>	<b>539</b>	532	–	–	532	–	532
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	11,128	–	11,128	–	11,128	–	854	–	854	–	854
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>11,128</b>	<b>–</b>	<b>11,128</b>	<b>–</b>	<b>11,128</b>	<b>–</b>	<b>854</b>	<b>–</b>	<b>854</b>	<b>–</b>	<b>854</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>539</b>	<b>11,128</b>	<b>–</b>	<b>11,667</b>	<b>–</b>	<b>11,667</b>	<b>532</b>	<b>854</b>	<b>–</b>	<b>1,386</b>	<b>–</b>	<b>1,386</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>33,102</b>	<b>39,543</b>	<b>–</b>	<b>72,645</b>	<b>–</b>	<b>72,645</b>	<b>32,563</b>	<b>28,415</b>	<b>–</b>	<b>60,978</b>	<b>–</b>	<b>60,978</b>



## Central Tablelands Water

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
1,220	Rates and annual charges		1,225	1,216
4,032	User charges and fees		3,990	3,903
197	Investment and interest revenue received		215	193
235	Grants and contributions		182	359
65	Other		600	414
<b>Payments:</b>				
(1,786)	Employee benefits and on-costs		(2,049)	(1,712)
(953)	Materials and contracts		(825)	(782)
(172)	Borrowing costs		(172)	(198)
(837)	Other		(1,021)	(947)
<b>2,001</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>2,145</b>	<b>2,446</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
2,500	Sale of investment securities		800	–
–	Sale of infrastructure, property, plant and equipment		310	232
<b>Payments:</b>				
–	Purchase of investment securities		–	(1,000)
(4,365)	Purchase of infrastructure, property, plant and equipment		(2,539)	(826)
–	Deferred debtors and advances made		(15)	–
<b>(1,865)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(1,444)</b>	<b>(1,594)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(409)	Repayment of borrowings and advances		(409)	(383)
<b>(409)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(409)</b>	<b>(383)</b>
<b>(273)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>292</b>	<b>469</b>
873	Plus: cash and cash equivalents – beginning of year	11a	873	404
<b>600</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>1,165</b>	<b>873</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	6,200	7,000
	<b>Total cash, cash equivalents and investments</b>		<b>7,365</b>	<b>7,873</b>

Please refer to Note 11 for additional cash flow information

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

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

##### (a) Basis of preparation

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

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

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

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

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

##### (iii) Historical cost convention

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

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

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

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

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

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

(i) Estimated fair values of infrastructure, property, plant and equipment,

##### (b) Revenue recognition

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

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

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

##### (i) Annual Charges and Grants and contributions

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

Control over assets acquired from annual charges is obtained at the commencement of the quarterly billing cycle as it is an enforceable debt linked to the rateable property.

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

A detailed note relating to developer contributions is shown at Note 17.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

secured, and is valued at their fair value at the date of transfer.

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

The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

#### (ii) User charges and fees

User charges and fees are recognised as revenue when the service has been provided. Where payment is received in advance of the service being provided at reporting date then a liability is raised equal to the fair value of the service that has not been provided.

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

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

#### (iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned. Any interest earned at reporting date but not received is reported as a receivable.

#### (v) Rent

Rental income is accounted for on a straight-line basis over the lease term. Any unpaid rent at reporting date is reported as a receivable. Any rent received prior to reporting date that relates to a period after reporting date is reported as liability.

#### (vi) Other income

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

#### (c) Principles of consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2017) and (ii) all the related operating results (for the financial year ended 30 June 2017).

Council is a single fund entity and as such water supply is the only entity operation. Council does not hold or have interest in any joint arrangement, associate, County Council or unconsolidated structured entity.

#### (d) Leases

Any leases entered into by Council are reviewed and classified at commencement as wither a finance or an operating lease.

#### Finance Leases

Council does not have any finance leases.

#### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases.

Payments made under operating leases received are charged to the income statement on a straight-line basis over the period of the lease.

#### (e) Impairment of 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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (f) Cash and cash equivalents

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

#### (g) Inventories

##### Stores

Stores held in respect of business undertakings are stated at the lower of cost and net realisable value.

Cost comprises the direct cost of purchase and where applicable any freight to get the items into the store location. Costs are assigned to individual items of inventory on basis of weighted average costs.

Treatment chemicals and tools are valued at the lower of costs and net realisable value.

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

#### (h) Investments and other financial assets

##### Classification

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

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

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

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

#### (ii) Loans and receivables

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

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

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

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

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

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

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

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

intends to dispose of the investment within 12 months of the reporting date.

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

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

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

##### **Subsequent measurement**

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

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

##### **Impairment**

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

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

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

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of



## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

amounts previously written off are credited against other expenses in the income statement.

##### Investment Policy

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

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

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash

flows at the current market interest rate that is available to the Council for similar financial instruments.

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

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

##### Externally valued:

- Water networks
- Operational land
- Buildings – non specialised

##### Internally valued:

As approximated by depreciated historical cost:

- Plant and equipment

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

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

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

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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

#### Depreciation

Land is not depreciated.

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

#### Plant and equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 8 years
- Other plant and equipment	5 to 15 years

#### Buildings

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

#### Water Assets

- Dams	100 years
- Reservoirs	25 to 100 years
- Bores	30 years
- Mains pipes: PVC	100 years
- Mains pipes: Other	50 to 80 years
- Pumps and Telemetry	10 to 20 years

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

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

#### (k) Investment property

Investment property comprises land and/or buildings. Council does not own any investment property.

#### (l) 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.

#### (m) Borrowings

Borrowing costs are expensed as incurred.

#### (n) 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.

#### (o) 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.



## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### **(p) Employee benefits**

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

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

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

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

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

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

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

###### **(iii) Retirement benefit obligations**

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

##### **Defined Benefit Plans**

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

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

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

##### **Defined Contribution Plans**

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

##### **(q) Land under roads**

Council does not hold any land that is under a public road.

##### **(r) Self-insurance**

Council does not self-insure.

##### **(s) Intangible assets**

###### **IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

#### **(t) 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.

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

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

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

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

#### **(v) Rounding of amounts**

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

#### **(w) Comparative figures**

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

#### **(x) Disclaimer**

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

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance		–	1	219	181	179	(219)	(181)	(178)	–	–	–	–
Water supplies	5,780	5,984	5,902	5,412	5,264	5,192	368	720	710	55	56	75,961	64,895
<b>Total functions and activities</b>	<b>5,780</b>	<b>5,984</b>	<b>5,903</b>	<b>5,631</b>	<b>5,445</b>	<b>5,371</b>	<b>149</b>	<b>539</b>	<b>532</b>	<b>55</b>	<b>56</b>	<b>75,961</b>	<b>64,895</b>
<b>Operating result from continuing operations</b>	<b>5,780</b>	<b>5,984</b>	<b>5,903</b>	<b>5,631</b>	<b>5,445</b>	<b>5,371</b>	<b>149</b>	<b>539</b>	<b>532</b>	<b>55</b>	<b>56</b>	<b>75,961</b>	<b>64,895</b>

## 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.

**WATER SUPPLIES**

Comprising the water supply systems servicing the towns and villages within the Blayney, Cabonne, Weddin Local Government Areas.

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Nil			
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Residential		781	778
Commercial		208	210
Rural		149	148
Industrial		28	22
Other		59	58
<b>Total annual charges</b>		<b>1,225</b>	<b>1,216</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>1,225</b>	<b>1,216</b>
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Residential		1,906	1,861
Commercial		514	482
Rural		678	674
Industrial		517	501
Bulk supplies to Council		95	89
Other		174	160
<b>Total user charges</b>		<b>3,884</b>	<b>3,767</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Private works – section 67		44	123
Section 603 certificates		23	20
<b>Total fees and charges – statutory/regulatory</b>		<b>67</b>	<b>143</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Special meter readings and reconnection fees		34	31
<b>Total fees and charges – other</b>		<b>34</b>	<b>31</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>3,985</b>	<b>3,941</b>

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		8	9
– Interest earned on investments (interest and coupon payment income)		202	197
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>210</b>	<b>206</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		8	9
General Council cash and investments		202	197
<b>Total interest and investment revenue recognised</b>		<b>210</b>	<b>206</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		21	19
Diesel rebate		1	1
Employee contributions to motor vehicles		25	22
Insurance Incentives and Rebates		15	11
Investments Recovery		107	118
Miscellaneous		2	3
Pipeline Project Income		76	23
<b>TOTAL OTHER REVENUE</b>		<b>247</b>	<b>197</b>

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Nil				
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	55	56	–	–
<b>Total specific purpose</b>	<b>55</b>	<b>56</b>	<b>–</b>	<b>–</b>
<b>Total grants</b>	<b>55</b>	<b>56</b>	<b>–</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– State funding	55	56	–	–
	<b>55</b>	<b>56</b>	<b>–</b>	<b>–</b>
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 64 – water supply contributions	–	–	177	214
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>177</b>	<b>214</b>
<b>Other contributions:</b>				
Developer charges – mains extensions	–	–	–	73
<b>Total other contributions</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>73</b>
<b>Total contributions</b>	<b>–</b>	<b>–</b>	<b>177</b>	<b>287</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>55</b>	<b>56</b>	<b>177</b>	<b>287</b>

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		1,257	1,280
Travel expenses		7	4
Employee leave entitlements (ELE)		148	182
Superannuation – defined contribution plans		129	106
Superannuation – defined benefit plans		40	47
Workers' compensation insurance		35	25
Fringe benefit tax (FBT)		31	25
Payroll tax		69	48
Training costs (other than salaries and wages)		39	30
Sick leave insurance		5	10
Safety and protective clothing		8	8
Employee assistance program		–	1
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>1,768</u></b>	<b><u>1,766</u></b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>20</b>	<b>20</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		172	198
<b>Total interest bearing liability costs expensed</b>		<b><u>172</u></b>	<b><u>198</u></b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>172</u></b>	<b><u>198</u></b>

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		528	504
Contractor and consultancy costs		372	244
Auditors remuneration <sup>(1)</sup>		26	21
Legal expenses:			
– Legal expenses: other		1	–
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>927</b>	<b>769</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		26	–
<b>Remuneration for audit and other assurance services</b>		<b>26</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>26</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		–	18
– Other audit and assurance services		–	3
<b>Remuneration for audit and other assurance services</b>		<b>–</b>	<b>21</b>
<b>Total remuneration of other Council's Auditors</b>		<b>–</b>	<b>21</b>
<b>Total Auditor remuneration</b>		<b>26</b>	<b>21</b>



## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		165	169
Office equipment		5	9
Furniture and fittings		1	1
– Buildings – non-specialised		22	22
– Water supply network		1,604	1,574
Intangible assets	25	10	47
<b>Total depreciation and amortisation costs</b>		<b><u>1,807</u></b>	<b><u>1,822</u></b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>1,807</u></b>	<b><u>1,822</u></b>
<b>(e) Other expenses</b>			
Advertising		11	14
Bank charges		28	28
Demand management (water wise programme) expenses		3	–
Member expenses – chairperson's fee		15	15
Member expenses – member fees		55	55
Member expenses (incl. chairperson) – other (excluding fees above)		20	14
Donations, contributions and assistance to other organisations (Section 356)		12	12
Electricity and heating		309	307
Groundwater and unregulated access fees		35	36
Insurance		97	96
Postage		25	20
Printing and stationery		17	18
Subscriptions and publications		22	25
Telephone and communications		34	28
WBC alliance expenses		31	36
Other		57	61
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>771</u></b>	<b><u>765</u></b>

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		310	232
Less: carrying amount of plant and equipment assets sold/written off		(225)	(179)
<b>Net gain/(loss) on disposal</b>		<b>85</b>	<b>53</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		–	(104)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(104)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		800	–
Less: carrying amount of financial assets sold/redeemed/matured		(800)	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>85</u></b>	<b><u>(51)</u></b>

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		1,165	–	873	–
<b>Total cash and cash equivalents</b>		<b>1,165</b>	<b>–</b>	<b>873</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		6,200	–	7,000	–
<b>Total investments</b>		<b>6,200</b>	<b>–</b>	<b>7,000</b>	<b>–</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>		<b><u>7,365</u></b>	<b><u>–</u></b>	<b><u>7,873</u></b>	<b><u>–</u></b>

Investments were classified at year end in accordance with AASB 139 as follows:

**Investments**

'Loans and receivables'	6(b-iii)	6,200	–	7,000	–
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	7,365	–	7,873	–
<b>attributable to:</b>				
Internal restrictions (refer below)	6,865	–	7,373	–
Unrestricted	500	–	500	–
	<b>7,365</b>	<b>–</b>	<b>7,873</b>	<b>–</b>

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

## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general (D)	–	128	(128)	–
<b>External restrictions – other</b>	<b>–</b>	<b>128</b>	<b>(128)</b>	<b>–</b>
<b>Total external restrictions</b>	<b>–</b>	<b>128</b>	<b>(128)</b>	<b>–</b>

## Internal restrictions

Plant and vehicle replacement	100	126	(7)	219
Infrastructure replacement	6,480	2,037	(2,532)	5,985
Employees leave entitlement	427	72	(264)	235
Development Reserve	366	60	–	426
<b>Total internal restrictions</b>	<b>7,373</b>	<b>2,295</b>	<b>(2,803)</b>	<b>6,865</b>
<b>TOTAL RESTRICTIONS</b>	<b>7,373</b>	<b>2,423</b>	<b>(2,931)</b>	<b>6,865</b>

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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
User charges and fees		228	–	216	–
Accrued revenues					
– Interest on investments		48	–	53	–
Amounts due from other councils		18	–	25	–
Deferred debtors		12	3	–	–
Government grants and subsidies		41	–	41	–
Installations and private works		–	–	19	–
Other Debtors		4	–	–	–
<b>Total</b>		<b>351</b>	<b>3</b>	<b>354</b>	<b>–</b>
<b>Less: provision for impairment</b>					
Nil					
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>351</u></b>	<b><u>3</u></b>	<b><u>354</u></b>	<b><u>–</u></b>

#### Externally restricted receivables

There are no restrictions applicable to the above assets.

#### Notes on debtors above:

- (i) Doubtful water charges debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (ii) Interest was charged on overdue rates and charges at 8.00% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iii) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>Inventories at cost</b>					
Chemicals		64	–	74	–
Loose tools		–	–	68	–
Stores and materials		197	–	207	–
<b>Total inventories at cost</b>		<b>261</b>	<b>–</b>	<b>349</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>		<b>261</b>	<b>–</b>	<b>349</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		23	–	35	–
<b>TOTAL OTHER ASSETS</b>		<b>23</b>	<b>–</b>	<b>35</b>	<b>–</b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

#### Other disclosures

<b>(a) Inventories recognised as an expense for the year included:</b>	<b>2017</b>	<b>2016</b>
– Stores and materials	73	–

#### (b) Inventory write downs

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

## Central Tablelands Water

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

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

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	324	–	324	1,816	285	–	–	–	–	2,425	–	2,425
Plant and equipment	1,173	598	575	348	–	(225)	(165)	–	–	1,296	763	533
Office equipment	55	44	11	–	28	–	(5)	–	–	84	50	34
Furniture and fittings	38	30	8	–	–	–	(1)	–	–	39	31	8
<b>Land:</b>												
– Operational land	2,326	–	2,326	–	–	–	–	–	–	2,326	–	2,326
<b>Infrastructure:</b>												
– Buildings – non-specialised	824	309	515	16	–	–	(22)	467	–	2,793	1,817	976
– Water supply network	122,785	70,270	52,515	11	73	–	(1,604)	(467)	11,128	132,242	70,586	61,656
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>127,525</b>	<b>71,251</b>	<b>56,274</b>	<b>2,191</b>	<b>386</b>	<b>(225)</b>	<b>(1,797)</b>	<b>–</b>	<b>11,128</b>	<b>141,205</b>	<b>73,247</b>	<b>67,958</b>

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

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

## Central Tablelands Water

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

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	2,425	–	<b>2,425</b>	324	–	<b>324</b>
Plant and equipment	1,296	763	<b>533</b>	1,173	598	<b>575</b>
Office equipment	84	50	<b>34</b>	55	44	<b>11</b>
Furniture and fittings	39	31	<b>8</b>	38	30	<b>8</b>
Land						
– Operational land	2,326	–	<b>2,326</b>	2,326	–	<b>2,326</b>
Buildings	2,793	1,817	<b>976</b>	824	309	<b>515</b>
Infrastructure	132,242	70,586	<b>61,656</b>	122,785	70,270	<b>52,515</b>
<b>Total water supply</b>	<b>141,205</b>	<b>73,247</b>	<b>67,958</b>	<b>127,525</b>	<b>71,251</b>	<b>56,274</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>141,205</b>	<b>73,247</b>	<b>67,958</b>	<b>127,525</b>	<b>71,251</b>	<b>56,274</b>

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

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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		207	–	100	–
Goods and services – capital expenditure		23	–	34	–
Accrued expenses:					
– Salaries and wages		6	–	2	–
– Other expenditure accruals		38	–	65	–
<b>Total payables</b>		<b>274</b>	<b>–</b>	<b>201</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		91	–	81	–
<b>Total income received in advance</b>		<b>91</b>	<b>–</b>	<b>81</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		437	1,908	409	2,345
<b>Total borrowings</b>		<b>437</b>	<b>1,908</b>	<b>409</b>	<b>2,345</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		162	–	186	–
Long service leave		440	4	688	7
<b>Total provisions</b>		<b>602</b>	<b>4</b>	<b>874</b>	<b>7</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>1,404</u></b>	<b><u>1,912</u></b>	<b><u>1,565</u></b>	<b><u>2,352</u></b>

#### (i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

<sup>1</sup>. Loans are secured over the future income of Council

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



## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

Provisions – employees benefits	409	502
	<b>409</b>	<b>502</b>

#### Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	186	117	(141)	–	–	162
Long service leave	695	13	(264)	–	–	444
<b>TOTAL</b>	<b>881</b>	<b>130</b>	<b>(405)</b>	<b>–</b>	<b>–</b>	<b>606</b>

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

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	1,165	873
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>1,165</b>	<b>873</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>539</b>	<b>532</b>
Adjust for non-cash items:			
Depreciation and amortisation		1,807	1,822
Net losses/(gains) on disposal of assets		(85)	51
Non-cash capital grants and contributions		(50)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		15	(37)
Decrease/(increase) in inventories		88	(14)
Decrease/(increase) in other assets		12	(10)
Increase/(decrease) in payables		107	25
Increase/(decrease) in other accrued expenses payable		(23)	–
Increase/(decrease) in other liabilities		10	19
Increase/(decrease) in employee leave entitlements		(275)	58
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>2,145</b>	<b>2,446</b>

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Dedicated Water Infrastructure		50	–
<b>Total non-cash investing and financing activities</b>		<b>50</b>	<b>–</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		25	30
<b>Total financing arrangements</b>		<b>25</b>	<b>30</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		9	–
<b>Total financing arrangements utilised</b>		<b>9</b>	<b>–</b>

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

**(ii) Secured loan liabilities**

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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Water Infrastructure		1,903	–
<b>Total commitments</b>		<b>1,903</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,903	–
Later than one year and not later than 5 years		–	–
Later than 5 years		–	–
<b>Total payable</b>		<b>1,903</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>			
Internally restricted reserves		1,903	–
<b>Total sources of funding</b>		<b>1,903</b>	<b>–</b>

#### Details of capital commitments

Council has committed funds to the Orange to Carcoar Water Pipeline project.

#### (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	13	10
Later than one year and not later than 5 years	13	33
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>26</b>	<b>43</b>

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

Computers & Office Equipment

#### 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.

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2017	2017	2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>277</u>	<b>4.84%</b>	5.27%	-2.95%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>5,722</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>5,667</u>	<b>96.07%</b>	94.19%	95.19%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>5,899</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>8,000</u>	<b>8.04x</b>	8.10x	7.78x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>995</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>2,256</u>	<b>3.88x</b>	3.99x	3.23x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>581</u>				
<b>5. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>7,365</u>	<b>19.75 mths</b>	23.5 mths	17.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>373</u>				
<b>WATER AVAILABILITY &amp; USER CHARGES RATIO</b>					
Council has operated under a "user pays" system since January 1994 and has not raised rates since that time. Since Council does not have any rates within it's income base, the ratios shown below have more relevance:					
<b>6. Annual water charges coverage ratio</b>					
Annual water charges	<u>5,109</u>	<b>89.29%</b>	88.73%	91.87%	
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>5,722</u>				
<b>7. Annual water charges, interest and extra charges outstanding percentage</b>					
Annual water and extra charges outstanding	<u>228</u>	<b>4.28%</b>	4.20%	2.67%	
Annual water and extra charges collectible	<u>5,325</u>				

#### Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive.  
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# Central Tablelands Water

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

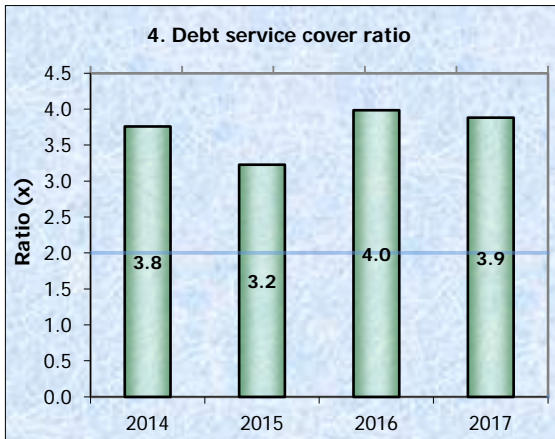
### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>1. Operating performance ratio</b></p> <table border="1"> <caption>Operating performance ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>3%</td> </tr> <tr> <td>2015</td> <td>-3%</td> </tr> <tr> <td>2016</td> <td>5%</td> </tr> <tr> <td>2017</td> <td>5%</td> </tr> </tbody> </table> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio %	2014	3%	2015	-3%	2016	5%	2017	5%	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 4.84%</b></p> <p>Councils Operating result has been maintained at a level consistent with 2015/16. Council has been able to constrain its costs to a similar level to revenue growth.</p>
Year	Ratio %											
2014	3%											
2015	-3%											
2016	5%											
2017	5%											
<p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark         </p>												
<p><b>2. Own source operating revenue ratio</b></p> <table border="1"> <caption>Own source operating revenue ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>95%</td> </tr> <tr> <td>2015</td> <td>95%</td> </tr> <tr> <td>2016</td> <td>94%</td> </tr> <tr> <td>2017</td> <td>96%</td> </tr> </tbody> </table> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio %	2014	95%	2015	95%	2016	94%	2017	96%	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 96.07%</b></p> <p>Council derives very little grant funding. Council's only source of revenue is via the sale and distribution of water. Council funds its own operations and asset renewal expenditure therefore this ratio must be high.</p>
Year	Ratio %											
2014	95%											
2015	95%											
2016	94%											
2017	96%											
<p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark         </p>												
<p><b>3. Unrestricted current ratio</b></p> <table border="1"> <caption>Unrestricted current ratio data</caption> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>7.4</td> </tr> <tr> <td>2015</td> <td>7.8</td> </tr> <tr> <td>2016</td> <td>8.1</td> </tr> <tr> <td>2017</td> <td>8.0</td> </tr> </tbody> </table> <p>Benchmark: <span style="color: blue;">—</span> Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio (x)	2014	7.4	2015	7.8	2016	8.1	2017	8.0	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 8.04x</b></p> <p>Council's unrestricted current ratio remains very sound indicating that Council has the capacity to pay its debts as and when they fall due.</p>
Year	Ratio (x)											
2014	7.4											
2015	7.8											
2016	8.1											
2017	8.0											
<p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark         </p>												

# Central Tablelands Water

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2016/17 result**

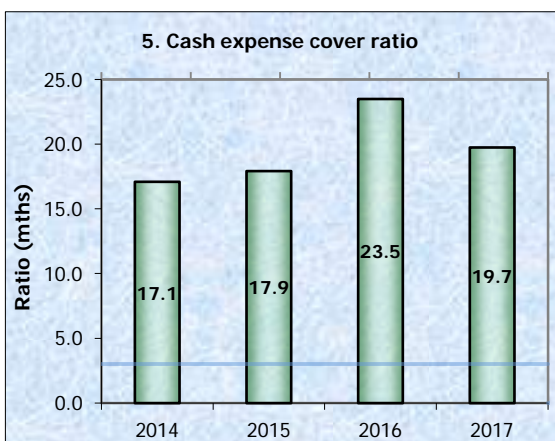
**2016/17 ratio 3.88x**

This ratio remains strong with Council having the capacity to service its current debt level.

Benchmark: Minimum  $\geq 2.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 19.75 mths**

Council's ratio is very strong due to the liquidity of Council's investments.

Benchmark: Minimum  $\geq 3.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Central Tablelands Water

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

#### Note 14. Investment properties

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\$ '000

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

#### Note 15. Financial risk management

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##### 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.

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



## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

Council's finance department manages the cash and Investments portfolio in accord with Council policies and cash flow requirements.

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 10% movement in market values	620	620	(620)	(620)
Possible impact of a 1% movement in interest rates	66	66	(66)	(66)
<b>2016</b>				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	8	8	(8)	(8)

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

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

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

		2017	2017	2016	2016
		User	Other	User	Other
		charges	receivables	charges	receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		86%	94%	74%	86%
Overdue		14%	6%	26%	14%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>User</b>	<b>Other</b>	<b>User</b>	<b>Other</b>
		<b>charges</b>	<b>receivables</b>	<b>charges</b>	<b>receivables</b>
Current	Current	195	101	160	118
< 1 year overdue	0 – 30 days overdue	33	1	17	1
1 – 2 years overdue	31 – 60 days overdue	–	16	12	–
2 – 5 years overdue	61 – 90 days overdue	–	8	4	19
> 5 years overdue	> 91 days overdue	–	–	23	–
		<b>228</b>	<b>126</b>	<b>216</b>	<b>138</b>

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Trade/other payables	–	274	–	–	–	–	–	274	274
Loans and advances	–	581	581	581	581	427	–	2,751	2,345
<b>Total financial liabilities</b>	<b>–</b>	<b>855</b>	<b>581</b>	<b>581</b>	<b>581</b>	<b>427</b>	<b>–</b>	<b>3,025</b>	<b>2,619</b>
<b>2016</b>									
Trade/other payables	–	201	–	–	–	–	–	201	201
Loans and advances	–	581	581	581	581	581	427	3,332	2,754
<b>Total financial liabilities</b>	<b>–</b>	<b>782</b>	<b>581</b>	<b>581</b>	<b>581</b>	<b>581</b>	<b>427</b>	<b>3,533</b>	<b>2,955</b>

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	274	0.00%	201	0.00%
Loans and advances – fixed interest rate	2,345	6.60%	2,754	6.60%
	<u>2,619</u>		<u>2,955</u>	

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 15 June 2016.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	1,220	1,225	5	0%	<b>F</b>
User charges and fees	4,049	3,985	(64)	(2%)	<b>U</b>
Interest and investment revenue	173	210	37	21%	<b>F</b>
Higher average funds invested resulting from changes in the timing of capital expenditure resulted in higher returns.					
Other revenues	63	247	184	292%	<b>F</b>
Additional revenue was earned from Investment recoveries from Lehman Brothers Australia (in liquidation) (107K) and the provision of Project Management Services for the Orange to Carcoar Pipeline Project (76K). Both these amounts were not in the original budget.					
Operating grants and contributions	56	55	(1)	(2%)	<b>U</b>
Capital grants and contributions	139	177	38	27%	<b>F</b>
Additional developer contributions were raised due to development with the Council service area.					
Net gains from disposal of assets	80	85	5	6%	<b>F</b>

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	1,794	1,768	26	1%	F
Borrowing costs	172	172	-	0%	F
Materials and contracts	888	927	(39)	(4%)	U
Depreciation and amortisation	1,913	1,807	106	6%	F
Other expenses	864	771	93	11%	F
The electricity budget estimate exceeded actual costs by \$65,000. There were also minor savings across a number of other expenses.					

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>Budget variations relating to Council's Cash Flow Statement include:</b>					
Cash flows from operating activities	2,001	2,145	144	7.2%	F
Cash flows from investing activities	(1,865)	(1,444)	421	(22.6%)	F
This resulted from changes in the timing of capital projects. Works on Trunk Main K were deferred as staff project management resources were required to assist with the Orange to Carcoar Pipeline project.					
Cash flows from financing activities	(409)	(409)	-	0.0%	F

## Central Tablelands Water

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

**\$ '000**

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

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

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S64 contributions	–	128	–	–	(128)	–	–	
<b>Total contributions</b>	–	<b>128</b>	–	–	<b>(128)</b>	–	–	–

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

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

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

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

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

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

###### (ii) Statewide Limited

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

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

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

###### (iii) StateCover Limited

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

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

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

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

###### (iv) Other guarantees

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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S64 plans

Council levies section 64 contributions upon various development across the Council area through the required contributions plans.

##### (ii) S64 plans (continued)

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

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

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

Council intention is to expend Sec 64 contributions in the year of receipt.

#### Note 19. Interests in other entities

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



## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		32,563	32,031
a. Net operating result for the year		539	532
<b>Balance at end of the reporting period</b>		<b>33,102</b>	<b>32,563</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
Infrastructure, property, plant and equipment revaluation reserve		39,543	28,415
<b>Total</b>		<b>39,543</b>	<b>28,415</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
Opening balance		28,415	27,561
Revaluations for the year	9(a)	11,128	854
<b>Balance at end of year</b>		<b>39,543</b>	<b>28,415</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>39,543</b>	<b>28,415</b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
<b>(c) Correction of error/s relating to a previous reporting period</b>			
Council made no correction of errors during the current reporting period.			
<b>(d) Voluntary changes in accounting policies</b>			
Council made no voluntary changes in any accounting policies during the year.			
<b>(e) Changes in accounting estimates</b>			
Council made no changes in accounting estimates during the year.			

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 21. Financial result and financial position by fund

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\$ '000

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Council only operates a Water Fund.

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

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

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

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

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

Accordingly, the 'authorised for issue' date is 20/11/17.

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

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

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

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

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

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

#### Note 24. Discontinued operations

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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	167	167
Accumulated amortisation (1/7)	(157)	(110)
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>10</b>	<b>57</b>
<b>Movements for the year</b>		
– Amortisation charges	(10)	(47)
<b>Closing values:</b>		
Gross book value (30/6)	167	167
Accumulated amortisation (30/6)	(167)	(157)
Accumulated impairment (30/6)	–	–
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>–</u></b>	<b><u>10</u></b>

<sup>1</sup> The net book value of intangible assets represent:

– Software	–	10
	<b><u>–</u></b>	<b><u>10</u></b>

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/17	–	–	533	533
Office Equipment	30/06/17	–	–	34	34
Furniture & Fittings	30/06/17	–	–	8	8
Operational Land	30/06/13	–	–	2,326	2,326
Buildings - Non Specialised	30/06/13	–	–	976	976
Water Supply Network	30/06/17	–	–	61,656	61,656
Capital Works in Progress	30/06/17	–	–	2,425	2,425
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>67,958</b>	<b>67,958</b>

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/16	–	–	575	575
Office Equipment	30/06/16	–	–	11	11
Furniture & Fittings	30/06/16	–	–	8	8
Operational Land	30/06/16	–	–	2,326	2,326
Buildings - Non Specialised	30/06/16	–	–	515	515
Water Supply Network	30/06/16	–	–	52,515	52,515
Capital Works in Progress	30/06/16	–	–	324	324
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>56,274</b>	<b>56,274</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.

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

###### Plant & Equipment, Office Equipment and Furniture & Fittings

Loader, vehicles, trucks, computers, desks, chairs, cupboards, etc. - (Level 3)

Valuation Technique - Cost approach

These assets are valued at cost but are disclosed at fair value in Note 9. The carrying amount of these assets are assumed to approximate fair value due to the nature of the items and their short useful lives.

###### Operational Land - (Level 3)

Valuation Technique - Market approach

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No.2144.

###### Buildings – Non Specialised

Council Office and Council Depots - (Level 3)

Council's Buildings were last valued on 30 June 2013 by Scott Fullarton Valuations (SFV) Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No.2144. The valuation was undertaken using the Gross Restatement Method (GRM) under Section 7.1 of the NSW Treasury Policy & Guidelines Paper "Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value - tpp 07-01". The GRM requires that revalued assets be restated into the traditional components of Gross Book Value and Accumulated Depreciation. The SFV schedule provides the Gross Value of each building, improvement and structure, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost.

Market value was utilised to value Council's Administration Office due to the small amount of market data available for sales of comparable office buildings in Blayney, this has been assessed as a level 3 input.

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

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

##### Water Supply Network

Trunk Mains, Reticulation Mains, Filtration Plants, Reservoirs, Pump Stations, Bores, Dams, Telemetry - (Level 3)

The Water Supply Network was last valued on 30 June 2017 utilising both "in house" staff and external consultants. A former employee with extensive experience and qualifications prepared the valuations of the Bores, Trunk Mains, Reticulation Mains, Telemetry and Pump Stations. The valuation methodology used for Reservoirs, Pump Stations, Bores and Trunk Mains is based on use of the reference rates sourced from the NSW Office of Water Reference Rate Manual (RRM) in June 2014 and then applying the capital cost factor for 2017.

Dams and Treatment Plants were valued by Australia Asset Advisory Group whom have extensive experience and qualifications in the valuation of assets of this type. The valuation was completed in accord with fair valuation principles. These principles lead to valuations being made on the basis of depreciated replacement costs using standard unit rates. The valuation considered the nature and condition of the assets based upon physical inspection and asset data such as asset life.

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

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

	IPP&E	Total
<b>Opening balance – 1/7/15</b>	56,665	56,665
Purchases (GBV)	813	813
Disposals (WDV)	(283)	(283)
Depreciation and impairment	(1,775)	(1,775)
FV gains – other comprehensive income	854	854
<b>Closing balance – 30/6/16</b>	<b>56,274</b>	<b>56,274</b>
Purchases (GBV)	2,577	2,577
Disposals (WDV)	(225)	(225)
Depreciation and impairment	(1,797)	(1,797)
FV gains – other comprehensive income	11,128	11,128
<b>Closing balance – 30/6/17</b>	<b>67,957</b>	<b>67,957</b>

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

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

##### b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Purchases: Movements include purchases of plant & equipment, building, office equipment and water infrastructure construction.

Disposals: This movement includes the WDV of plant and equipment that was sold during the year.

Depreciation Expense: This represents the depreciation on Water Infrastructure Assets during the the year.

FV Gains: Movement in FV Gains for the year relates to the FV revaluation adjustment for Level 3 Water Infrastructure Assets that were revalued in 2016/17.

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I, PP&amp;E</b>			
Plant & Equipment	533	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Office Equipment	34	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Furniture & Fittings	8	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Operational Land	2,326	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Buildings - Non Specialised	976	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Water Supply Network	61,656	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Capital Works in Progress	2,425	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life

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

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

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

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\$ '000

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##### a. Key management personnel

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

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

	Actual
	2017
Short-term benefits	759
Post-employment benefits	37
Other long-term benefits	7
<b>Total</b>	<u>803</u>

##### b. Other transactions with KMP and their related parties

Nil

##### c. Other related party transactions

Nil



## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 29. Financial review

\$ '000

#### Key financial figures of Council over the past 5 years

<b>Financial performance figures</b>	<b>2017</b>	<b>2016</b>	2015	2014	2013
<b>Inflows:</b>					
Rates and annual charges revenue	<b>1,225</b>	1,216	1,205	1,233	1,234
User charges revenue	<b>3,985</b>	3,941	3,706	3,696	3,555
Interest and investment revenue (losses)	<b>210</b>	206	206	185	260
Grants income – operating and capital	<b>55</b>	56	57	57	58
Total income from continuing operations	<b>5,984</b>	5,903	5,454	5,434	5,417
Sale proceeds from I,PP&E	<b>310</b>	232	260	316	303
New loan borrowings and advances	<b>–</b>	–	–	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>1,768</b>	1,766	1,594	1,542	1,417
Borrowing costs	<b>172</b>	198	222	244	266
Materials and contracts expenses	<b>927</b>	769	998	779	841
Total expenses from continuing operations	<b>5,445</b>	5,371	5,380	5,150	5,032
Total cash purchases of I,PP&E	<b>2,539</b>	826	1,093	656	964
Total loan repayments (incl. finance leases)	<b>409</b>	383	359	336	315
Operating surplus/(deficit) (excl. capital income)	<b>362</b>	245	(130)	149	130
<b>Financial position figures</b>	<b>2017</b>	<b>2016</b>	2015	2014	2013
Current assets	<b>8,000</b>	8,611	7,081	6,434	4,952
Current liabilities	<b>1,404</b>	1,565	1,447	1,412	1,389
Net current assets	<b>6,596</b>	7,046	5,634	5,022	3,563
Available working capital (Unrestricted net current assets)	<b>758</b>	956	926	484	539
Cash and investments – unrestricted	<b>500</b>	500	500	5	5
Cash and investments – internal restrictions	<b>6,865</b>	7,373	5,904	5,724	4,211
Cash and investments – total	<b>7,365</b>	7,873	6,404	5,729	4,216
Total borrowings outstanding (Loans, advances and finance leases)	<b>2,345</b>	2,754	3,137	3,496	3,832
Total value of I,PP&E (excl. land and earthworks)	<b>138,879</b>	125,199	122,931	121,915	118,596
Total accumulated depreciation	<b>73,247</b>	71,251	68,592	67,293	64,011
Indicative remaining useful life (as a % of GBV)	47%	43%	44%	45%	46%

**Source:** published audited financial statements of Council (current year and prior year)

## Central Tablelands Water

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 30. Council information and contact details

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**Principal place of business:**

30 Church Street  
BLAYNEY NSW 2799

**Contact details****Mailing address:**

PO Box 61  
BLAYNEY NSW 2799

**Opening hours:**

9am to 4.30pm  
Monday to Friday

**Telephone:** 02 6391 7200

**Facsimile:** 02 6368 2451

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

**Email:** [water@ctw.nsw.gov.au](mailto:water@ctw.nsw.gov.au)

**Officers****GENERAL MANAGER**

Gavin Rhodes

**RESPONSIBLE ACCOUNTING OFFICER**

Peter McFarlane

**AUDITORS**

Audit Office of NSW  
Level 15  
1 Margaret Street  
Sydney NSW 2000

**Elected members****CHAIRPERSON**

Cr David Somerville

**DEPUTY CHAIRPERSON**

Cr Kevin Walker

**COUNCILLORS**

Cr John Newstead  
Cr Anthony Durkin  
Cr Paul Best  
Cr Craig Bembrick

**Other information**

**ABN:** 43 721 523 632



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Central Tablelands County Council**

To the Councillors of the Central Tablelands County Council

## Opinion

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

In my opinion,

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

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

## Basis for Opinion

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 19 September 2016.

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

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

20 November 2017  
SYDNEY

Cr David Somerville  
Chairman  
Central Tablelands County Council  
PO Box 61  
BLAYNEY NSW 2799

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D1730157/1817

20 November 2017

Dear Mr Chairman

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Central Tablelands County Council**

I have audited the general purpose financial statements of the Central Tablelands County Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act). I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	1.2	1.2	--
User Charges and fees	4.0	3.9	1.1 ↑
Grants and contributions revenue	0.2	0.3	32.3 ↓
Materials and Contract expenses	0.9	0.8	20.5 ↑
Operating result for the year	0.5	0.5	--
Net operating result before capital amounts	0.4	0.2	47.8 ↑

Note: variances are based on actual financials not rounded figures.

Income from annual and access charges was almost the same for the past two financial years. Capital grants and contributions decreased by \$90,000 compared to 2016. The decrease was mainly due to the \$73,000 contribution by Newcrest mining for mains extensions along Newbridge road in 2016.

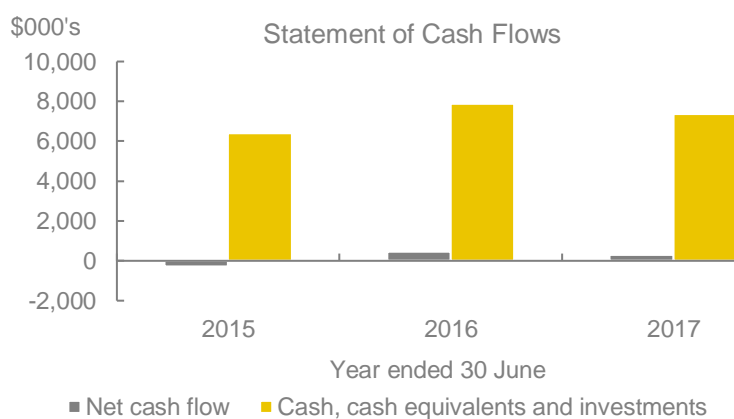
The operating result was also impacted by:

- Council recovering a further \$103,000 from its proceedings against Lehman Brothers and this was reported as other income. A similar sum was recovered in 2016.
- higher materials and contract expenses mainly for increased cost of contractors and consultants.

## STATEMENT OF CASH FLOWS

2016-17 saw a net cash inflow of \$292,000. Council's cash, cash equivalents and investments balance has remained stable over the past three years.

Over this period, Council has generated operating cash flow surpluses allowing it to maintain and renew infrastructure.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	0.0	0.0	Externally restricted balances include unexpended loans, grants and developer contributions.
Internal restrictions	6.9	7.4	Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Unrestricted	0.5	0.5	
<b>Cash and investments</b>	<b>7.4</b>	<b>7.9</b>	Unrestricted balances provide liquidity for day-to-day operations.

### Debt

At 30 June 2017, Council had external borrowings of \$2.3 million and access to \$25,000 credit card facility (\$9,000 used at 30 June 2017).

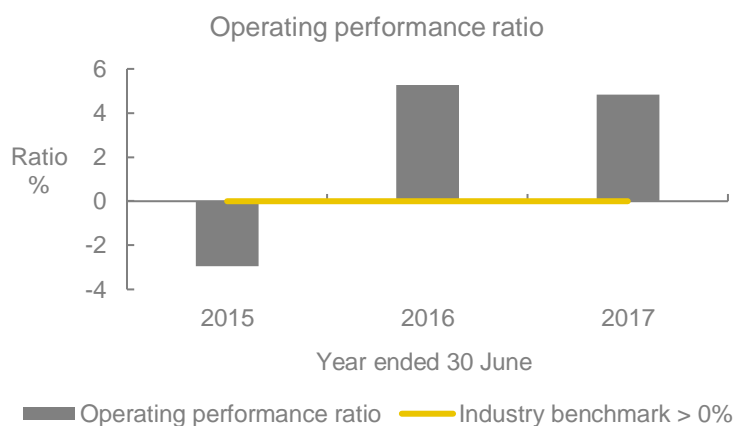
## PERFORMANCE RATIOS

The definition of each ratio analysed below is included in Note 13 of the Council's audited general purpose financial statements.

### Operating performance ratio

Council's operating performance ratio exceeded the industry benchmark over the past two years.

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

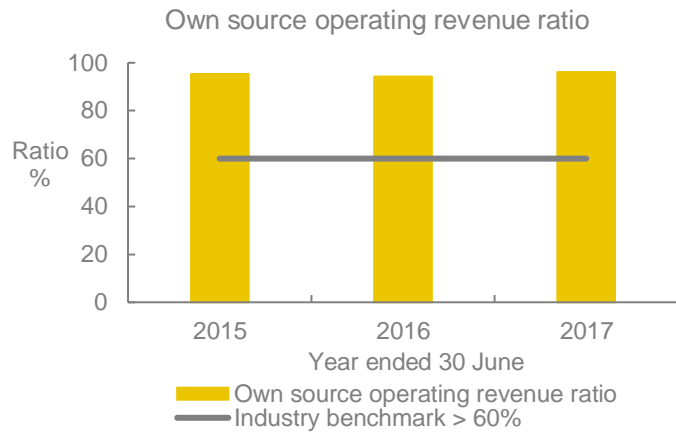




## Own source operating revenue ratio

Council's own source operating revenue ratio has consistently been above the benchmark. This is due to water access and consumption charges being the main sources of revenue.

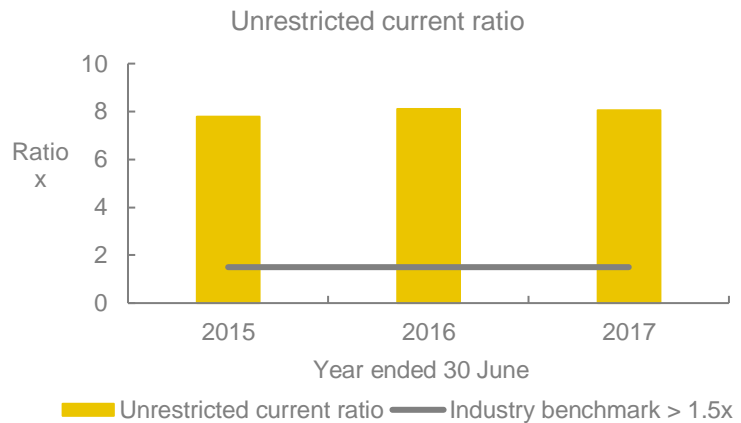
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years.

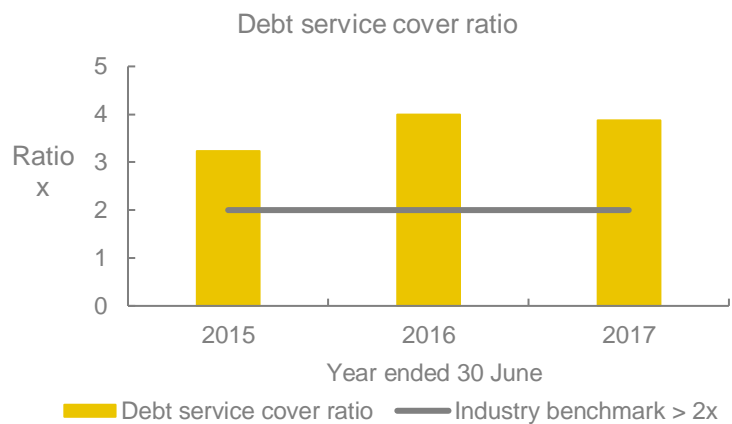
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

The result of this ratio indicates that council can comfortably service the existing levels of debt.

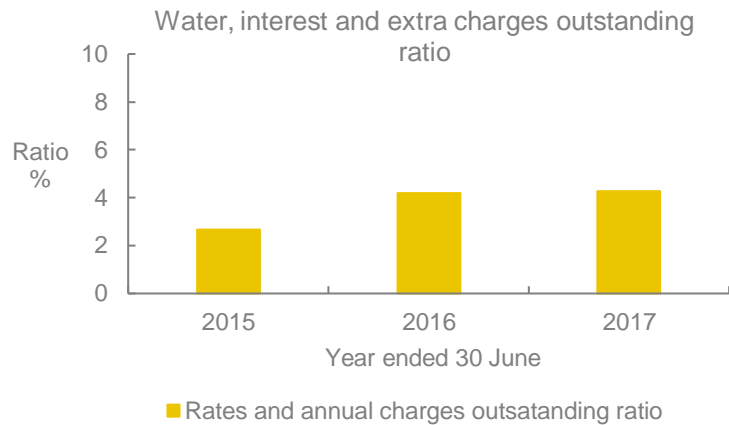
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Annual water charges, interest and extra charges outstanding ratio

Whilst prevailing economic conditions and the timing of billing runs may influence the outcome, efficiency, timing and collection procedures are still the largest determinants of the outcome.

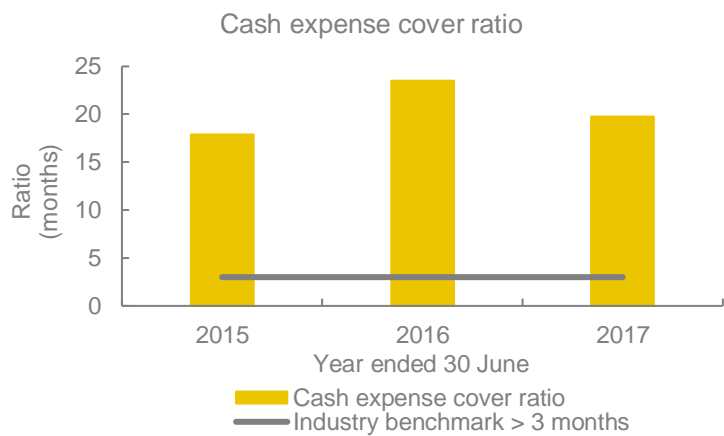
The 'water, interest and extra charges outstanding ratio' assesses the impact of uncollected usage and access charges on council's liquidity and the adequacy of debt recovery efforts.



## Cash expense cover ratio

Council's high level of liquidity results in it being well over the benchmark for the cash expense cover ratio for the past three years.

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



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

### Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor  
Director, Financial Audit Services

# Central Tablelands Water

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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"Developing a commercial focus as it operates in partnership with the communities it serves, fostering their development and growth, while maintaining both its level of service and its prices at an acceptable level"



## Central Tablelands Water

### Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	4
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor’s Report</b>	11

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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).
-

## Central Tablelands Water

### Special Purpose Financial Statements

for the year ended 30 June 2017

### Statement by Councillors and Management

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 18 October 2017.**



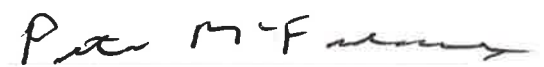
Cr David Somerville  
Chairman



Cr Kevin Walker  
Deputy Chairman



Gavin Rhodes  
General Manager



Peter McFarlane  
Responsible accounting officer

## Central Tablelands Water

### Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,225	1,216
User charges	3,884	3,767
Fees	101	174
Interest	210	206
Grants and contributions provided for non-capital purposes	55	56
Profit from the sale of assets	85	–
Share of profit from equity accounted investment	–	–
Other income	247	197
<b>Total income from continuing operations</b>	<b>5,807</b>	<b>5,616</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,768	1,766
Borrowing costs	172	198
Materials and contracts	927	769
Depreciation and impairment	1,807	1,822
Water purchase charges	–	–
Loss on sale of assets	–	51
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	771	765
<b>Total expenses from continuing operations</b>	<b>5,445</b>	<b>5,371</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>362</b>	<b>245</b>
Grants and contributions provided for capital purposes	177	287
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>539</b>	<b>532</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>539</b>	<b>532</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(109)	(74)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>430</b>	<b>459</b>
<b>Plus opening retained profits</b>	<b>32,563</b>	<b>32,031</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	109	74
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>33,102</b>	<b>32,563</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.8%</b>
<b>Subsidy from Council</b>	<b>1,083</b>	<b>677</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	430	459
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>430</b>	<b>459</b>
<b>Potential dividend calculated from surplus</b>	<b>215</b>	<b>229</b>

## Central Tablelands Water

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

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,165	873
Investments	6,200	7,000
Receivables	351	354
Inventories	261	349
Other	23	35
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>8,000</b>	<b>8,611</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	3	–
Inventories	–	–
Infrastructure, property, plant and equipment	67,958	56,274
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	10
<b>Total non-current assets</b>	<b>67,961</b>	<b>56,284</b>
<b>TOTAL ASSETS</b>	<b>75,961</b>	<b>64,895</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	274	282
Income received in advance	91	–
Borrowings	437	409
Provisions	602	874
<b>Total current liabilities</b>	<b>1,404</b>	<b>1,565</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	1,908	2,345
Provisions	4	7
<b>Total non-current liabilities</b>	<b>1,912</b>	<b>2,352</b>
<b>TOTAL LIABILITIES</b>	<b>3,316</b>	<b>3,917</b>
<b>NET ASSETS</b>	<b>72,645</b>	<b>60,978</b>
<b>EQUITY</b>		
Retained earnings	33,102	32,563
Revaluation reserves	39,543	28,415
Other reserves	–	–
Council equity interest	72,645	60,978
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>72,645</b>	<b>60,978</b>



## Central Tablelands Water

### Special Purpose Financial Statements

for the year ended 30 June 2017

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

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

## Central Tablelands Water

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

#### Note 1. Significant accounting policies

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

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

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

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

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

#### National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

#### Central Tablelands Water Supplies

*Comprising the whole of the operations and net assets of the water supply systems servicing the towns and villages within the Local Government Areas of Blayney, Cabonne and Weddin.*

##### Category 2

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

#### Council has no Category 2 Business Activities.

#### Monetary amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 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.

## Central Tablelands Water

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

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

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

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

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

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

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

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

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

##### Income tax

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

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date.

##### 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.

## Central Tablelands Water

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

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

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

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

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

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

The rate of return is calculated as follows:

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

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

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

##### (iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply assessments at 30 June 2017 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.

## Central Tablelands Water

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

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

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

2017

##### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	17,577
(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]	215,200
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	175,770
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	962,900

2017 Surplus	430,400	2016 Surplus	458,500	2015 Surplus	74,000
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	175,770
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## Central Tablelands Water

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

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

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

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

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	5,689
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	70.93%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	61,656
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	3,504
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,175
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.61%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statement**  
**Central Tablelands County Council**

To the Councillors of the Central Tablelands County Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

## Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 19 September 2016.

## The Councillors' Responsibility for the Financial Statements

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

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

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

My objectives are to:

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

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

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

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

20 November 2017  
SYDNEY



# Central Tablelands Water

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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"Developing a commercial focus as it operates in partnership with the communities it serves, fostering their development and growth, while maintaining both its level of service and its prices at an acceptable level"



# Central Tablelands Water

## Special Schedules

for the year ended 30 June 2017

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<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	5
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<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
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<b>Special Schedule 8</b>	Permissible Income Calculation	n/a

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

#### Background

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

## Central Tablelands Water

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	181	–	–	(181)
<b>Administration</b>	–	–	–	–
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	–	–	–	–
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	–	–	–	–
Other	–	–	–	–
<b>Total public order and safety</b>	–	–	–	–
<b>Health</b>	–	–	–	–
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	–	–	–	–
Solid waste management	–	–	–	–
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	–	–	–	–
<b>Total environment</b>	–	–	–	–
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	–	–	–	–
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	–	–	–	–
Town planning	–	–	–	–
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	–	–	–	–
<b>Water supplies</b>	5,264	5,807	177	720
<b>Sewerage services</b>	–	–	–	–

## Central Tablelands Water

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	–	–	–	–
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	–	–	–	–
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	–	–	–	–
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	–	–	–	–
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
<b>Total transport and communication</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	–	–	–	–
<b>Total economic affairs</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Totals – functions</b>	<b>5,445</b>	<b>5,807</b>	<b>177</b>	<b>539</b>
<b>General purpose revenues <sup>(1)</sup></b>				
Share of interests – joint ventures and associates using the equity method	–	–	–	–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>5,445</b>	<b>5,807</b>	<b>177</b>	<b>539</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

## Central Tablelands Water

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	409	2,345	<b>2,754</b>	–	409	–	–	172	437	1,908	<b>2,345</b>
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>409</b>	<b>2,345</b>	<b>2,754</b>	–	<b>409</b>	–	–	<b>172</b>	<b>437</b>	<b>1,908</b>	<b>2,345</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	–	–	–	–	–	–	–	–	–	–	–
<b>Total debt</b>	<b>409</b>	<b>2,345</b>	<b>2,754</b>	–	<b>409</b>	–	–	<b>172</b>	<b>437</b>	<b>1,908</b>	<b>2,345</b>

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

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

## Central Tablelands Water

### Special Schedule 3 – Water Supply Income Statement

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

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,160	1,161
b. Engineering and supervision	280	261
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	42	64
b. Maintenance expenses	31	26
– <b>Mains</b>		
c. Operation expenses	–	–
d. Maintenance expenses	449	408
– <b>Reservoirs</b>		
e. Operation expenses	14	12
f. Maintenance expenses	79	59
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	29	22
h. Energy costs	205	208
i. Maintenance expenses	126	81
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	260	247
k. Chemical costs	168	192
l. Maintenance expenses	247	235
– <b>Other</b>		
m. Operation expenses	284	296
n. Maintenance expenses	130	107
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	1,604	1,574
b. Plant and equipment	165	169
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	172	198
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>5,445</b>	<b>5,320</b>

## Central Tablelands Water

## Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	781	778
b. Usage charges	1,906	1,861
<b>7. Non-residential charges</b>		
a. Access (including rates)	444	438
b. Usage charges	1,978	1,905
<b>8. Extra charges</b>	101	174
<b>9. Interest income</b>	210	206
<b>10. Other income</b>	248	198
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	55	56
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	126	214
b. Developer provided assets	50	–
c. Other contributions	–	73
<b>13. Total income</b>	<b>5,899</b>	<b>5,903</b>
<b>14. Gain (or loss) on disposal of assets</b>	85	(51)
<b>15. Operating result</b>	<b>539</b>	<b>532</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	539	532

## Central Tablelands Water

### Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	1,827	502
d. Plant and equipment	348	333
<b>17. Repayment of debt</b>	409	383
<b>18. Totals</b>	<b>2,584</b>	<b>1,218</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	310	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>310</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	4,246	4,247
b. Residential (unoccupied, ie. vacant lot)	45	45
c. Non-residential (occupied)	1,548	1,503
d. Non-residential (unoccupied, ie. vacant lot)	20	20
<b>23. Number of ETs for which developer charges were received</b>	20 ET	49 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 99,926	\$ 101,140



## Central Tablelands Water

## Special Schedule 4 – Water Supply Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,365	–	7,365
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	228	–	228
d. Other	123	3	126
<b>27. Inventories</b>	261	–	261
<b>28. Property, plant and equipment</b>			
a. System assets	–	61,656	61,656
b. Plant and equipment	–	6,302	6,302
<b>29. Other assets</b>	23	–	23
<b>30. Total assets</b>	<b>8,000</b>	<b>67,961</b>	<b>75,961</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	365	–	365
<b>33. Borrowings</b>	437	1,908	2,345
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	602	4	606
<b>35. Total liabilities</b>	<b>1,404</b>	<b>1,912</b>	<b>3,316</b>
<b>36. NET ASSETS COMMITTED</b>	<b>6,596</b>	<b>66,049</b>	<b>72,645</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			33,102
<b>38. Asset revaluation reserve</b>			39,543
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>72,645</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			132,242
<b>42. Accumulated current cost</b> depreciation of system assets			(70,586)
<b>43. Written down current cost</b> of system assets			<b>61,656</b>

## Central Tablelands Water

### Notes to Special Schedule 3 for the year ended 30 June 2017

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

(item 1a of Special Schedule 3) 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 3) 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 3) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedule 3) 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 3) includes all expenses not recorded elsewhere.

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

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

**Residential charges** <sup>(2)</sup> (items 6a and 6b of Special Schedule 3) 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 3) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Other income** (item 10 of Special Schedule 3) include all income not recorded elsewhere.

**Other contributions** (item 12c of Special Schedule 3) including capital contributions for water supply 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 16 for water supply 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.

## Central Tablelands Water

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	–	–	74	74	976	2,793	0%	100%	0%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>74</b>	<b>74</b>	<b>976</b>	<b>2,793</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Water supply network</b>	Filtration Plants	1,847	1,149	356	369	9,818	14,563	50%	33%	1%	8%	8%
	Reticulation Mains	2,962	12	360	274	16,944	27,666	51%	35%	14%	0%	0%
	Trunk Mains	3,459	–	126	168	16,648	53,027	13%	78%	9%	0%	0%
	Bores	80	26	40	44	88	363	14%	57%	15%	14%	0%
	Reservoirs	1,958	481	54	73	5,793	13,314	6%	75%	12%	7%	0%
	Dams	11,024	148	120	73	10,451	18,868	19%	4%	76%	0%	1%
	Pump Stations	334	89	297	308	1,818	4,132	34%	56%	6%	4%	0%
	Telemetry	188	5	44	76	96	307	4%	15%	78%	3%	0%
	<b>Sub-total</b>	<b>21,852</b>	<b>1,910</b>	<b>1,397</b>	<b>1,385</b>	<b>61,656</b>	<b>132,240</b>	<b>25.8%</b>	<b>52.3%</b>	<b>19.1%</b>	<b>1.8%</b>	<b>1.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>21,852</b>	<b>1,910</b>	<b>1,471</b>	<b>1,459</b>	<b>62,632</b>	<b>135,033</b>	<b>25.3%</b>	<b>53.3%</b>	<b>18.7%</b>	<b>1.7%</b>	<b>1.0%</b>

## Notes:

- a Required maintenance is the amount identified in Council's asset management plans.
- b Estimated cost to bring assets to satisfactory standard is based on condition 2
- c Estimated cost to bring assets to agreed service level is based on condition 3. Service level is set by reference to performance indicators not related to Asset Condition.

## Infrastructure asset condition assessment 'key'

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

## Central Tablelands Water

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

\$ '000	Amounts	Indicator	Prior periods	
	2017	2017	2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>1,827</u>	<b>112.36%</b>	30.08%	43.82%
Depreciation, amortisation and impairment	<u>1,626</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>21,852</u>	<b>34.89%</b>	44.86%	38.94%
Net carrying amount of infrastructure assets	<u>62,632</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>1,459</u>	<b>0.99</b>	1.00	1.00
Required asset maintenance	<u>1,471</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>1,910</u>	<b>1.41%</b>	0.00%	
Gross replacement cost	<u>135,033</u>			

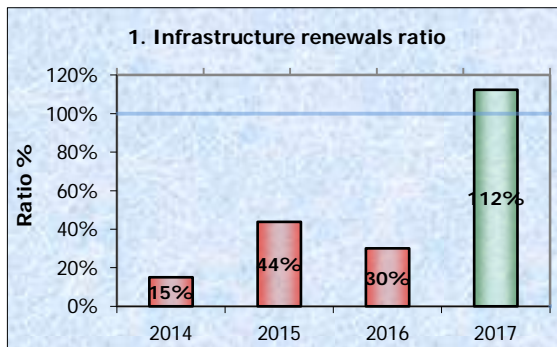
## Notes

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

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

# Central Tablelands Water

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



**Purpose of asset renewals ratio**

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

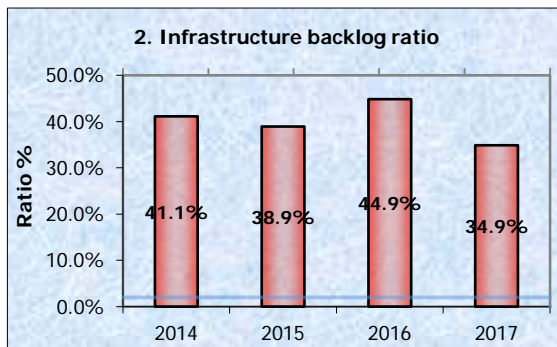
**Commentary on 2016/17 result**

**2016/17 Ratio 112.36%**

Council has undertaken significant infrastructure renewal in respect of the Trunk main K and Orange to Carcoar pipeline projects.

Benchmark: 100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

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

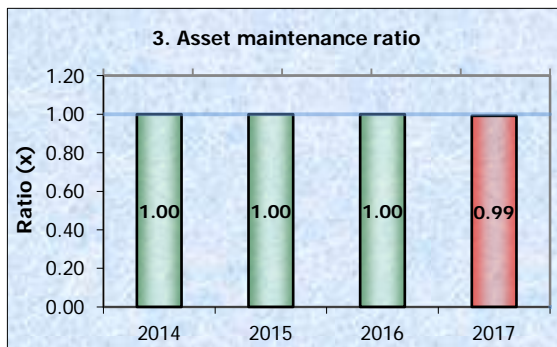
**Commentary on 2016/17 result**

**2016/17 Ratio 34.89%**

Councils continues to review and update its infrastructure renewal projects in accord with its Asset Management Plans and funding availability.

Benchmark: 2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of asset maintenance ratio**

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

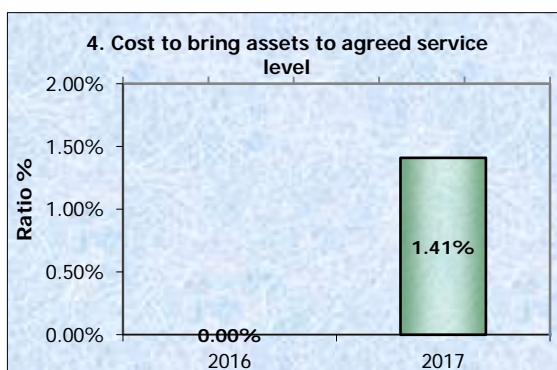
**Commentary on 2016/17 result**

**2016/17 Ratio 0.99 x**

Council continues to maintain its assets in accord with its Asset Management Plans

Benchmark: 1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**2016/17 Ratio 1.41%**