



FINANCIAL STATEMENTS 2015 - 2016

GENERAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2016

'A vibrant regional centre that enjoys a rural lifestyle, the Bathurst Region achieves health and well being through strengthening economic opportunities, planning for sustainable growth, protecting and enhancing our assets, and encouraging a supportive and inclusive community. A Region full of community spirit and shared prosperity'



General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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 14 October 2016. Council has the power to amend and reissue these financial statements.

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

General Purpose Financial Statements for the year ended 30 June 2016

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 21 September 2016.

Gary Rush Mayor

Ian North

Councillor

David Sherley General manager

Robert Roach Responsible accounting officer

Income Statement

for the year ended 30 June 2016

1		Actual	Actual
\$ '000	Notes	2016	2015
Income from continuing operations			
	3a	36,844	34,686
User charges and fees	Зb	24,908	22,884
Interest and investment revenue	3c	2,503	3,232
Other revenues	3d	4,120	6,760
Grants and contributions provided for operating purposes	3e,f	14,220	11,723
Grants and contributions provided for capital purposes Other income:	3e,f	7,665	8,367
Net gains from the disposal of assets	5	12,351	
Total income from continuing operations		102,611	87,652
Expenses from continuing operations			
	4a	29,789	27,156
Borrowing costs	4b	1,281	1,427
Materials and contracts	4c	24,795	23,814
Depreciation and amortisation	4d	22,793	18,761
Other expenses	4e	9,536	9,192
Net losses from the disposal of assets	5		279
Total expenses from continuing operations	-	88,194	80,629
Operating result from continuing operations		14,417	7,023
	-		
Net operating result for the year		14,417	7,023
	Interest and investment revenue Other revenues Grants and contributions provided for operating purposes Grants and contributions provided for capital purposes Other income: Net gains from the disposal of assets Total income from continuing operations Expenses from continuing operations Employee benefits and on-costs Borrowing costs Materials and contracts Depreciation and amortisation Other expenses Net losses from the disposal of assets Total expenses from continuing operations Operating result from continuing operations	Revenue:Rates and annual charges3aUser charges and fees3bInterest and investment revenue3cOther revenues3dGrants and contributions provided for operating purposes3e,fGrants and contributions provided for capital purposes3e,fOther income:3e,fNet gains from the disposal of assets5Total income from continuing operations5Expenses from continuing operations4aBorrowing costs4bMaterials and contracts4cDepreciation and amortisation4dOther expenses4eNet losses from the disposal of assets5Total expenses from continuing operations5Coperating result from continuing operations5	Revenue:Rates and annual charges3a36,844User charges and fees3b24,908Interest and investment revenue3c2,503Other revenues3d4,120Grants and contributions provided for operating purposes3e,f14,220Grants and contributions provided for capital purposes3e,f7,665Other income:3e,f7,665Net gains from the disposal of assets512,351Total income from continuing operations102,611Expenses from continuing operations102,611Borrowing costs4a29,789Borrowing costs4b1,281Materials and contracts4c24,795Depreciation and amortisation4d22,793Other expenses4e9,536Net losses from the disposal of assets5-Total expenses from continuing operations88,194Operating result from continuing operations14,417

¹ Original budget as approved by Council – refer Note 16

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000 Note	Actua s 201	
Net operating result for the year (as per Income Statement)	14,417	7 7,023
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E 20b (ii) 13,94	0 71,203
Total items which will not be reclassified subsequently		
to the operating result	13,940	0 71,203
Amounts which will be reclassified subsequently to the operating result when specific conditions are met Nil		
Total other comprehensive income for the year	13,940	0 71,203
Total comprehensive income for the year	28,357	7 78,226
Total comprehensive income attributable to Council	28,35	7 78,226

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	5,393	3,296
Investments	6b	41,500	51,500
Receivables	7	10,178	8,676
Inventories	8	2,984	2,837
Other	8	324	190
Total current assets		60,379	66,499
Non-current assets			
Investments	6b	28,100	21,800
Receivables	7	690	782
Inventories	8	10,555	5,407
Infrastructure, property, plant and equipment	9	1,079,671	1,054,482
Investment property	14	10,660	9,976
Total non-current assets		1,129,676	1,092,447
TOTAL ASSETS		1,190,055	1,158,946
LIABILITIES			
Current liabilities			
Payables	10	8,247	5,969
Borrowings	10	3,741	3,373
Provisions	10	10,970	10,124
Total current liabilities		22,958	19,466
Non-current liabilities Payables	10	1,053	1,095
Borrowings	10	17,712	18,453
Provisions	10	1,549	1,506
Total non-current liabilities	10	20,314	21,054
TOTAL LIABILITIES		43,272	40,520
Net assets		1,146,783	1,118,426
EQUITY			
Retained earnings	20	621,774	607,357
Revaluation reserves	20	525,009	511,069
Total equity		1,146,783	1,118,426

Statement of Changes in Equity for the year ended 30 June 2016

					Non-	
		Retained	Reserves	Council o	controlling	Total
\$ '000	Notes	earnings	(Refer 20b)	interest	Interest	equity
2016						
Opening balance (as per last year's audited accounts)		607,357	511,069	1,118,426	_	1,118,426
a. Correction of prior period errors	20 (c)	_	_	_	_	_
b. Changes in accounting policies (prior year effects)	()	_	_	_	_	-
Revised opening balance (as at 1/7/15)		607,357	511,069	1,118,426	-	1,118,426
c. Net operating result for the year		14,417	_	14,417	_	14,417
d. Other comprehensive income						
 Revaluations: IPP&E asset revaluation rsve 	20b (ii)	_	13,940	13,940	_	13,940
Other comprehensive income		-	13,940	13,940	-	13,940
Total comprehensive income (c&d)		14,417	13,940	28,357	-	28,357
e. Distributions to/(contributions from) non-controlling In	torosts	_	_	_	_	_
f. Transfers between equity		_	_	_	_	_
Equity – balance at end of the reporting pe	eriod	621,774	525,009	1,146,783	_	1,146,783

					Non-	
		Retained	Reserves	Council o	controlling	Total
\$ '000	Notes	Earnings	(Refer 20b)	Interest	Interest	Equity
2015						
Opening balance (as per last year's audited accounts)		600,334	439,866	1,040,200	_	1,040,200
a. Correction of prior period errors	20 (c)	_	-	_	_	-
b. Changes in accounting policies (prior year effects)	20 (d)	_	_	_	_	-
Revised opening balance (as at 1/7/14)		600,334	439,866	1,040,200	-	1,040,200
c. Net operating result for the year		7,023	_	7,023	_	7,023
d. Other comprehensive income						
 Revaluations: IPP&E asset revaluation rsve 	20b (ii)	-	71,203	71,203	_	71,203
Other comprehensive income		-	71,203	71,203	-	71,203
Total comprehensive income (c&d)		7,023	71,203	78,226	-	78,226
e. Distributions to/(contributions from) non-controlling Inte	orosts	_	_	_	_	_
f. Transfers between equity	515313		_			_
Equity – balance at end of the reporting pe	riod	607,357	511,069	1,118,426	_	1,118,426

Statement of Cash Flows

for the year ended 30 June 2016

(24,951)Materials and contracts $(23,523)$ $(26,075)$ $(1,212)$ Borrowing costs $(1,262)$ $(1,360)$ $(10,683)$ Other $(16,416)$ $(12,408)$ $44,848$ Net cash provided (or used in) operating activities11b $24,892$ $20,460$ Cash flows from investing activitiesReceipts: $51,500$ $57,200$ $17,196$ Sale of investment securities $51,500$ $57,200$ $17,196$ Sale of real estate assets $13,303$ 269 $-$ Sale of infrastructure, property, plant and equipment $1,090$ $1,378$ $-$ Deferred debtors receipts 89 $ -$ Purchase of investment securities $(47,800)$ $(51,500)$ $-$ Purchase of infrastructure, property, plant and equipment $(34,129)$ $(31,323)$ $(13,482)$ Purchase of real estate assets $(5,891)$ (644) $-$ Deferred debtors and advances made $ (194)$ $ (22,422)$ $(24,853)$ $(24,426)$ Net cash provided (or used in) investing activities $(22,422)$ $(24,853)$ $(3,394)$ Repayment of borrowings and advances $(3,373)$ $(3,320)$ $(4,426)$ Net cash flow provided (used in) financing activities (373) (320)	Budget 2016	\$ '000 Notes	Actual 2016	Actual 2015	
Receipts: 37,03435,134325,543Rates and annual charges37,03435,13421,439User charges and fees24,37323,5505,072Investment and interest revenue received2,5093,29544,386Grants and contributions20,60215,550-Bonds, deposits and retention amounts received6866253,824Other9,9149,027Parments:(24,569)Employee benefits and on-costs(28,925)(26,878)(24,569)Employee benefits and on-costs(1,24,02)(16,4416)(1,24,08)(1,121)Borrowing costs(1,24,08)(16,4416)(1,24,08)(1,121)Borrowing costs(1,64,16)(1,24,08)(1,121)Borrowing costs(1,64,16)(1,24,08)(1,248)Net cash provided (or used in) operating activities10,6416)(1,24,08)(1,248)Sale of investment securities51,50057,20017,196Sale of infrastructure, property, plant and equipment1,0901,378Deferred debtors receipts89-Payments:(1,442)(34,122)(31,323)(13,482)Purchase of investment property(6584)(39)(14,423)Purchase of investment property, plant and equipment(3,4129)(31,323)(14,4242)Purchase of real estate assets(5,891)(34,122)(24,853)Cash flows from financing activities(22,422)(24,853)Cash flows from financing activities(Oracle flower from an exciting a stimities			
35,543Rates and annual charges $37,034$ $35,134$ $21,439$ User charges and fees $24,373$ $23,550$ $5,072$ Investment and interest revenue received $2,509$ $3,225$ $44,385$ Grants and contributions $20,602$ $15,550$ $-$ Bonds, deposits and retention amounts received 586 625 $3,824$ Other $9,914$ $9,027$ Parments:(28,569)Employee benefits and on-costs(28,925)(26,878) $(24,551)$ Materials and contracts(23,523)(26,075) $(1,212)$ Borrowing costs(1,262)(1,360) $(10,683)$ Other(16,416)(12,408) $44,848$ Net cash provided (or used in) operating activities $11b$ $24,892$ $20,460$ Cash flows from investing activitiesReceives:Sale of investment securities $51,500$ $57,200$ Sale of investment securities $(47,800)$ (51,500)Purchase of investment securities $(47,800)$ (51,500)Purchase of investment property, plant and equipment $(3,92)$ (24,822)(24,853)Cash flows from financing activitiesReceives:Payments:Payments:Payments:Payments:Payments:Payments:Payments:Payments: <td colsp<="" td=""><td></td><td></td><td></td><td></td></td>	<td></td> <td></td> <td></td> <td></td>				
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Payments: (28,569)Employee benefits and on-costs(28,925)(28,925)(26,878)(24,951)Materials and contracts(23,523)(26,075)(1,121)Borrowing costs(1,262)(1,360)(10,683)Other(16,416)(12,408)44,848Net cash provided (or used in) operating activities11b24,89220,460Cash flows from investing activitiesReceipts:-Sale of investment securities51,50057,20017,196Sale of real estate assets13,303269-Sale of infrastructure, property, plant and equipment1,0901,378-Deferred debtors receipts89Purchase of investment securities(47,800)(51,500)-Purchase of investment property, plant and equipment(34,129)(31,329)(13,424)Purchase of real estate assets(5,891)(644)-Deferred debtors and advances made-(194)(54,007)Net cash provided (or used in) investing activities(22,422)(24,853)Cash flows from financing activities(3,373)(3,320)(4,733)Net increase/(decrease) in cash and cash equivalents2,097(4,713)8,009Plus: cash and cash equivalents – beginning of year11a3,2968,009Plus: cash and cash equivalents – beginning of year11a5,3933,296Additional Information: plus: Investments on hand – end of year6b69,60073,300 <td>-</td> <td></td> <td></td> <td></td>	-				
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7,820Proceeds from borrowings and advances3,0003,000Payments:(3,394)Repayment of borrowings and advances(3,373)(3,320)(4,426)Net cash flow provided (used in) financing activities(373)(320)(4,733)Net increase/(decrease) in cash and cash equivalents2,097(4,713)8,009Plus: cash and cash equivalents – beginning of year11a3,2968,0093,276Cash and cash equivalents – end of the year11a5,3933,296Additional Information: plus: Investments on hand – end of year6b69,60073,300					
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(3,394)Repayment of borrowings and advances(3,373)(3,320)4,426Net cash flow provided (used in) financing activities(373)(320)(4,733)Net increase/(decrease) in cash and cash equivalents2,097(4,713)8,009Plus: cash and cash equivalents – beginning of year11a3,2968,0093,276Cash and cash equivalents – end of the year11a5,3933,296Additional Information: plus: Investments on hand – end of year6b69,60073,300	7,820	Proceeds from borrowings and advances	3,000	3,000	
4,426Net cash flow provided (used in) financing activities(373)(320)(4,733)Net increase/(decrease) in cash and cash equivalents2,097(4,713)8,009Plus: cash and cash equivalents – beginning of year11a3,2968,0093,276Cash and cash equivalents – end of the year11a5,3933,296Additional Information: plus: Investments on hand – end of year6b69,60073,300		Payments:			
(4,733)Net increase/(decrease) in cash and cash equivalents2,097(4,713)8,009Plus: cash and cash equivalents – beginning of year11a3,2968,0093,276Cash and cash equivalents – end of the year11a5,3933,296Additional Information: plus: Investments on hand – end of year6b69,60073,300	(3,394)	Repayment of borrowings and advances	(3,373)	(3,320)	
8,009Plus: cash and cash equivalents – beginning of year11a3,2968,0093,276Cash and cash equivalents – end of the year11a5,3933,296Additional Information: plus: Investments on hand – end of year6b69,60073,300	4,426	Net cash flow provided (used in) financing activities	(373)	(320)	
3,276 Cash and cash equivalents – end of the year 11a 5,393 3,296 Additional Information: plus: Investments on hand – end of year 6b 69,600 73,300	(4,733)	Net increase/(decrease) in cash and cash equivalents	2,097	(4,713)	
Additional Information: plus: Investments on hand – end of year 6b 69,600 73,300	8,009	Plus: cash and cash equivalents – beginning of year 11a	3,296	8,009	
Additional Information: plus: Investments on hand – end of year 6b 69,600 73,300	3,276	Cash and cash equivalents – end of the year 11a	5,393	3,296	
plus: Investments on hand – end of year 6b 69,600 73,300					
Total cash, cash equivalents and investments 74.993 76.596		plus: Investments on hand – end of year 6b	69,600	73,300	
		Total cash, cash equivalents and investments	74.993	76,596	

Please refer to Note 11 for additional cash flow information

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a - not applicable

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards. Under the *Local Government Act* (LGA), Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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.

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

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

(b) Revenue recognition

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

User charges, fees and other Income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Bathurst Regional Council Water Supply Fund
- Bathurst Regional Council Sewerage Fund

(ii) The trust fund

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(iii) Interests in other entities

Subsidiaries (Controlled Entities)

Subsidiaries represent all entities (including structured entities) over which the Council has control.

Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity.

All controlled entities have a June financial year end.

Detailed information relating to the entities that Council controls can be found at Note 19(a).

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the

income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Associates

Where Council has the power to participate in the financial and operating decisions of another entity,

(i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in associates can be found at Note 19 (b).

County councils

Council is a member of the following county councils (which are bodies incorporated under the *Local Government Act*):

Upper Macquarie County Council

Noxious Weeds Control Authority 4 Constituent Councils - Bathurst, Blayney, Lithgow and Oberon

Council is of the opinion that it has significant influence over the County Council and has deemed it as an Associate. The Council's share of the operations of the County Council are immaterial to its own financial statements and the financial statements of the County Council are not completed prior to the statutory deadline for these financial statements. Council therefore has not accounted for this associate within these financial statements.

Detailed information relating to Council's interest in the above County Council can be found at Note 19 (b).

Council is of the opinion that it neither controls nor significantly influences the above county council/s and accordingly these entities have not been

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

consolidated or otherwise included within these financial statements.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

Investments must be designated as available-forsale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

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

Financial assets – reclassification

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(iii) Types of investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

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

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

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

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

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

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

(ii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Acquisition of assets

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

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

- Plant and equipment (as approximated by depreciated historical cost)
- Operational land (external valuation)
- **Community land** (external valuation)
- Land improvements (as approximated by depreciated historical cost)
- Buildings specialised/non-specialised (external valuation)
- Other structures (as approximated by depreciated historical cost)
- Roads assets including roads, bridges and footpaths (internal valuation)
- Bulk earthworks (internal valuation)
- Stormwater drainage (internal valuation)
- Water and sewerage networks (internal valuation)
- Swimming pools (internal valuation)
- Other open space/recreational assets (internal valuation)
- Other infrastructure (internal valuation)
- Other assets (as approximated by depreciated historical cost)
- Investment properties refer Note 1(p),

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition. Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

Capitalisation thresholds

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

Land

- council land - open space	100% Capitalised 100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised
Plant and Equipment	
Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant and Equipment	> \$5,000
Buildings and Land Improvements Building	
- construction/extensions	> \$10,000
- renovations	> \$10,000
Other Structures	> \$5,000
Water and Sewer Assets	
Reticulation extensions	> \$10,000
Other	> \$10,000
Stormwater Assets	
Drains and Culverts	> \$10,000
Other	> \$10,000
Transport Assets	
Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	> \$10,000
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Bridge construction and reconstruction	> \$10,000
Other Infrastructure Assets	\$ 40,000
Swimming Pools Other Open Space/Recreational Assets	> \$10,000 > \$10,000
Other Infrastructure	> \$10,000

Depreciation

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

Land is not depreciated.

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

Plant and Equipment - Office Equipment - Office furniture - Computer Equipment - Vehicles - Heavy Plant/Road Making equip. - Other plant and equipment	3 to 10 years 3 to 10 years 3 years 5 years 10 years 5 to 10 years
Other Equipment - Library Books - Artworks and Heritage Collections - Mobile Garbage Bins - Playground equipment - Benches, seats etc	5 years 100 years 10 years 10 years 10 years
Buildings - Buildings - Structures	100 years 10 to 50 years
Stormwater Drainage - Drainage Assets	100 years
Transportation Assets - Sealed Roads: Surface - Sealed Roads: Pavement - Unsealed roads: Surface - Unsealed Roads: Pavement - Bridge: Concrete - Kerb & Gutter - Footpaths - Other road assets	12 to 18 years 55 to 80 years 30 years 55 to 80 years 100 years 80 years 80 years 15 to 100 years

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Water and Sewer Assets - Water Assets - Sewer Assets	40 to 100 years 25 to 70 years
Other Infrastructure Assets - Bulk earthworks	Infinite

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

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

Disposal and derecognition

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

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

(k) Land

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

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

(I) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(p) Investment property

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

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every 3 years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's investment properties was dated 30 June 2013.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

restoration techniques or experience at other locations.

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

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

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

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

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

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

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

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

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

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

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

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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 balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

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

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

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 390,325.

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

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

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

arise should the scheme require immediate payment to correct the deficiency.

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

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

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

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

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

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

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

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

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services. The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

(ac) Rounding of amounts

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

(ad) Comparative figures

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

(ae) Disclaimer

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

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	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	e from cont	inuina	Fynense	es from cou	ntinuina	Opera	ting result	from	Grants in incom		Total assets	held (current
Functions/activities		operations			Expenses from continuing Operating result from operations continuing operations			contir opera	nuing	& non-c	· · ·		
	Original			Original			Original						
	budget	Actual	Actual	budget	Actual	Actual	budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	-	-	-	2,269	2,170	2,247	(2,269)	(2,170)	(2,247)	77	87	67	980
Administration	15,005	971	1,522	13,923	13,802	12,242	1,082	(12,831)	(10,720)	_	84	27,842	24,879
Public order and safety	3,048	1,666	389	1,671	1,840	1,561	1,377	(174)	(1,172)	626	-	4,767	3,531
Health	115	104	108	75	75	72	40	29	36	_	-	110	100
Environment	8,971	8,227	11,796	5,464	8,620	7,075	3,507	(393)	4,721	207	284	148,996	148,323
Community services and education	2,639	2,721	2,559	2,858	2,769	2,766	(219)	(48)	(207)	1,700	1,582	9,394	10,033
Housing and community amenities	105	246	276	2,674	2,457	2,583	(2,569)	(2,211)	(2,307)	169	254	7,815	8,978
Water supplies	11,894	14,909	14,262	10,644	10,178	9,490	1,250	4,731	4,772	111	110	197,159	191,893
Sewerage services	10,287	11,027	12,406	6,819	7,453	7,386	3,468	3,574	5,020	107	106	117,967	114,789
Recreation and culture	13,268	7,680	5,317	13,099	16,182	14,740	169	(8,502)	(9,423)	743	958	178,341	163,552
Mining, manufacturing and construction	1,042	965	938	1,493	1,491	1,477	(451)	(526)	(539)	_	_	217	207
Transport and communication	5,817	8,637	5,652	19,163	16,781	14,734	(13,346)	(8,144)	(9,082)	3,225	965	469,352	469,886
Economic affairs	19,217	14,603	1,680	3,766	4,376	4,256	15,451	10,227	(2,576)	1	_	28,028	21,795
Total functions and activities	91,408	71,756	56,905	83,918	88,194	80,629	7,490	(16,438)	(23,724)	6,966	4,430	1,190,055	1,158,946
General purpose income ¹	33,596	30,855	30,747	-	-	-	33,596	30,855	30,747	6,499	6,610	-	-
Operating result from													
continuing operations	125,004	102,611	87,652	83,918	88,194	80,629	41,086	14,417	7,023	13,465	11,040	1,190,055	1,158,946

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

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations

		Actual	Actual
\$ '000	Notes	2016	2015
(a) Rates and annual charges			
Ordinary rates			
Residential		15,620	14,210
Farmland		1,850	2,048
Mining		10	11
Business		5,092	5,429
Total ordinary rates	_	22,572	21,698
Special rates Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		3,512	3,282
Water supply services		2,494	1,927
Sewerage services		7,491	7,005
Waste management services (non-domestic)		729	695
Section 611 charges		46	79
Total annual charges	_	14,272	12,988
TOTAL RATES AND ANNUAL CHARGES	_	36,844	34,686
	-		

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

	Actual	Actual
\$ '000 Notes	2016	2015
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	10,852	10,106
Sewerage services	1,545	1,370
Waste management services (non-domestic)	3,270	3,099
Total user charges	15,667	14,575
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,262	1,095
Private works – section 67	152	91
Section 603 certificates	92	76
Total fees and charges – statutory/regulatory	1,506	1,262
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Advertising	141	81
Aerodrome	323	300
Art gallery	14	9
Cemeteries	6	7
Chifley home	12	11
Child care	998	958
Entertainment centre	434	448
Library and art gallery	54	56
Mount panorama	2,411	2,035
National motor racing museum	296	277
RMS (formerly RTA) charges (state roads not controlled by Council)	1,905	1,659
Sewerage	682	698
Tourism	74	68
Water	233	179
Other	152	261
Total fees and charges – other	7,735	7,047
TOTAL USER CHARGES AND FEES	24,908	22,884

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000 Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)		
Interest		
- Interest on overdue rates and annual charges (incl. special purpose rates)	175	209
- Interest earned on investments (interest and coupon payment income)	2,328	3,023
TOTAL INTEREST AND INVESTMENT REVENUE	2,503	3,232
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	175	209
General Council cash and investments	520	1,024
Restricted investments/funds – external:		
Development contributions		
– Section 94	132	123
– Section 64	275	340
Water fund operations	99	104
Sewerage fund operations	159	160
Domestic waste management operations	16	20
Other externally restricted assets unexpended loans	38	46
Restricted investments/funds – internal:		
Internally restricted assets	1,089	1,206
Total interest and investment revenue recognised	2,503	3,232
(d) Other revenues		
Fair value increments – investment properties 14	100	147
Rental income – investment properties 14	738	760
Rental income – other council properties	1,025	974
Fines	57	45
Fines – parking	243	215
Legal fees recovery – rates and charges (extra charges)	-	1
Legal fees recovery – other	_	105
Commissions and agency fees	59	39
Diesel rebate	92	76
Insurance claim recoveries	5	16
Insurance rebates	53	180
Legal fees recovery – local government financial services	150	186 524
Mount panorama Recovery of Lehman Brothers investment	807 48	524 107
Recovery of Lehman Brothers investment Recycling income (non-domestic)	40 69	62
Reversal of tip remediation provision	- 03	2,677
Sales – miscellaneous	421	339
Other	253	307
TOTAL OTHER REVENUE	4,120	6,760
	,	,

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

	2016	2015	2016	2015
\$ '000	Operating	Operating	Capital	Capital
(e) Grants				
General purpose (untied)				
Financial assistance	6,198	6,314	_	-
Pensioners' rates subsidies – general component	301	296		
Total general purpose	6,499	6,610		
Specific purpose				
Pensioners' rates subsidies:				
– Water	111	110	_	_
– Sewerage	107	106	_	-
 Domestic waste management 	69	69	_	-
Bushfire and emergency services	626	_	_	-
Community care	1,700	1,582	_	_
Community centres	4	6	_	_
Economic development	1	2	_	_
Environmental protection	207	284	_	_
Flood restoration	_	89	_	_
Heritage and cultural	358	365	_	410
Library	_	_	200	50
LIRS subsidy	77	86	_	_
Recreation and culture	36	50	80	63
Strategic planning	17	82	_	_
Street lighting	108	108	_	_
Transport (roads to recovery)	2,517	857	_	-
Transport (other roads and bridges funding)	_	_	600	_
Waste management	79	27	_	-
Other	69	72	_	12
Total specific purpose	6,086	3,895	880	535
Total grants	12,585	10,505	880	535
Grant revenue is attributable to:				
 Commonwealth funding 	10,367	8,758	_	250
– State funding	2,005	1,645	880	284
– Other funding	213	102	_	1
5	12,585	10,505	880	535

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	_	_	1,896	26
S 64 – water supply contributions	_	_	923	1,523
S 64 – sewerage service contributions	_	_	825	1,419
Total developer contributions 17	_	_	3,644	2,968
Other contributions:				
Art gallery	_	_	181	65
Bushfire services	83	3	701	37
Dedications (other than by S94)	_	_	1,378	2,594
Heritage/cultural	2	_	-	_
Kerb and gutter	_	_	-	8
Other councils – joint works/services	149	142	-	_
Recreation and culture	_	_	53	200
Roads and bridges	_	_	145	50
RMS contributions (regional roads, block grant)	1,343	1,013	-	_
Sewerage (excl. section 64 contributions)	-	_	377	1,496
Water supplies (excl. section 64 contributions)	-	_	266	378
Other	58	60	40	36
Total other contributions	1,635	1,218	3,141	4,864
Total contributions	1,635	1,218	6,785	7,832
TOTAL GRANTS AND CONTRIBUTIONS	14,220	11,723	7,665	8,367

	Actual	Actual
\$ '000	2016	2015

(g) Restrictions relating to grants and contributions

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

Unexpended at the close of the previous reporting period	35,376	33,991
Add: grants and contributions recognised in the current period but not yet spent:	5,238	6,772
Less: grants and contributions recognised in a previous reporting period now spent:	(4,910)	(5,387)
Net increase (decrease) in restricted assets during the period	328	1,385
Unexpended and held as restricted assets	35,704	35,376
Comprising:		
 Specific purpose unexpended grants 	2,773	2,494
 Developer contributions 	32,931	32,882
	35,704	35,376

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

	Actual	Actual
\$ '000 Note	es 2016	2015
(a) Employee benefits and on-costs		
Salaries and wages	21,211	19,632
Travel expenses	417	439
Employee leave entitlements (ELE)	4,392	3,671
Superannuation	2,793	2,723
Workers' compensation insurance	537	423
Fringe benefit tax (FBT)	186	197
Payroll tax	238	185
Training costs (other than salaries and wages)	194	213
Protective clothing	1	1
Other	81	16
Total employee costs	30,050	27,500
Less: capitalised costs	(261)	(344)
TOTAL EMPLOYEE COSTS EXPENSED	29,789	27,156
Number of 'full-time equivalent' employees (FTE) at year end	388	381
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on overdraft	1	_
Interest on loans	1,255	1,356
Total interest bearing liability costs expensed	1,256	1,356
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities 26	25	71
Total other borrowing costs	25	71
TOTAL BORROWING COSTS EXPENSED	1,281	1,427
	1,201	1,727

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

¢ 1999	Actual	Actual
\$ '000 Notes	2016	2015
(c) Materials and contracts		
Raw materials and consumables	21,700	20,662
Contractor and consultancy costs	1,088	1,078
Auditors remuneration ⁽¹⁾	128	156
Legal expenses:		
 Legal expenses: planning and development 	122	235
 Legal expenses: debt recovery 	2	2
 Legal expenses: other 	261	252
Operating leases:		
 Operating lease rentals: minimum lease payments 	420	447
Recycling services	1,074	982
TOTAL MATERIALS AND CONTRACTS	24,795	23,814
 Auditor remuneration During the year, the following fees were incurred for services provided by the Council's Auditor: 		
(i) Audit and other assurance services		
 Audit and review of financial statements: Council's Auditor 	62	61
 Audit and review of financial statements: other consolidated entity Auditor 	s <u> 6 </u>	7
Remuneration for audit and other assurance services	68	68
(ii) Other services		
– Internal auditor	60	88
Remuneration for other services	60	88
Total Auditor remuneration	128	156
2. Operating lease payments are attributable to:		

Computers	420	447
	420	447

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

	Impairment costs		Impairment costs Depreciation/am		Depreciation/	amortisation
	Actual	Actual	Actual	Actual		
\$ '000 Notes	2016	2015	2016	2015		
(d) Depreciation, amortisation and impairment	t					
Plant and equipment	_	_	2,237	2,227		
Office equipment	_	_	173	210		
Furniture and fittings	_	_	14	16		
Land improvements (depreciable)	_	_	306	288		
Infrastructure:						
– Buildings – non-specialised	_	_	843	1,244		
– Buildings – specialised	_	_	551	124		
 Other structures 	_	_	594	556		
– Roads	_	_	9,340	5,660		
– Bridges	-	_	403	651		
– Footpaths	-	_	178	102		
 Stormwater drainage 	-	_	1,420	893		
 Water supply network 	-	_	3,452	3,483		
 Sewerage network 	-	_	2,668	2,763		
 Swimming pools 	-	_	136	136		
Other assets						
 Heritage collections 	_	_	80	79		
– Library books	-	_	292	189		
– Other	-	_	86	87		
Asset reinstatement costs 9 & 26			20	53		
TOTAL DEPRECIATION AND						
IMPAIRMENT COSTS EXPENSED	_	_	22,793	18,761		

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

		Actual	Actual
\$ '000	Notes	2016	2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		743	473
Bad and doubtful debts		5	19
Bank charges		126	114
Cleaning		488	542
Contributions/levies to other levels of government			
– NSW Fire Brigade levy		371	204
 – NSW Rural Fire Service levy 		581	560
– Waste levy		66	58
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		163	161
Councillors' expenses (incl. mayor) – other (excluding fees above)		42	55
Donations, contributions and assistance to other organisations (Section 356)		
 Donations, contributions and assistance 		611	280
 Footpath and gutter maintenance 		39	60
- Somerville collection		130	199
Electricity and heating		1,782	2,118
Fair value decrements – I,PP&E	9(a)	_	218
Insurance		1,337	1,386
Office expenses (including computer expenses)		74	45
Postage		137	121
Printing and stationery		259	268
Street lighting		937	963
Subscriptions and publications		752	562
Telephone and communications		463	421
Upper Macquarie County Council (noxious weeds)		211	206
Valuation fees		152	120
Other		27	_
TOTAL OTHER EXPENSES		9,536	9,192
	_		

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

	Actual	Actual
\$ '000 Note:	2016	2015
Property (excl. investment property)		
Proceeds from disposal – property	419	559
Less: carrying amount of property assets sold/written off	(442)	(1,213)
Net gain/(loss) on disposal	(23)	(654)
Plant and equipment		
Proceeds from disposal – plant and equipment	671	819
Less: carrying amount of plant and equipment assets sold/written off	(1,023)	(687)
Net gain/(loss) on disposal	(352)	132
Real estate assets held for sale		
Proceeds from disposal – real estate assets	13,303	269
Less: carrying amount of real estate assets sold/written off	(577)	(26)
Net gain/(loss) on disposal	12,726	243
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets	51,500	57,200
Less: carrying amount of financial assets sold/redeemed/matured	(51,500)	(57,200)
Net gain/(loss) on disposal		
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS	12,351	(279)

Notes to the Financial Statements

for the year ended 30 June 2016

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

	2016	2016	2015	2015
	Actual	Actual	Actual	Actual
\$ '000 Notes	Current	Non-current	Current	Non-current
Cash and cash equivalents (Note 6a)				
Cash on hand and at bank	5,393	_	3,296	_
Total cash and cash equivalents	5,393		3,296	
Investments (Note 6b)				
– Long term deposits	36,500	9,300	46,500	4,800
– NCD's, FRN's (with maturities > 3 months)	5,000	18,800	5,000	17,000
Total investments	41,500	28,100	51,500	21,800
TOTAL CASH ASSETS, CASH	40.000	00.400	54 700	04.000
EQUIVALENTS AND INVESTMENTS	46,893	28,100	54,796	21,800
Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:				
AASB 139 as follows:				
Cash and cash equivalents				
a. 'At fair value through the profit and loss'	5,393		3,296	-
Investments				
a. 'Held to maturity' 6(b-i)	41,500	28,100	51,500	21,800
Investments	41,500	28,100	51,500	21,800
	,	-,		,
Note 6(b-i)				
Reconciliation of investments				
classified as 'held to maturity'				
Balance at the beginning of the year	51,500	21,800	55,000	24,000
Additions	32,500	15,300	40,500	11,000
Disposals (sales and redemptions)	(51,500)	-	(55,000)	(2,200)
Transfers between current/non-current	9,000	(9,000)	11,000	(11,000)
Balance at end of year	41,500	28,100	51,500	21,800
Comprising:				
– Long term deposits	36,500	2,800	46,500	4,800
– NCD's, FRN's (with maturities > 3 months)	5,000	25,300	5,000	17,000
Total	41,500	28,100	51,500	21,800
iviai	-1,500	20,100	31,300	21,000

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

Notes to the Financial Statements

for the year ended 30 June 2016

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

	2016	2016	2015	2015
	Actual	Actual	Actual	Actual
\$ '000	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	46,893	28,100	54,796	21,800
attributable to:				
External restrictions (refer below)	31,678	28,100	35,865	21,800
Internal restrictions (refer below)	15,095	_	18,557	_
Unrestricted	120	_	374	_
	46,893	28,100	54,796	21,800

2016	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance

Details of restrictions

External restrictions – included in liabilitie Specific purpose unexpended loans – genera	-	6,058	3,000	(4,285)	4,773
External restrictions – included in liabilitie	S_	6,058	3,000	(4,285)	4,773
External restrictions – other					
Developer contributions – general	(D)	9,964	2,081	(551)	11,494
Developer contributions – water fund	(D)	11,190	1,038	(2,815)	9,413
Developer contributions – sewer fund	(D)	11,728	1,012	(716)	12,024
Specific purpose unexpended grants	(E)	2,487	1,107	(828)	2,766
Specific purpose unexpended grants-water func	d (E)	7	-	-	7
Water supplies	(F)	5,521	4,959	(2,834)	7,646
Sewerage services	(F)	8,098	4,301	(2,410)	9,989
Domestic waste management	(F)	2,612	328	(1,274)	1,666
External restrictions – other		51,607	14,826	(11,428)	55,005
Total external restrictions		57,665	17,826	(15,713)	59,778

A Loan moneys which must be applied for the purposes for which the loans were raised.

- **D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- **F** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6c. Restricted cash, cash equivalents and investments - details (continued)

2016	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
Internal restrictions				
Administration	220	40	(246)	14
Aerodrome improvements	298	70	(368)	_
Building maintenance and improvements	690	210	(710)	190
Carry over works	1,018	1,701	(1,018)	1,701
Cultural and community services	441	192	(523)	110
Economic development	69	_	(69)	_
Environmental	122	153	(170)	105
Insurance equalisation	114	113	(227)	_
Land development	259	96	(128)	227
Plant and vehicle replacement	2,308	2,713	(4,608)	413
SES plant	22	14	(14)	22
Strategic planning	160	77	(201)	36
Tourism	29	_	(29)	_
Total internal restrictions – ordinary services	5,750	5,379	(8,311)	2,818
Depot maintenance	25	_	_	25
Solid waste depot general reserve	9,605	3,140	(2,264)	10,481
Waste employee leave entitlements	90	-	(1)	89
Waste management	1,137	545	_	1,682
Waste services – internal restrictions	1,950	1,349	(3,299)	-
Total internal restrictions	18,557	10,413	(13,875)	15,095
TOTAL RESTRICTIONS	76,222	28,239	(29,588)	74,873

Notes to the Financial Statements for the year ended 30 June 2016

Note 7. Receivables

		20	16	20	2015	
\$ '000	Notes	Current	Non-current	Current	Non-current	
Purpose						
Rates and annual charges		1,251	159	1,412	188	
Interest and extra charges		904	_	, 910	_	
User charges and fees		3,636	_	3,086	_	
Accrued revenues				,		
 Other income accruals 		1,416	_	867	_	
Deferred debtors		34	531	60	594	
Government grants and subsidies		459	_	554	-	
Net GST receivable		1,219	_	493	-	
Sundry debtors		1,290	_	1,327	_	
Other debtors		1		1		
Total		10,210	690	8,710	782	
Less: provision for impairment						
User charges and fees		(25)	_	(26)	_	
Other debtors		(20)	_	(20)	_	
Total provision for impairment – receiv	ables	(32)		(34)		
TOTAL NET RECEIVABLES		10,178	690	8,676	782	
Externally restricted receivables						
Water supply						
 Specific purpose grants 		16	_	37	-	
 Rates and availability charges 		123	55	115	59	
– Other		3,333	_	2,818	-	
Sewerage services						
 Specific purpose grants 		4	_	2	-	
- Rates and availability charges		461	34	483	40	
– Other		384		372	_	
Total external restrictions		4,321	89	3,827	99	
Internally restricted receivables						
Nil						
Unrestricted receivables		5,857	601	4,849	683	
TOTAL NET RECEIVABLES		10,178	690	8,676	782	

Notes on debtors above:

(i) Rates and annual charges outstanding are secured against the property.

- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
 An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%). Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets

		20)16	2015		
\$ '000	Notes	Current	Non-current	Current	Non-current	
(a) Inventories						
(i) Inventories at cost						
Real estate for resale (refer below)		2,209	10,555	2,043	5,407	
Stores and materials		541	-	550	-	
Trading stock		234		244		
Total inventories at cost		2,984	10,555	2,837	5,407	
(ii) Inventories at net realisable value (N Nil	NRV)					
TOTAL INVENTORIES		2,984	10,555	2,837	5,407	
(b) Other assets						
Prepayments		324	_	190	_	
TOTAL OTHER ASSETS		324		190	_	
Externally restricted assets Water						
Prepayments				5_		
Total water				5		
Sewerage						
Prepayments		23		26		
Total sewerage		23		26		
Domestic waste management Nil						
Other Nil						
Total externally restricted assets		23	_	31	-	
Total internally restricted assets		_	-	-	-	
Total unrestricted assets		3,285	10,555	2,996	5,407	
TOTAL INVENTORIES AND OTHER AS	SETS	3,308	10,555	3,027	5,407	

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

	20)16	20)15
\$ '000	Current	Non-current	Current	Non-current
Other disclosures				
(a) Details for real estate development				
Residential	1,505	7,795	1,401	2,600
Industrial/commercial	704	2,760	642	2,807
Total real estate for resale	2,209	10,555	2,043	5,407
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	1,533	10,555	1,396	5,407
Development costs	676		647	
Total costs	2,209	10,555	2,043	5,407
Total real estate for resale	2,209	10,555	2,043	5,407
Movements:				
Real estate assets at beginning of the year	2,043	5,407	1,406	5,426
 Purchases and other costs 	676	5,215	647	(3)
– WDV of sales (expense) 5	(577)	_	(26)	-
 Transfer between current/non-current 	67	(67)	16	(16)
Total real estate for resale	2,209	10,555	2,043	5,407

Notes to the Financial Statements for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

							As	set moveme	nts during the	e reporting per	iod				as at 30/6/201		
			as at 30/6/2015	5				Carrying			Revaluation	Revaluation				6	
	At	At	Accum	ulated	Carrying	Additions renewals	Additions new assets	value of disposals	Depreciation expense	Adjustments and transfers	decrements to equity	increments to equity	At	At	Accun	nulated	Carrying
\$ '000	cost	fair value	depreciation	impairment	value						(ARR)	(ARR)	cost	fair value	depreciation	impairment	value
Plant and equipment	_	24,273	13,877	_	10,396	_	3,219	(652)	(2,237)	-	-	_	_	25,207	14,481		10,726
Office equipment	_	2,821	2,334	_	487	26	76	_	(173)	-	-		_	2,923	2,507		416
Furniture and fittings	_	1,256	1,188	_	68	11	3	_	(14)	-	-		_	1,270	1,202		68
Land:																	
 Operational land 	_	58,651		_	58,651		4,750	(60)	_	167	-		_	63,508			63,508
 Community land 	_	14,933		_	14,933		_	_	_	(167)	-	3,218	_	17,984			17,984
 Land under roads (post 30/6/08) 	_	133	_	_	133	-	39	_	_		-	_	_	172			172
Land improvements – depreciable	_	16,017	3,824	_	12,193	234	484	_	(306)	-	-	3,382	_	19,720	3,733		15,987
Infrastructure:																	
 Buildings – non-specialised 	_	75,655	16,577	_	59,078	1,376	1,643	(693)	(843)	-	-		_	77,498	16,937		60,561
 Buildings – specialised 	_	54,930	6,695	_	48,235	-	437	(60)	(551)	-	-		_	55,728	7,667		48,061
 Other structures 	_	19,923	5,174	_	14,749	108	2,130	_	(594)	-	(3,823)		_	18,598	6,028		12,570
- Roads	_	419,104	133,048	_	286,056	5,275	1,605	_	(9,340)	-	-	_	_	425,984	142,388		283,596
– Bridges	_	37,591	15,199	_	22,392	-	167	_	(403)	-	-		_	37,758	15,602		22,156
 Footpaths 	_	13,726	4,854	_	8,872	-	508	_	(178)	-	-		_	14,234	5,032		9,202
 Bulk earthworks (non-depreciable) 	_	116,822		_	116,822	-	3,193	_	_	-	-		_	120,015			120,015
 Stormwater drainage 	_	150,512	36,921	_	113,591	518	1,615	_	(1,420)	-	-	_	_	152,645	38,341		114,304
 Water supply network 	_	295,394	131,974	_	163,420	1,097	4,119	_	(3,452)	-	-	2,401	_	305,042	137,457		167,585
 Sewerage network 	_	196,105	105,292	_	90,813	619	1,388	_	(2,668)	-	-	1,324	_	201,055	109,579		91,476
 Swimming pools 	_	13,713	1,091	_	12,622	-	123	_	(136)	-	-		_	13,836	1,227		12,609
Other assets:																	
– Other	_	27,838	8,301	_	19,537	69	675	-	(458)	-	-	7,438	_	39,250	11,989		27,261
Reinstatement, rehabilitation and restoration																	
assets (refer Note 26):																	
 Tip assets 	_	1,434		_	1,434	_	_		(20)		_	_	_	1,434	20		1,414
TOTAL INFRASTRUCTURE,																	
PROPERTY, PLANT AND EQUIP.	_	1,540,831	486,349	-	1,054,482	9,333	26,174	(1,465)	(22,793)		(3,823)	17,763	_	1,593,861	514,190	_	1,079,671

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.

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual Actual							
		20	16			20	15	
Class of asset	At	At	A/Dep &	Carrying	At	At	A/Dep &	Carrying
	cost	fair value	impairm't	value	cost	fair value	impairm't	value
Water supply								
Plant and equipment	-	1,353	590	763	-	1,319	397	922
Office equipment	-	29	14	15	-	29	7	22
Furniture and fittings	-	3	3	-	-	3	3	-
Land								
- Operational land	-	4,753	-	4,753	-	4,753	-	4,753
- Community land	-	165	-	165	-	149	-	149
- Improvements - depreciable	-	1,075	151	924	-	746	103	643
Buildings	-	11,668	392	11,276	-	11,668	354	11,314
Other structures	-	410	93	317	-	219	60	159
Infrastructure	-	305,042	137,457	167,585	-	295,395	131,974	163,421
Total water supply	-	324,498	138,700	185,798	-	314,281	132,898	181,383
Sewerage services								
Plant and equipment	-	899	364	535	-	899	242	657
Office equipment	-	11	9	2	-	11	8	3
Land								
- Operational land	-	1,188	-	1,188	-	1,185	-	1,185
- Improvements - depreciable	-	123	60	63	-	111	51	60
Buildings	-	1,490	28	1,462	-	1,287	15	1,272
Other structures	-	374	51	323	-	50	-	50
Infrastructure	-	201,055	109,579	91,476	-	196,105	105,292	90,813
Total sewerage services	-	205,140	110,091	95,049	-	199,648	105,608	94,040
Domestic waste management								
Plant and equipment	-	1,554	364	1,190	-	2,304	242	2,062
Other assets	-	836	589	247		767	549	218
Total DWM	-	2,390	953	1,437	-	3,071	791	2,280
TOTAL RESTRICTED I,PP&E	_	532,028	249,744	282,284	_	517,000	239,297	277,703

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.

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

		20	16	20	15
\$ '000 N	lotes	Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,062	_	2,809	-
Payments received In advance		1,074	_	1,058	-
Accrued expenses:					
– Borrowings		35	-	41	_
 Other expenditure accruals 		782	-	395	-
Security bonds, deposits and retentions		2,294	1,053	1,666	1,095
Total payables		8,247	1,053	5,969	1,095
Borrowings					
Loans – secured ¹		3,741	17,712	3,373	18,453
Total borrowings		3,741	17,712	3,373	18,453
Provisions					
Employee benefits:					
Annual leave		2,960	_	2,807	_
Long service leave		7,867	113	7,169	100
Sub-total – aggregate employee benefits		10,827	113	9,976	100
Asset remediation/restoration (future works)	26	23	1,436	28	1,406
Other		120	_	120	-
Total provisions		10,970	1,549	10,124	1,506
TOTAL PAYABLES, BORROWINGS					
AND PROVISIONS	-	22,958	20,314	19,466	21,054

(i) Liabilities relating to restricted assets

	2016		20	015
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,211	2	781	7
Sewer	515	1	536	1
Liabilities relating to externally restricted assets	1,726	3	1,317	8
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	1,726	3	1,317	8
Total liabilities relating to unrestricted assets	21,232	20,311	18,149	21,046
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	22,958	20,314	19,466	21,054

^{1.} Loans are secured over the general rating income of Council

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

Notes to the Financial Statements

for the year ended 30 June 2016

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

	Actual	Actual
\$ '000	2016	2015

(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	8,263	7,630
	8,263	7,630

Note 10b. Description of and movements in provisions

	2015			2016		
Class of provision	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	effects due to	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	2,807	1,931	(1,837)	59	_	2,960
Long service leave	7,269	925	(764)	550	-	7,980
Asset remediation	1,434	_	_	25	-	1,459
Other	120	120	(120)	_	_	120
TOTAL	11,630	2,976	(2,721)	634	_	12,519

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows - additional information

		Actual	Actual
\$ '000	Notes	2016	2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	5,393	3,296
Balance as per the Statement of Cash Flows	-	5,393	3,296
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		14,417	7,023
Adjust for non-cash items:			
Depreciation and amortisation		22,793	18,761
Net losses/(gains) on disposal of assets		(12,351)	279
Non-cash capital grants and contributions		(1,378)	(4,348)
Losses/(gains) recognised on fair value re-measurements through the	P&L:		
 Investment properties 		(100)	(147)
 Write offs relating to the fair valuation of I,PP&E 		-	218
Unwinding of discount rates on reinstatement provisions		25	71
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,497)	76
Increase/(decrease) in provision for doubtful debts		(2)	15
Decrease/(increase) in inventories		19	(25)
Decrease/(increase) in other assets		(134)	(78)
Increase/(decrease) in payables		1,253	135
Increase/(decrease) in accrued interest payable		(6)	(4)
Increase/(decrease) in other accrued expenses payable		387	(33)
Increase/(decrease) in other liabilities		602	831
Increase/(decrease) in employee leave entitlements		864	385
Increase/(decrease) in other provisions			(2,699)
Net cash provided from/(used in)			
operating activities from the Statement of Cash Flows		24,892	20,460

Notes to the Financial Statements

for the year ended 30 June 2016

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

		Actual	Actual
\$ '000	Notes	2016	2015
(c) Non-cash investing and financing activities			
Other dedications		1,378	4,348
Total non-cash investing and financing activities		1,378	4,348
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		650	650
Credit cards/purchase cards		90	90
Total financing arrangements		740	740

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

(ii) Secured loan liabilities

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure

		Actual	Actual
\$ '000	Notes	2016	2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,642	-
Roads		275	_
Sewer		885	_
Structures		1,093	839
Water		4,835	360
Land		180	4,091
Investment property			
– Buildings		114	_
Total commitments		9,024	5,290
These expenditures are payable as follows:			
Within the next year		9,024	5,290
Total payable		9,024	5,290
Sources for funding of capital commitments:			
Unrestricted general funds		1,743	_
Future grants and contributions		6,579	4,951
Unexpended loans		702	339
Total sources of funding		9,024	5,290

(b) Finance lease commitments

Nil

(c) 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	443	311
Later than one year and not later than 5 years	754	337
Total non-cancellable operating lease commitments	1,197	648

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

Computer equipment and associated software

Photocopiers

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

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.

- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Notes to the Financial Statements

for the year ended 30 June 2016

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

	Amounts	Indicator	Prior p	periods
\$ '000	2016	2016	2015	2014
Local government industry indicators - cons	olidated			
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital	(5.000)			
grants and contributions less operating expenses Total continuing operating revenue ⁽¹⁾ excluding capital	<u>(5,699)</u> 82,495	-6.91%	-1.26%	-6.29%
grants and contributions	02,495			
grants and contributions				
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾				
excluding all grants and contributions	68,275	75.73%	77.04%	78.03%
Total continuing operating revenue ⁽¹⁾	90,160	13.13%	11.0470	70.0376
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	24,357	1.88x	2.55x	3.67x
Current liabilities less specific purpose liabilities ^(3, 4)	12,969			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest				
and depreciation/impairment/amortisation	18,375	2.05%	4.40%	2.224
Principal repayments (Statement of Cash Flows)	4,654	3.95x	4.10x	3.33x
plus borrowing costs (Income Statement)				
5. Rates, annual charges, interest and				
extra charges outstanding percentage	0.044			
Rates, annual and extra charges outstanding	2,314	5.85%	6.63%	8.19%
Rates, annual and extra charges collectible	39,529			
6. Cash expense cover ratio				
Current year's cash and cash equivalents				
plus all term deposits x12	51,193	8.36 mths	9.4 mths	13.7 mths
Payments from cash flow of operating and	6,125	0.30 MINS	9.4 mms	13.7 mins
financing activities				

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).

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000		Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital				
grants and contributions less operating expenses		4.40%	4.08%	-11.91%
Total continuing operating revenue ⁽¹⁾ excluding capital				
grants and contributions	prior period:	-0.24%	-0.51%	-1.63%
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾		91.96%	87.86%	69.24%
excluding all grants and contributions		0110070	01.0070	00.2470
Total continuing operating revenue ⁽¹⁾	prior period:	86.83%	76.13%	74.73%
3. Unrestricted current ratio				
Current assets less all external restrictions (2)		9.18x	21.09x	1.88x
Current liabilities less specific purpose liabilities (3, 4)				
	prior period:	10.88x	16.76x	2.55x
4. Debt service cover ratio Operating result ⁽¹⁾ before capital excluding interest				
and depreciation/impairment/amortisation				
Principal repayments (Statement of Cash Flows)		0.00	0.00	2.31x
plus borrowing costs (Income Statement)	prior period:	0.00x	0.00x	2.67x
5. Rates, annual charges, interest and				
extra charges outstanding percentage Rates, annual and extra charges outstanding				
Rates, annual and extra charges collectible		6.65%	6.50%	5.61%
	prior period:	8.66%	7.34%	6.31%
6. Cash expense cover ratio				
Current year's cash and cash equivalents				
plus all term deposits x12		8.76	16.84	7.20
Payments from cash flow of operating and		mths	mths	mths
financing activities	prior period:	6.95	14.06	9.17
		mths	mths	mths

Notes

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 14. Investment properties

	Actual	Actual
\$ '000 Notes	2016	2015
(a) Investment properties at fair value		
Investment properties on hand	10,660	9,976
Reconciliation of annual movement:		
Opening balance	9,976	9,790
 Capitalised expenditure – this year 	584	39
 Net gain/(loss) from fair value adjustments 	100	147
CLOSING BALANCE – INVESTMENT PROPERTIES	10,660	9,976

(b) Valuation basis

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

The 2016 revaluation is based on an independent assessment made in 2013 by CBRE Ltd with an appropriate adjustment for CPI.

(c) Contractual obligations at reporting date

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

(d) Leasing arrangements

Details of leased investment properties are as follows;

		Future minimum lease payments receivable under non-cancellable
		investment property operating leases not recognised in the
		financial statements are receivable as follows:
587	986	Within 1 year
406	1,199	Later than 1 year but less than 5 years
-	1,181	Later than 5 years
993	3,366	Total minimum lease payments receivable
=	3,366	Total minimum lease payments receivable

(e) Investment property income and expenditure – summary

Rental income from investment properties:		
 Minimum lease payments 	738	760
Direct operating expenses on investment properties:		
- that generated rental income	(264)	(234)
Net revenue contribution from investment properties	474	526
plus:		
Fair value movement for year	100	147
Total income attributable to investment properties	574	673

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	5,393	3,296	5,393	3,296
Investments				
 - 'Held to maturity' 	69,600	73,300	69,600	73,300
Receivables	10,868	9,458	10,868	9,458
Total financial assets	85,861	86,054	85,861	86,054
Financial liabilities				
Payables	8,226	6,006	8,226	6,006
Loans/advances	21,453	21,826	21,453	21,826
Total financial liabilities	29,679	27,832	29,679	27,832

Fair value is determined as follows:

 Cash and cash equivalents, receivables, payables – are estimated to be the carrying value that approximates market value.

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

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

Notes to the Financial Statements

for the year ended 30 June 2016

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

The risks associated with the investments held are:

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

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

(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 val	ues/rates	Decrease of va	lues/rates
2016	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	779	779	(779)	(779)
2015 Possible impact of a 1% movement in interest rates	348	348	(348)	(348)

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

		2016	2016	2015	2015
		Rates and		Rates and	
		annual	Other	annual	Other
		charges	receivables	charges	receivables
(i) Ageing of receivables	- %				
Current (not yet overdue)		0%	88%	0%	86%
Overdue		100%	12%	100%	14%
		100%	100%	100%	100%
		Rates and		Rates and	
(ii) Ageing of receivables	s – value	annual	Other	annual	Other
Rates and annual charges	Other receivables	charges	receivables	charges	receivables
Current	Current	_	8,310	_	6,752
< 1 year overdue	0 – 30 days overdue	443	974	629	869
1 – 2 years overdue	30 – 60 days overdue	967	99	971	177
2 – 5 years overdue	60 – 90 days overdue	_	29	_	32
> 5 years overdue	> 90 days overdue		78		62
		1,410	9,490	1,600	7,892
(iii) Movement in provisi of receivables	on for impairment			2016	2015
Balance at the beginning of	of the year			34	19
+ new provisions recognis	ed during the year			5	15
- amounts already provide	ed for and written off this ye	ear		(7)	
Balance at the end of the	e year			32	34

Notes to the Financial Statements

for the year ended 30 June 2016

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							Total	Actual
	to no			payak	ole in:			cash	carrying
	maturity	≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	outflows	values
2016									
Trade/other payables	3,347	4,879	-	-	-	-	-	8,226	8,226
Loans and advances		4,817	4,360	4,319	3,571	2,784	5,359	25,210	21,453
Total financial liabilities	3,347	9,696	4,360	4,319	3,571	2,784	5,359	33,436	29,679
2015									
Trade/other payables	2,761	3,245	-	-	-	-	-	6,006	6,006
Loans and advances		4,549	4,461	4,004	3,965	3,215	6,004	26,198	21,826
Total financial liabilities	2,761	7,794	4,461	4,004	3,965	3,215	6,004	32,204	27,832

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	20	16	20	15
to Council's borrowings at balance date:	Carrying	Average	Carrying	Average
	value	interest rate	value	interest rate
Trade/other payables	8,226	0.00%	6,006	0.00%
Loans and advances – fixed interest rate	21,453	5.76%	21,826	6.10%
	29,679		27,832	

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 17 June 2015.

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

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

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure. \mathbf{F} = Favourable budget variation, \mathbf{U} = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual		2016 Variance*		
REVENUES Rates and annual charges	35,543	36.844	1.301	4%	F	
User charges and fees	21.439	24.908	3.469	16%	F	
User charges and fees21,43924,9083,46916%Water income increased over budget by 25% and Sewer income increased by 40% due to weather patterns.Non-domestic waste increased by 90% due mainly to large disposals from construction sites, including KelsoHighway and building site asbestos.						

Interest and investment revenue	5,072	2,503	(2,569)	(51%)	U
New infrastructure works are being financed by deve	eloper contributions	s which has redu	ced available	funds for	
investment, along with lower interest rates than antic	cipated during the y	ear has reduced	interest earn	ings.	
Other revenues	3,824	4,120	296	8%	F
Operating grants and contributions	12,229	14,220	1,991	16%	F
Increased works on behalf of the RMS completed.					

Capital grants and contributions29,7017,665(22,036)(74%)UDelays in commencement of various works, including the Mount Panorama second track and Hereford St RugbyLeague fields, meant that capital grants applications were also delayed.

Net gains from disposal of assets	17,196	12,351	(4,845)	(28%)	U
Development delays with one residential subdivision sa	w sales pushed	l out to the followi	ing financial y	ear.	

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

	2016	2016	2	2016	
\$ '000	Budget	Actual	Variance*		
EXPENSES					
Employee benefits and on-costs	28,569	29,789	(1,220)	(4%)	U
Borrowing costs	1,212	1,281	(69)	(6%)	U
Materials and contracts	24,951	24,795	156	1%	F
Depreciation and amortisation	18,503	22,793	(4,290)	(23%)	U
Revaluation of road assets completed at 30 Jur	ne 2015 was greater tha	n anticipated an	d therefore de	preciation	
budget was lower than actual.					
Other expenses	10,683	9,536	1,147	11%	F
Savings have been achieved in electricity, stree	et lighting, advertising ar	nd printing in an	attempt to red	uce non-	
essential expenditure.					

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

Cash flows from operating activities Delays in major capital projects have seen delays	44,848 s in capital grants app	24,892 lications and a d	(19,956) Ielay in one su	(44.5%) Ibdivision	U
has reduced property sales income.			,		
Cash flows from investing activities Delays in major capital projects occurred.	(54,007)	(22,422)	31,585	(58.5%)	F
Cash flows from financing activities Delays in major capital projects resulted in budge	4,426 eted loans not being ta	(373) aken up.	(4,799)	(108.4%)	U

Notes to the Financial Statements for the year ended 30 June 2016

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

		Contrib	outions	Interest	Expenditure	Internal	Held as	Cumulative internal
PURPOSE	Opening	received du	ring the year	earned	during	borrowing	restricted	borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Drainage	3,571	263	_	52	(270)	_	3,616	_
Roads	274	419	_	8	_	_	701	
Parking	782	_	_	4	(100)	_	686	_
Open space	171	73	_	1	(11)	_	234	_
Community facilities	2,700	728	_	41	(122)	_	3,347	_
S94 contributions – under a plan	7,498	1,483	-	106	(503)	-	8,584	-
Total S94 revenue under plans	7,498	1,483	-	106	(503)	-	8,584	-
S94 not under plans	2,466	466	_	26	(48)	_	2,910	_
S64 contributions	22,918	1,775	-	275	(3,531)	_	21,437	
Total contributions	32,882	3,724	-	407	(4,082)	-	32,931	-

Bathurst Regional Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Total

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Jordan Creek Stormwater Drainage Management ľ

263

		Contril	outions	Interest	Expenditure	Internal	Held as	Cumulative
PURPOSE	Opening	received du	ring the year	earned	during	borrowing	restricted	internal borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Drainage	615	13	-	11	_	_	639	—
Total	615	13	-	11	-	-	639	_
CONTRIBUTION PLAN - Raglan Creek Stormwa	ater Drainage							
		Contril	outions	Interest	Expenditure	Internal	Held as	Cumulative
PURPOSE	Opening	received du	ring the year	earned	during	borrowing	restricted	internal borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Drainage	1,918	207	_	29	(260)	_	1,894	_
Total	1,918	207	-	29	(260)	_	1,894	_
CONTRIBUTION PLAN - Sawpit Creek Drainage)							
		Contril	outions	Interest	Expenditure	Internal	Held as	Cumulative
PURPOSE	Opening	received du	ring the year	earned	during	borrowing	restricted	internal borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Drainage	447	24	_	2	_	_	473	_
Total	447	24	-	2	-	_	473	_
CONTRIBUTION PLAN - Reconstruct Hereford S	Street							
		Contril	outions	Interest	Expenditure	Internal	Held as	Cumulative
PURPOSE	Opening	received du	ring the year	earned	during	borrowing	restricted	internal borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Roads	263	79	-	5	_	_	347	

_

79

5

_

_

347

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Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Central Carparking Strategies

PURPOSE	Opening		butions ring the year	Interest earned	Expenditure during	Internal borrowing	Held as restricted	Cumulative internal borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Parking	782	-	-	4	(100)	-	686	-
Total	782	-	-	4	(100)	_	686	-

CONTRIBUTION PLAN - Community Facilities & Services Bathurst

PURPOSE	Opening	Contrib received dur	outions ing the year	Interest earned	Expenditure during	Internal borrowing	Held as restricted	Cumulative internal borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Community facilities	2,700	728	-	41	(122)	-	3,347	-
Total	2,700	728	-	41	(122)	-	3,347	-

CONTRIBUTION PLAN - Robin Hill Drainage

		Contril	outions	Interest	Expenditure	Internal	Held as	Cumulative
PURPOSE	Opening	received du	ring the year	earned	during	borrowing	restricted	internal borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Drainage	446	_	-	8	-	-	454	-
Total	446	-	-	8	-	-	454	-

CONTRIBUTION PLAN - Eglinton Open Space & Drainage

		Contrib	outions	Interest	Expenditure	Internal	Held as	Cumulative internal
PURPOSE	Opening	received du	ing the year	earned	during	borrowing	restricted	borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Drainage	145	19	_	2	(10)	_	156	-
Open space	164	23	-	1	(11)	_	177	-
Total	309	42	-	3	(21)	-	333	-

Notes to the Financial Statements for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Bathurst Regional Open Space

		Contrik	Contributions		Expenditure	Internal	Held as	Cumulative internal
PURPOSE	Opening	received du	ing the year	earned	during	borrowing	restricted	borrowings
	balance	Cash	Non-cash	in year	year	(to)/from	asset	due/(payable)
Open space	7	50	_	_	_	_	57	_
Total	7	50	-	-	-	-	57	-

CONTRIBUTION PLAN - Roadworks - New Residential Subdivisions (Area 4 Kelso)

PURPOSE	Opening balance	Contrik received dur Cash	outions ring the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	11	340	_	3	_	_	354	-
Total	11	340	-	3	-	-	354	-

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance		outions ring the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	2,124	404	-	22	-	-	2,550	_
Other	342	62	_	4	(48)	_	360	_
Total	2,466	466	-	26	(48)	-	2,910	-

Notes to the Financial Statements for the year ended 30 June 2016

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 it's 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.

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

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

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

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

(iv) Somerville collection

The Council is a member of a company Limited by Guarantee called the Somerville Collection.

The company was established to manage & maintain the Somerville Collection (made up of fossils, minerals and other features) which are exhibited in Bathurst at the Australian Fossil and Mineral Museum. The Company is a non profit entity.

In the event that the Company is wound up, Council's liability is limited to a maximum of \$100.

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

2. Other Liabilities (continued)

(v) Gasworks Site Remediation

In 1986 Bathurst City Council, Orange City Council & Lithgow City Council entered into an agreement with AGL Western Limited with respect to gasworks located in each of those Council areas.

The agreement indemnified AGL Western against any loss, action or demand in respect of any pollution problems caused or relating to the operations of the gas distribution business.

Each Council area has a redundant gas works site. Each Council is liable to remediate the site in their Council area under the agreement, should the site be classified as contaminated.

The former Bathurst City Council had informed the Environmental Protection Agency (EPA) in accordance with the notification provisions of the Contaminated Land Management Act that the site is contaminated.

The EPA has since declared the site a "remediation site" under the Act.

Council has received grant funding totalling \$500,000 from the Environmental Trust, which is to be used in conjunction with Council's own funds to Complete Stage 1 of the remediation.

Preliminary works commenced in 2006/07.

The total cost of the remediation at this time is unknown.

Estimates prepared in 1999 indicated a cost in excess of \$1,000,000.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries) Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.	Note 19(a)
Joint ventures and associates Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement. Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).	Note 19(b)
Joint operations Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.	Note 19(c)
Unconsolidated structured entities Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.	Note 19(d)
Subsidiaries, joint arrangements and associates not recognised	Note 19(e)

Notes to the Financial Statements

for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) - being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of operation/entity	Principal activity						
The Somerville Collection Ltd	Australian Fossil and Mineral Museum 224 Howick Street, Bathurst						
		Ownership		Voting rights			
Interests in Subsidiary		2016	2015	2016	2015		
Council's interest in Subsidiary		0%	0%	20%	20%		

The nature and extent of significant restrictions relating to the Subsidiary

The specimen collection is owned by the Australian Museum Trust.

The fixtures and fittings are owned by The Somerville Collection Limited, a company limited by guarantee. The building is owned by the NSW Government.

The nature of risks associated with Council's interests in the Subsidiary

Council controls the day to day operations of the museum including the receipt of its income, payment of its expenses and employment of staff, including the liability for the leave entitlements of those staff. Council has resolved, to support the operations of the museum to a maximum subsidy of \$250,000 each year into the future.

Other disclosures

Although Council's voting rights are only 20% and it owns none of the assets, because of the support of the day to day operations, Council considers that it has control over the operations.

Reporting dates of Subsidiary

The Somerville Collections balance date is 30 June 2016

Summarised financial information for the Subsidiary

Summarised statement of comprehensive income	2016	2015
Revenue	377	452
Expenses	(399)	(463)
Profit for the period	(22)	(11)
Summarised statement of financial position		
Current assets	110	105
Non-current assets	248	275
Total assets	358	380
Current liabilities	5	6
Total liabilities	5	6
Net assets ⁽²⁾	353	374
Summarised statement of cash flows		
Cash flows from operating activities		15
Net increase (decrease) in cash and cash equivalents		15

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000		
(b) Joint ventures and associates		
(i) Individually immaterial joint ventures		
Nil		
(ii) Individually immaterial associates	2016	2015
Upper Macquarie County Council		
Aggregate carrying amount of individually immaterial associates	Unavailable	221
Aggregate amounts of Council's share of individually immaterial:		
Profit/(loss) from continuing operations	Unavailable	26
Total comprehensive income – individually immaterial associates		26

The nature and extent of significant restrictions relating to joint ventures and associates

Nil

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

Notes to the Financial Statements

for the year ended 30 June 2016

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

		Actual	Actual
\$ '000	Notes	2016	2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		607,357	600,334
a. Net operating result for the year		14,417	7,023
Balance at end of the reporting period		621,774	607,357
(b) Revaluation reserves			
(i) Reserves are represented by:			
 Infrastructure, property, plant and equipment revaluation reserve 		525,009	511,069
Total		525,009	511,069
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reser	ve		
 Opening balance 		511,069	439,866
 Revaluations for the year 	9(a)	13,940	71,203
 Balance at end of year 		525,009	511,069
TOTAL VALUE OF RESERVES		525,009	511,069
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			

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

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

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

(d) Voluntary changes in accounting policies

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

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual	Actual	Actual
\$ '000	2016	2016	2016
Or stimulan encoding	Matan	0	0
Continuing operations	Water	Sewer	General ¹
Income from continuing operations	0.004		~~~~~
Rates and annual charges	2,631	7,578	26,635
User charges and fees	11,938	2,342	10,628
Interest and investment revenue	214	319	1,970
Other revenues	76	23	4,021
Grants and contributions provided for operating purposes	111	107	14,002
Grants and contributions provided for capital purposes	1,189	1,311	5,165
Other income			
Net gains from disposal of assets	12		12,339
Total income from continuing operations	16,171	11,680	74,760
Expenses from continuing operations			
Employee benefits and on-costs	3,119	2,831	23,839
Borrowing costs	-		1,281
Materials and contracts	6,331	3,792	14,672
Depreciation and amortisation	3,736	2,808	16,249
Other expenses	1,028	496	8,012
Total expenses from continuing operations	14,214	9,927	64,053
Operating result from continuing operations	1,957	1,753	10,707
	.,	.,	,
Not operating result for the year	1.057	1 750	10 707
Net operating result for the year	1,957	1,753	10,707
Net operating result for the year before grants	700	110	
and contributions provided for capital purposes	768	442	5,542

¹ General fund refers to all Council's activities other than Water and Sewer.

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

Notes to the Financial Statements as at 30 June 2016

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

Statement of Financial Position by fund	Actual	Actual	Actual
\$ '000	2016	2016	2016
ASSETS	Water	Sewer	General ¹
Current assets			
Cash and cash equivalents	7,653	9,989	_
Investments	_	_	41,500
Receivables	3,472	849	5,857
Inventories	_	_	2,984
Other		23	301
Total current assets	11,125	10,861	50,642
Non-current assets			
Investments	9,413	12,024	6,663
Receivables	55	34	601
Inventories	—	_	10,555
Infrastructure, property, plant and equipment	185,798	95,049	798,824
Investment property			10,660
Total non-current assets	195,266	107,107	827,303
TOTAL ASSETS	206,391	117,968	877,945
LIABILITIES			
Current liabilities			
Payables	495	182	7,570
Borrowings	_	_	3,741
Provisions	716	333	9,921
Overdraft			12,249
Total current liabilities	1,211	515	33,481
Non-current liabilities			
Payables	—	_	1,053
Borrowings	-	_	17,712
Provisions	2	1	1,546
Total non-current liabilities	2	1	20,311
TOTAL LIABILITIES	1,213	516	53,792
Net assets	205,178	117,452	824,153
EQUITY			
Retained earnings	131,535	77,922	412,317
Revaluation reserves	73,643	39,530	411,836
Total equity	205,178	117,452	824,153

¹ General Fund refers to all Council's activities other than Water and Sewer.

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

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) 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 14/10/16.

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 2016.

(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 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

	Estimated year of	NPV o	of provision
Asset/operation	restoration	2016	2015
Bathurst solid waste disposal centre Balance at end of the reporting period	2086 10(a)	1,459 1,459	1,434 1,434

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	1,434	4,040
Effect of a change in other calculation estimates used	-	(2,677)
Amortisation of discount (expensed to borrowing costs)	25	71
Total – reinstatement, rehabilitation and restoration provision	1,459	1,434

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment

Investment property

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:

		Fair value n	t hierarchy		
2016		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
Recurring fair value measurements	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Investment properties					
230 Howick Street, Bathurst	30/06/16			10,660	10,660
Total investment properties			-	10,660	10,660
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	_	_	10,726	10,726
Office equipment	30/06/16	-	_	416	416
Furniture and fittings	30/06/16	_	_	68	68
Operational land	30/06/13	_	_	63,508	63,508
Community land	30/06/16	_	_	17,984	17,984
Land under roads (post 30/6/08)	30/06/16	_	_	172	172
Land improvements – depreciable	30/06/16	_	_	15,987	15,987
Buildings – non-specialised	30/06/13	_	_	60,561	60,561
Buildings – specialised	30/06/13	_	_	48,061	48,061
Other structures	30/06/16	-	_	12,570	12,570
Roads	30/06/15	-	_	283,596	283,596
Bridges	30/06/15	_	_	22,156	22,156
Footpaths	30/06/15	-	_	9,202	9,202
Bulk earthworks (non-depreciable)	30/06/15	-	_	120,015	120,015
Stormwater drainage	30/06/15	-	_	114,304	114,304
Water supply network	30/06/16	-	_	167,585	167,585
Sewerage network	30/06/16	-	-	91,476	91,476
Swimming pools	30/06/16	-	-	12,609	12,609
Other assets	30/06/16	-	-	27,261	27,261
Tip	30/06/16		_	1,414	1,414
Total infrastructure, property, plant and equip	ment		-	1,079,671	1,079,671

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Tail Values. (continued)		Fair value n	t hierarchy		
2015		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
Recurring fair value measurements	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Investment properties					
230 Howick Street, Bathurst	30/06/15	_	_	9,976	9,976
Total investment properties	_	-	-	9,976	9,976
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	-	_	10,396	10,396
Office equipment	30/06/15	-	-	487	487
Furniture and fittings	30/06/15	-	_	68	68
Operational land	30/06/15	-	-	58,651	58,651
Community land	30/06/15	-	-	14,933	14,933
Land under roads (post 30/6/08)	30/06/15	-	-	133	133
Land improvements – depreciable	30/06/15	-	-	12,193	12,193
Buildings – non-specialised	30/06/15	-	_	59,078	59,078
Buildings – specialised	30/06/15	-	_	48,235	48,235
Other structures	30/06/15	-	-	14,749	14,749
Roads	30/06/15	-	_	286,056	286,056
Bridges	30/06/15	-	_	22,392	22,392
Footpaths	30/06/15	_	_	8,872	8,872
Bulk earthworks (non-depreciable)	30/06/15	-	_	116,822	116,822
Stormwater drainage	30/06/15	_	_	113,591	113,591
Water supply network	30/06/15	_	_	163,420	163,420
Sewerage network	30/06/15	_	_	90,813	90,813
Swimming pools	30/06/15	_	_	12,622	12,622
Other assets	30/06/15	_	_	19,537	19,537
Тір	30/06/15	_	_	1,434	1,434
Total infrastructure, property, plant and equip	ment	-	-	1,054,482	1,054,482

(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.

Council's policy for determining transfers between fair value hierarchies is: – at the end of the reporting period.

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

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

Investment Properties

The investment property at 230 Howick Street, Bathurst was valued by CBRE Ltd in June 2013 using the cost approach. The approach estimated the replacement cost for the building by componentising it into significant parts with different useful lives and taking into account a range of factors. While buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

Infrastructure, Property, Plant and Equipment

Buildings

This asset class includes any 'enclosable' roofed structure (4 walls), otherwise assets are classified as Other Structures.

Buildings were valued by CBRE Ltd in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs.

During the financial year Council completed the construction of a number of buildings. While the costs were current and the impact of depreciation was negligible, buildings have been classified as Level 3 as they were immaterial in relation to the overall value of this asset class. There has been no change to the valuation process during the reporting period.

Other Structures

This asset class includes any non-enclosable roofed or non-roofed structure (fewer than 4 walls).

Other Structures were revalued in 2016 using the cost approach. This was derived via a number of methods, depending on the information available (historical cost, actual quotes/tenders, published component rates). Due to the highly varied nature of this asset class, only very small subsets of assets can be valued using the same basis. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Roads

This asset class comprises the Road Carriageway, Guardrails, Kerb and Gutter, Signs and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter or other roadside drainage. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure.

Roads were revalued by Council staff on 30 June 2015. Valuations for the road carriageway, comprising surface, pavement and formation earthworks were based on calculations carried out by the Assets Team, utilising internal cost rates and the detailed asset information residing in Council's Asset Management System - "Confirm". Other Road Infrastructure was valued the same way.

The cost approach was utilised and while the unit rates based on square metres, linear metres or similar could be supported from market evidence (Level 2) other inputs (such as estimates pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Bridges

Bridges were valued in 2012 by Garry Dennis from Bridge Check Australia Pty Ltd using the cost approach and also included a condition assessment. The approach estimated the replace for each bridge in its entirety; deck, approaches, railings and abutments.

All bridges were physically inspected and an assessment made of the component condition. Unit rates based on deck areas could be supported from market evidence (level 2) however other inputs (pattern of consumption, site-specific technical design issues) require extensive professional judgement and impact on the final determination of fair value. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. No change has been made to the valuation process during the reporting period.

Footpaths

Footpaths were revalued by Council Staff on 30 June 2015 using the cost approach using internal unit cost inputs (Level 3). Footpaths are inspected on either an annual or semi-annul basis for defects and condition and the results are included in the asset register (Confirm) system. There has been no change to the valuation process during the reporting period.

Parking areas

Parking areas are valued and assessed on the same basis as roads.

Bus Shelters

Bus Shelters are valued and assessed on the same basis as Other Structures.

Aerodrome

This comprises the infrastructure assets that form the aerodrome. Equivalent asset classes have been valued using the same conditions and parameters as described above (runway surface, pavement and earthworks as for roads; parking areas, other structures and drainage like for like). Revalued by Council staff on 30 June 2015. Substantial professional judgement has been required to undertake this work and this class is therefore classified as Level 3. No change has been made to the valuation process during the reporting period.

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Water Supply network

Assets within this class comprise the infrastructure to supply a reticulated potable drinking water service to Bathurst and adjoining suburbs/villages. There is also a small non-potable service at Hillview Estate Napolean Reef and a raw-water supply from Winburndale Dam used for irrigation of parks and playing fields in town. In Bathurst, there is the Filtration Plant, Pump Stations, Reservoirs and reticulation pipe network. A revaluation was made in 2012; the reticulation network valued on the basis outlined in the DPI NSW Reference Rates Manual and all other assets had the previous valuation provided in 2007 by NSW Dept of Commerce indexed by the rates outlined in the Reference Rates Manual. While this provides some degree of observability, a substantial amount of professional judgement is required due to limitations in the historical records of very long lived assets as there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Sewerage network

Assets within this class comprise the infrastructure to supply a reticulated waste water (sewerage) service to Bathurst and adjoining suburbs/villages. This is the Reticulation Pipe Network, Pump Stations and Treatment Plant. A revaluation was made in 2012; the reticulation network valued on the basis outlined in the DPI NSW Reference Rates Manual and all other assets had the previous valuation provided in 2007 by NSW Dept of Commerce indexed by the rates outlined in the Reference Rates Manual. While this provides some degree of observability, a substantial amount of professional judgement is required due to limitations in the historical records of very long lived assets as there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

Drainage assets were revalued by Council staff on 30 June 2015. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors.

While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. Consequently a high degree of professional judgement is required in establishing replacement cost and this asset class is classified as Level 3. There has been no change to the valuation process during the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Investment property	Land and buildings	Infra- structure assets	Other assets	Total
Opening balance – 1/7/14	9,790	194,572	719,882	54,033	978,277
Purchases (GBV) Disposals (WDV) Depreciation and impairment FV gains – other comprehensive income FV gains – Income Statement ¹	39 - - 147	4,344 (1,213) (1,924) –	26,138 (13,605) 71,203 (218)	5,189 (687) (3,232) – –	35,710 (1,900) (18,761) 71,203 (71)
Closing balance – 30/6/15	9,976	195,779	803,400	55,303	1,064,458
Purchases (GBV) Disposals (WDV) Depreciation and impairment FV gains – other comprehensive income FV gains – Income Statement ¹	584 - 100	10,483 (813) (1,988) (605) –	20,104 (17,481) 3,725 	4,920 (652) (3,324) 10,820 –	36,091 (1,465) (22,793) 13,940 100
Closing balance – 30/6/16	10,660	202,856	809,748	67,067	1,090,331
 ¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total: YE 14/15 YE 15/16 	147 100	- -	(218) _	- -	(71) 100

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

Nil

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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.

Investment properties

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
230 Howick Street, Bathurst	10,660	Independent Market Valuation	CPI Adjustments between valuations

I,PP&E

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Land & Buildings	202,856	Independent Market Valuation	CPI Adjustments between valuations
Infrastructure	809,748	Internal Valuation	Based on actual costs and indexed where required. Estimation of remaining asset lives where infrastructure is below ground.
Other Assets	67,067	Internal Valuation and Independent Market Valuation where available	Based on actual costs and indexed where required.

d. The Valuation Process for Level 3 Fair Value Measurements

For the period ending 30/6/2012 the Water & Sewer systems were revalued in accordance with DLG Fair Valuation - Infrastructure, Property, Plant and Equipment Circular(s). The reticulation systems were revalued using unit rates in line with the NSW Reference Rates Manual. Dams, Pump Stations (W&S), Reservoir, Treatment works (W&S) had their 2007 valuation (supplied by NSW Dept Commerce) indexed as per the updated attachment 1 for 2012 of the NSW Reference Rates Manual 2011 figure of 18%.

For 30 June 2013, 2014, 2015 and 2016, this was incrementally adjusted based on the NSW Reference Rates Manual NSW Water Supply & Sewerage Construction Cost Indices. For 2013 this adjustment was an increase of 2.5%, for 2014 an increase of 2.8%, for 2015 an increase of 1.5% and for 2016 an increase of 1.5%.

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows: Rates and annual charges revenue User charges revenue Interest and investment revenue (losses) Grants income – operating and capital Total income from continuing operations	36,844 24,908 2,503 13,465 102,611	34,686 22,884 3,232 11,040 87,652	32,874 23,980 3,246 13,352 91,701	31,177 21,183 3,605 18,178 85,979	30,072 20,066 3,223 18,869 85,094
Sale proceeds from I,PP&E New loan borrowings and advances	14,393 3,000	1,647 3,000	9,452 3,000	7,258 —	7,905 2,555
Outflows: Employee benefits and on-cost expenses Borrowing costs Materials and contracts expenses Total expenses from continuing operations	29,789 1,281 24,795 88,194	27,156 1,427 23,814 80,629	26,359 1,474 24,703 77,770	26,890 1,182 21,304 76,205	26,962 997 21,391 74,235
Total cash purchases of I,PP&E Total loan repayments (incl. finance leases)	34,129 3,373	31,323 3,320	20,910 2,903	21,213 2,867	20,196 3,033
Operating surplus/(deficit) (excl. capital income)	6,752	(1,344)	5,134	5,196	5,900
Financial position figures	2016	2015	2014	2013	2012
Current assets Current liabilities Net current assets	60,379 22,958 37,421	66,499 19,466 47,033	73,207 17,286 55,921	73,256 18,923 54,333	64,366 15,996 48,370
Available working capital (Unrestricted net current assets)	2,564	3,359	3,742	4,658	4,430
Cash and investments – unrestricted Cash and investments – internal restrictions Cash and investments – total	120 15,095 74,993	374 18,557 76,596	588 26,170 87,009	622 18,693 74,613	476 11,944 71,276
Total borrowings outstanding (Loans, advances and finance leases)	21,453	21,826	22,146	22,049	24,916
Total value of I,PP&E (excl. land and earthworks) Total accumulated depreciation Indicative remaining useful life (as a % of GBV)	1,392,182 514,190 63%	1,350,292 486,349 64%	1,406,656 438,169 69%	1,377,799 417,283 70%	1,346,355 399,190 70%

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

Notes to the Financial Statements for the year ended 30 June 2016

Note 29. Council information and contact details

Principal place of business: 158 Russel Street BATHURST NSW 2795

Contact details Mailing address: Private Mail Bag 17 BATHURST NSW 2795

Opening hours:

General Office, Departments and Cashiers 8.30am to 4.45pm weekdays

Telephone:02 6333 6111Facsimile:02 6331 7211

Internet: <u>www.bathurst.nsw.gov.au</u> Email: council@bathurst.nsw.gov.au

Officers GENERAL MANAGER David Sherley

RESPONSIBLE ACCOUNTING OFFICER Robert Roach

PUBLIC OFFICER Robert Roach

AUDITORS Intentus Chartered Accountants

Other information ABN: 42 173 522 302 Elected members MAYOR Gary Rush

COUNCILLORS

Warren Aubin Bobby Bourke Michael Coote Graeme Hanger Monica Morse Ian North Greg Westman



INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF BATHURST REGIONAL COUNCIL

Report on the Financial Statements

We have audited the accompanying general purpose financial statements of Bathurst Regional Council (Council) for the financial year ended 30 June 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements.

Council's Responsibility for the Financial Statements

The Council are responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows nor the original budget disclosures in Notes 2(a) and 16 and accordingly, we express no opinion on them. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Bathurst Regional Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Auditor's Opinion

In our opinion:

- (a) 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;
- (b) the Council's financial report:
 - (i) has been prepared in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and cashflows; and
 - (iv) is in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light in the course of the audit.

mentus

intentus

291 Stewart Street Bathurst Dated: 14 October 2016

Learne Shin

LR Smith Director



14 October 2016

The Mayor Bathurst Regional Council Private Mail Bag 17 BATHURST NSW 2795

Dear Mr Mayor

INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – Section 417 (3) BATHURST REGIONAL COUNCIL

We advise having completed our audit of the financial statements of Bathurst Regional Council (Council) for the financial year ended 30 June 2016. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Bathurst Regional Council for the year ended 30 June 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

The following comments are provided in accordance with Section 415 (3) of the Local Government Act 1993 and Regulation 227 of the Local Government (General) Regulation 2005 to assist in the understanding of the financial statements and our reports.



PO Box 69, Orange NSW 2800 14 Sale St, Orange NSW 2800 Ph: 02 6362 5100 PO Box 9013, Bathurst West NSW 2795 291 Stewart Street, Bathurst NSW 2795 Ph: 02 6333 7611

Review of Financial Results

(a) Operating Result

As disclosed in Council's Income Statement the year's operations resulted in a surplus after capital amounts of \$14,417,000 (2015 - \$7,023,000). Some items of note in the income statement include:

Revenue

- The operating surplus *before* capital amounts was \$6,752,000 (2015 \$1,344,000 deficit).
- Council's revenue from rates and annual charges rose by \$2,158,000 from \$34,686,000 in 2015 to \$36,844,000 in 2016.

Rates increased by \$874,000 (4.03%) which was the combined result of the approved rate pegging increase of 2.4% and normal additions to rateable land within the Council area through land developments.

- Other revenues fell by \$2,640,000 to \$4,120,000 (2015 \$6,760,000). During the 2014-'15 financial year Council engaged an independent expert to re-assess the remediation costs required for the waste management facility in Bathurst. Due to a combination of factors, including improvements in remediation techniques and the extension of the estimated life of the facility, the provision required for the remediation of this location was reduced by \$2,677,000 in the year ended 30 June 2015. There was no comparable line item in this revenue category during the 2015-'16 financial year.
- Operating grants and contributions for the year were \$14,220,000 compared to \$11,723,000 in 2015 (increase of \$2,497,000). The main contributor to this was an increase of \$1,660,000 in Roads to Recovery funding received by Council during the current year.
- Council achieved a net gain from the disposal of assets for the year of \$12,351,000 (2015 net loss of \$279,000). The current year result was the combined effect of a loss on disposal of property, plant and equipment of \$375,000, offset by a gain on the disposal of real estate assets of \$12,726,000. Only minimal sales of Council's real estate assets occurred in the 2014-'15 financial year.

Expenditure

- Total employee costs rose by \$2,633,000 to \$29,789,000 (2015 \$27,156,000). Council was successful in filling some long standing vacant positions during the year, and this increase in full time equivalent employees, combined with the annual award increases, has contributed to this result.
- Council's depreciation expense for the 2015-'16 financial year was \$22,793,000 compared to \$18,761,000 for 2014-'15. This was due to the revaluation of Council's infrastructure assets at 30 June 2015 resulting in higher depreciation expense in the current financial year.

(b) Financial Position

The Statement of Financial Position discloses that for the year ended 30 June 2016 Council's net assets stood at \$1,146,783,000 (2015 - \$1,118,426,000) which represents an increase of \$28,357,000.

This increase is the combined effect of the surplus for the year after capital amounts of \$14,417,000 and the current year asset revaluations and indexation of Council's water and sewerage assets which saw a total of \$13,940,000 directly recognised in the asset revaluation reserve within Council's Statement of Changes in Equity and Statement of Comprehensive Income.

To assess the health of Council's net current asset position it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised below.

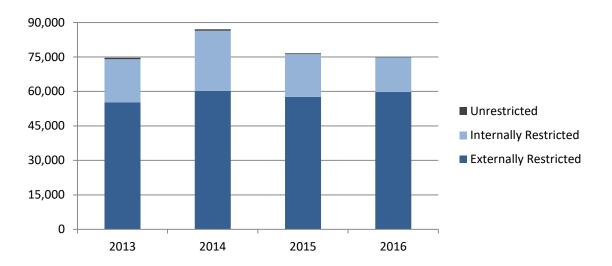
	2016 \$'000	2015 \$'000
Net current assets	37,421	47,033
Less: Amounts externally restricted for		
special purposes refer Notes 6; 7; & 8		
of financial statements	(36,022)	(39,723)
Less: Council internally imposed restrictions		
(refer Note 6 of financial statements)	(15,095)	(18,557)
Add: Applicable current liabilities refer Note 10		
- Water	1,211	781
- Sewerage	515	536
Add: Employee leave entitlements not expected to be		
paid within 12 months	8,263	7,630
Unrestricted net current asset surplus/(deficit)	(3,707)	(2,300)
Unrestricted liabilities to be funded from next year's operating revenues (refer Note 10)		
- Annual leave and other provisions	1,658	1,554
- General interest bearing liabilities	3,741	3,373
Adjusted unrestricted net current asset surplus/(deficit)	1,692	2,627
	2016	2015
Unrestricted net current assets comprise:-	\$'000	\$'000
Assets		
Cash	120	374
Receivables	5,857	4,849
Inventories Other exects	2,984	2,837
Other assets	<u> </u>	159 8,219
Liabilities		
Payables	(7,570)	(5,592)
Unrestricted net current asset surplus/(deficit)	1,692	2,627

At 30 June 2016 Council had a \$3,707,000 deficit (2015 – \$2,300,000 deficit) of net unrestricted current assets.

This result continues to emphasise the relative financial strength of Council's non-General Fund activities when the financial position of Council as a whole is considered.

This position will place reliance on short-term cash inflows in the new year to sustain the currency of the restrictions Council has placed on its General Fund assets. The impact of this is articulated in the above analysis adjusted for items to be specifically funded from 2016-'17 revenues which alters the analysis significantly and does indicate the position is manageable within Council's resources.

Whilst the analysis of the net current asset position is a complete summary of Council's short-term position, the strength of that position is determined by the liquidity of those assets, hence Council's ability to operate effectively is largely governed by the amount of available cash.



Cash, Cash Equivalents and Investments

Liquidity

Note 6 to the financial statements discloses total cash and investments of \$74,993,000 (2015 - \$76,596,000).

Included in this total is an amount of \$59,778,000 (2015 - \$57,665,000) which is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$15,095,000 (2015 - \$18,557,000) is subject to internal restrictions agreed upon by Council for designated purposes, which may be altered at the discretion of Council, consistent with their operational plan.

The unrestricted cash balance of \$120,000 (2015 - \$374,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

(c) Performance Indicators

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows:

Operating Performance

This is performance measure is intended to assess whether Council has contained its operating expenditure within its operating revenue.

The current year result of (6.91%) is below the benchmark indicated by the Office of Local Government of greater than 0%.

It is important to note that the calculation of this ratio excludes revenue from Council's land sales, which has historically been an ongoing revenue stream for Bathurst Regional Council.

Own Source Operating Revenue

This indicator is intended to measure Council's fiscal flexibility by showing its degree of reliance on external funding sources such as grants and contributions. The higher the ratio, the more financially flexible Council is considered to be.

At 75.73% (2015 – 77.04%) Bathurst Regional Council's result indicates a degree of financial flexibility which exceeds the benchmark of greater than 60% determined by the Office of Local Government.

Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates its ability to satisfy obligations out of short-term and immediate asset balances. Council's ratio of 1.88:1 (2015 - 2.55:1) indicates that it is comfortably able to settle its debts as and when they fall due.

Debt Service Cover Ratio

This ratio measures the ability of Council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation / impairment, over the principal and interest costs.

At 3.95 times (2015 – 4.10) Bathurst Regional Council's ratio indicates that Council can meet its current levels of debt.

Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio

This ratio is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Bathurst Regional Council's rates and annual charges outstanding percentage of 5.85% (2015 – 6.63%) is an improvement on the prior year.

Cash Expense Cover Ratio

The purpose of this ratio is to indicate the number of months a Council can continue paying for its immediate expenses without additional cash inflow. The benchmark recommended by the Office of Local Government is greater than three (3) months.

We suspect that this is a ratio that may vary considerably from year-to-year depending on the timing of payments for materials and contracts which is the component in the denominator most susceptible to fluctuation on a yearly basis. Bathurst Regional Council's ratio for the year ended 30 June 2016 was 8.36 months (2015 – 9.4 months) and meets the requirements of the benchmark.

(d) Statement of Cash Flows

The Statement of Cash Flows reports a net increase in cash assets held of \$2,097,000 (2015 – net decrease of \$4,713,000) in cash inflows (outflows) as follows:

	2016 \$'000	2015 \$'000
Operating activities	24,892	20,460
Investing activities	(22,422)	(24,853)
Financing activities	(373)	(320)
Net increase / (decrease) in cash held	2,097	(4,713)

Cash flows from Operating Activities

Council has again generated strong cash inflows from its operating activities.

Cash flows from Investing Activities

The net cash outflows from investing activities totalled \$22,422,000 (2015 - \$24,853,000). The major cash outflows related to additions to infrastructure, property, plant and equipment of \$34,129,000 (2015 - \$31,323,000). Council also spent \$5,891,000 on the acquisition of real estate assets for future development.

Cash flows from Financing Activities

The net cash outflow from financing activities was \$373,000 (2015 - \$320,000 outflow). Borrowings of \$3,000,000 were drawn in the current financial year (2015 - \$3,000,000).

Repayments of \$3,373,000 (2015- \$3,320,000) were in line with the requirements of the loan agreements.

(e) Comparison of Actual and Budgeted Performance

Council's surplus for the year after capital amounts of \$14,417,000 was \$26,669,000 less than Council's original estimate of \$41,086,000.

The purpose of this report is not to provide detailed analysis of individual budget variations. Council's financial statements include Note 16, which addresses the contributing factors to this variation in detail.

However, a significant contributor to this variance was the lower than budgeted grants and contributions for capital purposes due to delays in some major projects, including the second track at Mount Panorama.

Other Matters

(a) National Competition Policy

In accordance with the requirements of National Competition Policy guidelines, Bathurst Regional Council has prepared a special purpose financial report on its business units for the year ended 30 June 2016. Council has determined that it has three (3) business units within its operations: Water, Sewerage, and Waste.

The Office of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provides a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unqualified audit report on the special purpose reports for the year ended 30 June 2016 has been issued.

(b) Management Letters

Interim management letters were issued on 30 March 2016 and 18 July 2016 and a final report will be prepared upon completion of our year end review.

Matters raised via management letters have been addressed to our satisfaction.

(c) Legislative Compliance

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial reports that have come to our attention during the conduct of the audit and that Bathurst Regional Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and Regulations.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Bathurst Regional Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on Council's web site.

Conclusion

- (a) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial report and allowed proper and effective audit of this report;
- (b) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial reports and allowed proper and effective audit of this report; and
- (c) All information relevant to the conduct of the audit has been obtained.

Yours faithfully intentus

Per:

Lianne Shit

Leanne Smith Director

SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2016

'A vibrant regional centre that enjoys a rural lifestyle, the Bathurst Region achieves health and well being through strengthening economic opportunities, planning for sustainable growth, protecting and enhancing our assets, and encouraging a supportive and inclusive community. A Region full of community spirit and shared prosperity'



Special Purpose Financial Statements for the year ended 30 June 2016

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4. Auditor's Report

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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).

Special Purpose Financial Statements for the year ended 30 June 2016

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 21 September 2016.

Gary Rush Mayor

Ian North

Councillor

David Sherley

General manager

Robert Roach Responsible accounting officer

Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2016

	Actual	Actual
\$ '000	2016	2015
Income from continuing operations		
Access charges	2,631	1,959
User charges	11,762	11,019
Fees	176	123
Interest	214	268
Grants and contributions provided for non-capital purposes	111	110
Profit from the sale of assets	12	(180)
Other income	76	72
Total income from continuing operations	14,982	13,371
Expenses from continuing operations		
Employee benefits and on-costs	3,119	2,923
Borrowing costs	_	_
Materials and contracts	6,331	5,361
Depreciation and impairment	3,736	3,753
Water purchase charges	_	_
Loss on sale of assets	_	_
Calculated taxation equivalents	109	110
Other expenses	1,028	1,256
Total expenses from continuing operations	14,323	13,403
Surplus (deficit) from continuing operations before capital amounts	659	(32)
Grants and contributions provided for capital purposes	1,189	1,901
Surplus (deficit) from continuing operations after capital amounts	1,848	1,869
Surplus (deficit) from discontinued operations	_	_
Surplus (deficit) from all operations before tax	1,848	1,869
Less: corporate taxation equivalent (30%) [based on result before capital]	(198)	-
SURPLUS (DEFICIT) AFTER TAX	1,650	1,869
Plus opening retained profits	129,591	127,612
Plus/less: prior period adjustments	(13)	_
Plus adjustments for amounts unpaid: – Taxation equivalent payments	109	110
– Debt guarantee fees	-	-
- Corporate taxation equivalent	198	-
– Tax equivalent dividend paid	_	-
- Surplus dividend paid Closing retained profits	131,535	129,591
Return on capital % Subsidy from Council	0.4% 3,373	0.0% 5,510
Calculation of dividend payable:		
Surplus (deficit) after tax	1,650	1,869
Less: capital grants and contributions (excluding developer contributions)	(266)	(378)
Surplus for dividend calculation purposes Potential dividend calculated from surplus	1,384 692	1,491 746

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2016

	Actual	Actual
\$ '000	2016	2015
Income from continuing operations		
Access charges	7,578	7,086
User charges	1,627	1,448
Liquid trade waste charges	558	598
Fees	157	133
Interest	319	336
Grants and contributions provided for non-capital purposes	107	106
Profit from the sale of assets	-	12
Other income	23	22
Total income from continuing operations	10,369	9,741
Expenses from continuing operations		
Employee benefits and on-costs	2,831	2,709
Borrowing costs	-	_
Materials and contracts	3,792	3,658
Depreciation and impairment	2,808	2,866
Loss on sale of assets	· _	-
Calculated taxation equivalents	13	14
Debt guarantee fee (if applicable)	_	_
Other expenses	496	544
Total expenses from continuing operations	9,940	9,791
Surplus (deficit) from continuing operations before capital amounts	429	(50)
Grants and contributions provided for capital purposes	1,311	2,915
Surplus (deficit) from continuing operations after capital amounts	1,740	2,865
Surplus (deficit) from discontinued operations	_	_
Surplus (deficit) from all operations before tax	1,740	2,865
Less: corporate taxation equivalent (30%) [based on result before capital]	(129)	-
SURPLUS (DEFICIT) AFTER TAX	1,611	2,865
Plus opening retained profits	76,169	73,290
Plus/less: prior period adjustments	_	_
Plus adjustments for amounts unpaid:		
 Taxation equivalent payments Debt guarantee fees 	13	14
- Corporate taxation equivalent	129	-
Less:		
 Tax equivalent dividend paid 	-	-
- Surplus dividend paid Closing retained profits	77,922	76,169
Return on capital % Subsidy from Council	0.5% 1,634	-0.1% 2,890
	1,034	2,090
Calculation of dividend payable: Surplus (deficit) after tax	1,611	2,865
Less: capital grants and contributions (excluding developer contributions)	(486)	(1,496)
Surplus for dividend calculation purposes	1,125	1,369
Potential dividend calculated from surplus	563	685

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Waste	
	Categ	ory 1
	Actual	Actual
\$ '000	2016	2015
Income from continuing operations		
Access charges	4,299	4,030
User charges	_	_
Fees	5,840	5,534
Interest	157	159
Grants and contributions provided for non-capital purposes	150	96
Profit from the sale of assets	_	_
Other income	1	2,680
Total income from continuing operations	10,447	12,499
Expenses from continuing operations		
Employee benefits and on-costs	2,339	2,088
Borrowing costs	37	87
Materials and contracts	4,639	4,051
Depreciation and impairment	476	495
Loss on sale of assets	202	93
	80	93 77
Calculated taxation equivalents	00	11
Debt guarantee fee (if applicable)	-	-
Other expenses	489	281
Total expenses from continuing operations	8,262	7,172
Surplus (deficit) from continuing operations before capital amounts	2,185	5,327
Grants and contributions provided for capital purposes		
Surplus (deficit) from continuing operations after capital amounts	2,185	5,327
Surplus (deficit) from discontinued operations	_	_
Surplus (deficit) from all operations before tax	2,185	5,327
Less: corporate taxation equivalent (30%) [based on result before capital]	(656)	(1,598)
SURPLUS (DEFICIT) AFTER TAX	1,530	3,729
Plus opening retained profits	21,672	16,268
Plus/less: prior period adjustments	-	-
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	80	77
- Debt guarantee fees	-	1 500
– Corporate taxation equivalent Add:	656	1,598
 Subsidy paid/contribution to operations 	-	-
Less: – TER dividend paid		
– TER dividend paid – Dividend paid	-	_
Closing retained profits	23,937	21,672
Return on capital %	19.8%	51.7%
Subsidy from Council		-

Statement of Financial Position – Council's Water Supply Business Activity as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	7,653	5,528
Investments	, _	559
Receivables	3,472	2,970
Inventories		_
Other	_	5
Non-current assets classified as held for sale	_	_
Total current assets	11,125	9,062
Non-current assets		
Investments	9,413	10,631
Receivables	55	59
Inventories	_	-
Infrastructure, property, plant and equipment	185,798	181,383
Investments accounted for using equity method	-	-
Investment property	_	_
Intangible assets	_	_
Other	_	_
Total non-current assets	195,266	192,073
TOTAL ASSETS	206,391	201,135
LIABILITIES		
Current liabilities		
Bank overdraft	_	_
Payables	495	199
Borrowings	_	_
Provisions	716	582
Total current liabilities	1,211	781
Non-current liabilities		
Payables	_	-
Borrowings	_	-
Provisions	2	7
Total non-current liabilities	2	7
TOTAL LIABILITIES	1,213	788
NET ASSETS	205,178	200,347
EQUITY	404 505	100 504
Retained earnings	131,535	129,591
Revaluation reserves	73,643	70,756
Council equity interest	205,178	200,347
Non-controlling equity interest TOTAL EQUITY		-
	205,178	200,347

Statement of Financial Position – Council's Sewerage Business Activity as at 30 June 2016

	Actual	Actual
\$ '000	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	9,989	8,098
Investments	3,303	559
Receivables	849	857
Inventories	-	
Other	23	26
Non-current assets classified as held for sale	_	
Total Current Assets	10,861	9,540
Total Guirent Assets	10,001	3,340
Non-current assets		
Investments	12,024	11,169
Receivables	34	40
Inventories	-	
Infrastructure, property, plant and equipment	95,049	94,040
Investments accounted for using equity method		54,040
Investment property		_
Intangible assets		_
Other		_
Total non-current assets	107,107	105,249
TOTAL ASSETS	117,968	114,789
	117,500	114,705
LIABILITIES		
Current liabilities		
Bank overdraft		
Payables	182	178
-	102	170
Borrowings Provisions	333	358
Total current liabilities	<u></u>	536
Total current habilities	515	550
Non-current liabilities		
Payables		
Borrowings		_
Provisions	1	1
Total non-current liabilities	1	1
TOTAL LIABILITIES	516	537
NET ASSETS	117,452	114,252
NET ASSETS		114,232
EQUITY		
Retained earnings	77,922	76,169
Revaluation reserves	39,530	38,083
Council equity interest	117,452	114,252
Non-controlling equity interest	_	-
TOTAL EQUITY	117,452	114,252
		,

Statement of Financial Position – Council's Other Business Activities as at 30 June 2016

Category 1 Actual Actual Actual \$ '000 2016 2015 ASSETS Current assets Cash equivalents 17,993 16,106 Investments 17,993 16,106 931 Investments - - - Receivables 678 931 - - Other - - - - Other - - - - Non-current assets 18,671 17,041 - - Non-current assets - - - - - Investments - - - - - Investment property - - - - Investment saccounted for using equity method - -		Was	ste
§ '000 2016 2015 ASSETS Cash and cash equivalents 17,993 16,106 Investments - - - Receivables 678 931 inventories - - Other - - - - - - Non-current assets 18,671 17,041 -		Catego	ory 1
Current assets 17,993 16,106 Cash and cash equivalents 17,993 16,106 Investments - - Receivables 678 931 Inventories - - Other - 4 Non-current assets 18,671 17,041 Non-current assets 18,671 17,041 Non-current assets - - Investments - - Receivables 319 300 Investments - - Investments cocounted for using equity method - - Investment property - - - Total non-current assets 11,553 10,776 TOTAL ASSETS 30,224 27,817 LIABILITIES - - Current liabilities - - Bark overdraft - - - Provisions 398 366 110 Total current liabilities - -	\$ '000		
Cash and cash equivalents 17,993 16,106 Investments - - Receivables 678 931 Inventories - - Other - 4 Non-current assets 18,671 17,041 Non-current assets - - Investments - - Receivables 319 300 Investments - - Investments accounted for using equity method - - Investment accounted for using equity method - - Investment property - - - Total non-current assets 11,553 10,776 Total ASETS 30,224 27,817 LIABILITIES - - Current liabilities - - Bank overdraft - - Provisions 338 366 Total non-current liabilities - - Payables - - -	ASSETS		
Investments - - - Receivables 678 931 Inventories - - Other - 4 Non-current assets classified as held for sale - - Total Current Assets 18,671 17,041 Non-current assets - - Investments - - Investments - - Investments - - Investments accounted for using equity method - - Investment property - - - Total non-current assets 11,553 10,776 Total current itabilities 30,224 27,817 LIABILITIES Current itabilities - Bank overdraft - - Provisions 398 366 Total current liabilities - - Payables - - Dorrowings 72 67 Provisions 1,440 1,410	Current assets		
Receivables 678 931 Inventories - - Other - 4 Non-current assets classified as held for sale - - Total Current Assets 18,671 17,041 Non-current assets 19 300 Inventories - - Investments - - Investments accounted for using equity method - - Investment property - - Investment assets 11,553 10,776 Total non-current assets 11,553 10,776 Total non-current assets 11,553 10,776 Total con-current assets 69 40 Borrowings 72 67 Proxisions 398 3666 Total current liabilities - - Payables 69 40 Borrowings 72 67 Total current liabilities - - Payables 69 40 Boro	Cash and cash equivalents	17,993	16,106
Inventories - - - - - - - - 4 Non-current assets classified as held for sale - - - - 4 Non-current assets 18,671 17,041 17,041 17,041 Non-current assets 18,671 17,041 Non-current assets 319 300 Investments -	Investments	_	_
Other - 4 Non-current assets classified as held for sale - - Total Current Assets 18,671 17,041 Non-current assets - - Investments - - Receivables 319 300 Inventories - - Infrastructure, property, plant and equipment 11,234 10,476 Investment property - - Total non-current assets 11,553 10,776 TOTAL ASSETS 30,224 27,817 LIABILITIES - - Current liabilities - - Bank overdraft - - - Payables 69 40 Borrowings 72 67 Proxisions 398 366 Total current liabilities - - Non-current liabilities - - Payables 0 39 366 Total current liabilities - - Portisions 38 111 Provisions 1,440 1,410 Other Liabilities - - Total current liabilities - - Total ASSETS	Receivables	678	931
Non-current assets classified as held for sale	Inventories	_	_
Total Current Assets 18,671 17,041 Non-current assets	Other	_	4
Non-current assets -	Non-current assets classified as held for sale	_	_
Investments - - - Receivables 319 300 Inventories - - Infrastructure, property, plant and equipment 11,234 10,476 Investments accounted for using equity method - - Investment property - - Total non-current assets 11,553 10,776 TOTAL ASSETS 30,224 27,817 LIABILITIES - - Current liabilities - - Bank overdraft - - Payables 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities - - Payables - - - Borrowings 38 111 1,440 1,440 Other Liabilities - - - - Total non-current liabilities - - -	Total Current Assets	18,671	17,041
Receivables 319 300 Inventories - - Infrastructure, property, plant and equipment 11,234 10,476 Investments accounted for using equity method - - Investment property - - Total non-current assets 11,553 10,776 TOTAL ASSETS 30,224 27,817 LIABILITIES - - Current liabilities - - Bank overdraft - - Provisions 398 366 Total current liabilities 539 473 Non-current liabilities - - Payables - - Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities - - Total non-current liabilities 2,017 1,994 NET ASSETS 28,207 25,823 EQUITY 28,207 25,823	Non-current assets		
Inventories - - - Infrastructure, property, plant and equipment 11,234 10,476 Investment accounted for using equity method - - Investment property - - Total non-current assets 11,553 10,776 TOTAL ASSETS 30,224 27,817 LIABILITIES 30,224 27,817 LIABILITIES - - Current liabilities 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities - - Payables 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities - - Payables - - - Dorivings 38 111 - Provisions 1,440 1,410 - Other Liabilities - - - Total non-current liabi	Investments	_	_
Infrastructure, property, plant and equipment 11,234 10,476 Investments accounted for using equity method - - Investment property - - Total non-current assets 11,553 10,776 TOTAL ASSETS 30,224 27,817 LIABILITIES 30,224 27,817 Current liabilities - - Bank overdraft - - Payables 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities - - Payables - - Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities - - Total non-current liabilities - - Total concurrent liabilities - - Total concurrent liabilities 28,207 25,823 EQUITY 28,207 25,823	Receivables	319	300
Investments accounted for using equity method Investment property	Inventories	_	_
Investments accounted for using equity method Investment property	Infrastructure, property, plant and equipment	11,234	10,476
Investment property -		· _	_
Total non-current assets 11,553 10,776 TOTAL ASSETS 30,224 27,817 LIABILITIES 2 27,817 Current liabilities 69 40 Borrowings 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities 539 473 Payables - - Borrowings 38 111 Provisions 38 111 Provisions 1,440 1,410 Other Liabilities - - Provisions 1,478 1,521 Total non-current liabilities - - TOTAL LIABILITIES 28,207 25,823 NET ASSETS 28,207 25,823 EQUITY 28,207 25,823 Retained earnings 28,207 25,823 Non-controlling equity interest 28,207 25,823	-	_	_
TOTAL ASSETS 30,224 27,817 LIABILITIES Current liabilities - - Bank overdraft - - - Payables 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities 539 473 Payables - - Borrowings 38 111 Provisions 1,440 1,440 Other Liabilities - - Total non-current liabilities - - Total non-current liabilities 1,440 1,440 Total Non-current liabilities - - Total Non-current liabilities 1,478 1,521 TOTAL LIABILITIES 28,207 25,823 NET ASSETS 28,207 25,823 EQUITY - - Retained earnings 23,937 21,672 Revaluation reserves 4,270 4,151 Council equity interest - - <t< td=""><td></td><td>11,553</td><td>10,776</td></t<>		11,553	10,776
Current liabilities Bank overdraft - - - Payables 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities 539 473 Payables - - Borrowings 38 111 Provisions 1,440 1,440 Other Liabilities - - Total non-current liabilities 1,478 1,521 TOTAL LIABILITIES 2,017 1,994 NET ASSETS 28,207 25,823 EQUITY EQUITY 24,270 4,151 Council equity interest 28,207 25,823			
Bank overdraft - - - Payables 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities - - Payables - - Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities - - Retained earnings 23,937 21,672 Revaluation reserves 4,270 4,151 Council equity interest 28,207 25,823 Non-controlling equity interest - -	LIABILITIES		
Payables 69 40 Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities - - Payables - - Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities 2,017 1,994 NET ASSETS 28,207 25,823 EQUITY - - Revaluation reserves 4,270 4,151 Council equity interest 28,207 25,823 Non-controlling equity interest - - <td>Current liabilities</td> <td></td> <td></td>	Current liabilities		
Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities 539 473 Payables - - Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities - - TOTAL LIABILITIES 1,478 1,521 TOTAL LIABILITIES 28,207 25,823 EQUITY 28,207 25,823 EQUITY 4,270 4,151 Council equity interest 28,207 25,823	Bank overdraft	_	_
Borrowings 72 67 Provisions 398 366 Total current liabilities 539 473 Non-current liabilities 539 473 Payables - - Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities - - TOTAL LIABILITIES 1,478 1,521 TOTAL LIABILITIES 28,207 25,823 EQUITY 28,207 25,823 EQUITY 4,270 4,151 Council equity interest 28,207 25,823	Payables	69	40
Provisions398366Total current liabilities539473Non-current liabilities9ayablesPayablesBorrowings38111Provisions1,4401,410Other LiabilitiesTotal non-current liabilities1,4781,521TOTAL LIABILITIES2,0171,994NET ASSETS28,20725,823EQUITYRetained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest	-	72	67
Total current liabilities539473Non-current liabilitiesPayablesPayables38111Provisions1,4401,410Other LiabilitiesTotal non-current liabilities1,4781,521TOTAL LIABILITIES2,0171,994NET ASSETS28,20725,823EQUITYRetained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest	•	398	366
Payables - - - Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities - - TOTAL LIABILITIES 1,478 1,521 NET ASSETS 28,207 25,823 EQUITY 28,207 25,823 Retained earnings 4,270 4,151 Council equity interest 28,207 25,823 Non-controlling equity interest - -	Total current liabilities		
Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities 1,478 1,521 TOTAL LIABILITIES 2,017 1,994 NET ASSETS 28,207 25,823 EQUITY Retained earnings 23,937 21,672 Revaluation reserves 4,270 4,151 Council equity interest 28,207 25,823 Non-controlling equity interest - -	Non-current liabilities		
Borrowings 38 111 Provisions 1,440 1,410 Other Liabilities - - Total non-current liabilities 1,478 1,521 TOTAL LIABILITIES 2,017 1,994 NET ASSETS 28,207 25,823 EQUITY Retained earnings 23,937 21,672 Revaluation reserves 4,270 4,151 Council equity interest 28,207 25,823 Non-controlling equity interest - -	Pavables	_	_
Provisions1,4401,410Other LiabilitiesTotal non-current liabilities1,4781,521TOTAL LIABILITIES2,0171,994NET ASSETS28,20725,823EQUITYRetained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest	-	38	111
Other LiabilitiesTotal non-current liabilities1,4781,521TOTAL LIABILITIES2,0171,994NET ASSETS28,20725,823EQUITYRetained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest	-	1,440	1,410
TOTAL LIABILITIES NET ASSETS2,0171,99428,20725,823EQUITY Retained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest	Other Liabilities	, _	, _
TOTAL LIABILITIES NET ASSETS2,0171,99428,20725,823EQUITY Retained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest		1.478	1.521
NET ASSETS 28,207 25,823 EQUITY Retained earnings 23,937 21,672 Revaluation reserves 4,270 4,151 Council equity interest 28,207 25,823 Non-controlling equity interest - -			
Retained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest	NET ASSETS		
Retained earnings23,93721,672Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest			
Revaluation reserves4,2704,151Council equity interest28,20725,823Non-controlling equity interest		00.007	04 070
Council equity interest28,20725,823Non-controlling equity interest	-		
Non-controlling equity interest			
		28,207	25,823
$\frac{28,207}{25,823}$			-
	IUTAL EQUITY		25,823

Special Purpose Financial Statements for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

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

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

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

Declared business activities

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

Category 1

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

a. Bathurst Regional Council Water Supplies

Council's water supply activities (established as separate Special Rate Funds) servicing the region of Bathurst

b. Bathurst Regional Council Sewerage Service

Council's sewerage reticulation & treatment activities (established as a Special Rate Fund) servicing the region of Bathurst

c. Bathurst Regional Council Waste Services

Council's domestic waste service & solid waste depot activities (established as a Special Rate Fund) servicing the region of Bathurst

Category 2

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

Council has no Category 2 businesses.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Councilnominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate - 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6%** + **\$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

<u>Payroll tax</u> - **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

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

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*. Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

Dolla	rs amounts shown below are in whole dollars (unless otherwise indicated)	2016
	Iculation and payment of tax-equivalents al government local water utilities must pay this dividend for tax equivalents]	
(i)	Calculated tax equivalents	109,000
(ii)	Number of assessments multiplied by \$3/assessment	46,059
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	46,059
(iv)	Amounts actually paid for tax equivalents	_
2. Div (i)	vidend from surplus 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	692,150
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	414,531
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	4,863,000
	2016 Surplus 1,384,300 2015 Surplus 1,491,000 2014 Surplus 1,987,700 2015 Dividend - 2014 Dividend - <td></td>	
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	414,531
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES
	quired outcomes for 6 criteria 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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

Dollars amo	ounts shown below are in whole dollars (unless otherwise indicated)		2016
National V	Vater 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	15,990
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)]	%	78.88%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	167,585
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,692
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	5,278
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)]	%	1.38%
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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements

Dolla	rs amounts shown below are in whole dollars (unless otherwise indicated)	2016
	alculation and payment of tax-equivalents cal government local water utilities must pay this dividend for tax equivalents]	
(i)	Calculated tax equivalents	13,000
(ii)	Number of assessments multiplied by \$3/assessment	44,508
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	13,000
(iv)	Amounts actually paid for tax equivalents	_
2. Div	vidend from surplus	
(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guideline	<u>562,650</u>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	432,080
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	3,840,900
	2016 Surplus 1,125,300 2015 Surplus 1,369,000 2014 Surplus 1,346,600 2015 Dividend - 2014 Dividend -]
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	432,080
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable?	ya YES
	equired outcomes for 4 criteria eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']	
(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1] (b) Non-residential [item 2 (c) in table 1] (c) Trade waste [item 2 (d) in table 1] DSP with commercial developer charges [item 2 (e) in table 1]	YES YES YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

Dollars am	ounts shown below are in whole dollars (unless otherwise indicated)		2016
National V	Vater Initiative (NWI) financial performance indicators		
NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	11,394
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	91,476
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	7,119
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,368
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.54%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	
	Vater Initiative (NWI) financial performance indicators I sewer (combined)		
NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	27,396
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.80%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	7,646
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 1 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	% 00	1.43%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

Dollars amo	ounts shown below are in whole dollars (unless otherwise indicated)		2016
	Vater Initiative (NWI) financial performance indicators sewer (combined)		
NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-12.11%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 4,029		> 100
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4	c)	
	Net interest: - 455 Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	3,710
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	218

Notes: **1.** References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.

- 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF BATHURST REGIONAL COUNCIL

Report on the Financial Statements

We have audited the special purpose financial statements of Bathurst Regional Council (Council) for the year ended 30 June 2016, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Council's Responsibility for the Financial Statements

The Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Bathurst Regional Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion, the special purpose financial statements of Bathurst Regional Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.

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291 Stewart Street Bathurst Dated: 14 October 2016

Learne Anit

LR Smith Director

SPECIAL SCHEDULES for the year ended 30 June 2016

'A vibrant regional centre that enjoys a rural lifestyle, the Bathurst Region achieves health and well being through strengthening economic opportunities, planning for sustainable growth, protecting and enhancing our assets, and encouraging a supportive and inclusive community. A Region full of community spirit and shared prosperity'



Special Schedules for the year ended 30 June 2016

Contents		Page
Special Schedules ¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a) Special Schedule 2(b)	Statement of Long Term Debt (all purposes) Statement of Internal Loans (Sect. 410(3) LGA 1993)	4 n/a
Special Schedule 3 Special Schedule 4	Water Supply Operations – incl. Income Statement Water Supply – Statement of Financial Position	5 8
Special Schedule 5 Special Schedule 6	Sewerage Service Operations – incl. Income Statement Sewerage Service – Statement of Financial Position	9 12
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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000 Income from **Expenses from** Net cost continuing operations Function or activity continuing of services operations Non-capital Capital (2,170) 2,170 Governance _ _ 971 13,802 (12, 831)Administration _ Public order and safety Fire service levy, fire protection, 1,323 712 736 125 emergency services Beach control Enforcement of local government regulations 119 143 _ 24 Animal control 398 75 (323) _ Other _ 1,840 930 736 Total public order and safety (174) Health 75 104 _ 29 Environment Noxious plants and insect/vermin control 211 (211)_ Other environmental protection 969 207 _ (762) 5,042 2,484 Solid waste management 7,525 1 (302) Street cleaning 302 _ 410 Drainage 1,788 84 (1,294)Stormwater management 308 (308)**Total environment** 8,620 7,816 411 (393) **Community services and education** Administration and education Social protection (welfare) _ _ _ _ Aged persons and disabled _ (48) Children's services 2,769 2,721 _ 2,769 2,721 _ (48) Total community services and education Housing and community amenities Public cemeteries 38 8 (30) Public conveniences 138 (138) _ 937 108 (829) Street lighting _ 1,338 (1,238) Town planning 100 _ Other community amenities 6 30 _ 24 Total housing and community amenities 2,457 246 _ (2,211)Water supplies 10,178 13,720 1,189 4,731 7,453 9,825 1,202 Sewerage services 3,574

Special Schedule 1 - Net Cost of Services (continued)

for the year ended 30 June 2016

Function or activity	Expenses from continuing	Incom continuing		Net cost of services
	operations	Non-capital	Capital	of services
Recreation and culture				
Public libraries	1,397	182	_	(1,215)
Museums	1,040	642	311	(87)
Art galleries	951	127	181	(643)
Community centres and halls	484	99	-	(385)
Performing arts venues	1,723	670	-	(1,053)
Other performing arts	-	-	-	-
Other cultural services	885	4	-	(881)
Sporting grounds and venues	796	-	132	(664)
Swimming pools	779	-	-	(779)
Parks and gardens (lakes)	4,618	128	1,951	(2,539)
Other sport and recreation	3,509	3,253	-	(256)
Total recreation and culture	16,182	5,105	2,575	(8,502)
Fuel and energy	_	-	-	
Agriculture	_	-	-	_
Mining, manufacturing and construction				
Building control	1,486	965	-	(521)
Other mining, manufacturing and constructio		_	-	(5)
Total mining, manufacturing and const.	1,491	965	-	(526)
Transport and communication				
Urban roads (UR) – local	5,780	2,587	807	(2,386)
Urban roads – regional	· _	,	-	-
Sealed rural roads (SRR) – local	5,461	_	-	(5,461)
Sealed rural roads (SRR) – regional	257	3,113	-	2,856
Unsealed rural roads (URR) – local	1,705	_	-	(1,705)
Unsealed rural roads (URR) – regional	_	_	-	-
Bridges on UR – local	30	_	-	(30)
Bridges on SRR – local	2	_	-	(2)
Bridges on URR – local	_	-	-	-
Bridges on regional roads	-	-	600	600
Parking areas	86	-	-	(86)
Footpaths	780	-	145	(635)
Aerodromes	556	417	-	(139)
Other transport and communication	2,124	968	-	(1,156)
Total transport and communication	16,781	7,085	1,552	(8,144)
Economic affairs				
Camping areas and caravan parks	_	_	_	-
Other economic affairs	4,376	14,603	_	10,227
Total economic affairs	4,376	14,603	_	10,227
Totals – functions	88,194	64,091	7,665	(16,438)
General purpose revenues ⁽¹⁾		30,855		30,855
Share of interests – joint ventures and		,		,-••
associates using the equity method		-		
NET OPERATING RESULT ⁽²⁾	88,194	94,946	7,665	14,417

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

Special Schedule 2(a) – Statement of Long Term Debt (all purpose) for the year ended 30 June 2016

\$'000

		ipal outstar inning of th	_	New Ioans	Deburcaemption		Transfers	Interest	Principal outstanding at the end of the year		
Classification of debt	Current	Non- current	Total	raised during the year	From revenue	Sinking funds	to sinking funds	applicable for year	Current	Non- current	Total
Loans (by source)											
Commonwealth government	-	-	-	-	-		-	-	-	-	-
Treasury corporation	-	-	-	-	-	-	-	-	-	-	-
Other state government	-	-	-	-	-		-	-	-	-	-
Public subscription	-	-	-	-	-		-	-	-	-	-
Financial institutions	3,373	18,453	21,826	3,000	3,373		-	1,255	3,741	17,712	21,453
Other	-	-	-		-	-	-	-		-	-
Total loans	3,373	18,453	21,826	3,000	3,373	-	-	1,255	3,741	17,712	21,453
Other long term debt											
Ratepayers advances	_	_	_	_	_	_	_	_	_	_	-
Government advances	_	_	_	_	_	_	_	_	_	_	-
Finance leases	_	_	_	_	_	_	- 1	_	_	_	-
Deferred payments	_	_	_	_	_	_	-	_	_	_	-
Total long term debt	-	-	-	-	-	-	-	-		-	-
Total debt	3,373	18,453	21,826	3,000	3,373	-	-	1,255	3,741	17,712	21,453

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).

Special Schedule 3 – Water Supply Income Statement Includes all internal transactions, i.e. prepared on a gross basis for the year ended 30 June 2016

\$'00	00	Actuals 2016	Actuals 2015
A	Expenses and income Expenses		
1.	Management expenses		
	a. Administration	1,461	1,256
	b. Engineering and supervision	1,528	992
2.	Operation and maintenance expenses		
	 dams and weirs 		
	a. Operation expenses	433	602
	b. Maintenance expenses	315	229
	– Mains		
	c. Operation expenses	1,081	1,045
	d. Maintenance expenses	1,319	1,264
	– Reservoirs		
	e. Operation expenses	18	35
	f. Maintenance expenses	166	84
	 Pumping stations 		
	g. Operation expenses (excluding energy costs)	15	19
	h. Energy costs	134	162
	i. Maintenance expenses	26	26
	- Treatment		
	j. Operation expenses (excluding chemical costs)	1,757	1,571
	k. Chemical costs	539	707
	I. Maintenance expenses	898	567
	– Other		
	m. Operation expenses	2	2
	n. Maintenance expenses	-	_
	o. Purchase of water	-	-
3.	Depreciation expenses		
	a. System assets	3,452	3,483
	b. Plant and equipment	284	270
4.	Miscellaneous expenses		
٦.	a. Interest expenses	_	—
	b. Revaluation decrements	_	_
	c. Other expenses	786	979
	d. Impairment – system assets	-	-
	e. Impairment – plant and equipment	_	_
	f. Aboriginal Communities Water and Sewerage Program	_	_
	g. Tax equivalents dividends (actually paid)	_	_
5.	Total expenses	14,214	13,293
э.	i otal onpelises	14,214	15,295

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 2016

	Actuals	Actuals
\$'000	2016	2015
Income		
6. Residential charges		
a. Access (including rates)	1,925	1,416
b. Usage charges	7,188	6,610
Non-residential charges		
a. Access (including rates)	706	54
b. Usage charges	4,574	4,409
B. Extra charges	45	5
. Interest income	169	21
0. Other income	252	19
0a. Aboriginal Communities Water and Sewerage Progra	am –	
1. Grants		
a. Grants for acquisition of assets	-	
b. Grants for pensioner rebates	111	11
c. Other grants	-	
2. Contributions		
a. Developer charges	923	1,52
b. Developer provided assets	266	37
c. Other contributions	-	
3. Total income	16,159	15,45
4. Gain (or loss) on disposal of assets	12	(18
5. Operating result	1,957	1,97
Eq. Operating result (less grants for acquisition of acces	1057	1.07

15a. Operating result (less grants for acquisition of assets)1,9571,979

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 2016

	_	Actuals		Actuals
\$'00	0	 2016		2015
В	Capital transactions			
	Non-operating expenditures			
16.	Acquisition of fixed assets			
	a. New assets for improved standards	1,362		4,686
	b. New assets for growth	2,757		844
	c. Renewals	1,097		1,132
	d. Plant and equipment	62		768
17.	Repayment of debt	-		_
18.	Totals	 5,278		7,430
			_	
	Non-operating funds employed			
19.	Proceeds from disposal of assets	29		-
20.	Borrowing utilised	_		-
21.	Totals	 29		
С	Rates and charges			
22.	Number of assessments			
	a. Residential (occupied)	13,403		13,015
	b. Residential (unoccupied, ie. vacant lot)	414		469
	c. Non-residential (occupied)	1,366		1,355
	d. Non-residential (unoccupied, ie. vacant lot)	170		181
23.	Number of ETs for which developer charges were received	186 ET		303 ET
24.	Total amount of pensioner rebates (actual dollars)	\$ 256,665	\$	250,214

Special Schedule 4 – Water Supply Statement of Financial Position Includes internal transactions, i.e. prepared on a gross basis

as at 30 June 2016

\$'000		Actuals Current	Actuals Non-current	Actuals Total
	SSETS			
	ash and investments		0.440	0.440
	Developer charges	- 7	9,413	9,413
	Special purpose grants Accrued leave	/ _	_	7
	Unexpended loans	_	_	_
	Sinking fund	_	_	_
	Other	7,646	_	7,646
ос п.	eceivables			
	Specific purpose grants	16	_	16
	Rates and availability charges	123	55	178
	User charges	3,315	-	3,315
	Other	18	_	18
27. In	ventories	_	_	_
28. Pi	roperty, plant and equipment			
	System assets	_	167,585	167,585
	Plant and equipment	_	18,213	18,213
	ther assets	_	_	_
30. To	otal assets	11,125	195,266	206,391
	IABILITIES			
	ank overdraft			_
	reditors	495	_	495
		100		
33. B	orrowings	_	-	-
34. Pi	rovisions			
a.	Tax equivalents	_	_	-
	Dividend	_	_	_
C.	Other	716	2	718
35. To	otal liabilities	1,211	2	1,213
36. N	ET ASSETS COMMITTED	9,914	195,264	205,178
E	QUITY			
37. Ad	ccumulated surplus			131,535
38 As	sset revaluation reserve		_	73,643
39. TO	OTAL EQUITY		=	205,178
	ote to system assets:			205 0 40
	urrent replacement cost of system assets ccumulated current cost depreciation of system assets			305,042
	ritten down current cost of system assets		-	(137,457) 167,585

Special Schedule 5 – Sewerage Service Income Statement Includes all internal transactions, i.e. prepared on a gross basis

for the year ended 30 June 2016

\$'00	00	Actuals 2016	Actuals 2015
A	Expenses and income Expenses		
1.	Management expenses		
	a. Administration	2,852	2,730
	b. Engineering and supervision	176	204
2.	Operation and maintenance expenses		
	– mains		
	a. Operation expenses	65	61
	b. Maintenance expenses	599	940
	– Pumping stations		
	c. Operation expenses (excluding energy costs)	477	503
	d. Energy costs	58	55
	e. Maintenance expenses	99	109
	– Treatment		
	f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,632	1,237
	g. Chemical costs	6	2
	h. Energy costs	430	485
	i. Effluent management	_	_
	j. Biosolids management	8	11
	k. Maintenance expenses	717	574
	– Other		
	I. Operation expenses	_	_
	m. Maintenance expenses	-	_
3.	Depreciation expenses		
	a. System assets	2,668	2,763
	b. Plant and equipment	140	103
4.	Miscellaneous expenses		
	a. Interest expenses	-	-
	b. Revaluation decrements	-	-
	c. Other expenses	_	_
	d. Impairment – system assets	_	_
	e. Impairment – plant and equipment	_	_
	f. Aboriginal Communities Water and Sewerage Program	_	_
	g. Tax equivalents dividends (actually paid)	-	-
5.	Total expenses	9,927	9,777

Special Schedule 5 – Sewerage Service Income Statement (continued) Includes all internal transactions, i.e. prepared on a gross basis

for the year ended 30 June 2016

	Actuals	Actuals
\$'000	2016	2015
Income		
6. Residential charges (including rates)	6,269	5,960
7. Non-residential charges		
a. Access (including rates)	1,309	1,126
b. Usage charges	1,627	1,448
8. Trade waste charges		
a. Annual fees	30	29
b. Usage charges	528	569
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	33	37
10. Interest income	286	299
11. Other income	180	155
11a. Aboriginal Communities Water and Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	107	106
c. Other grants	-	_
13. Contributions		
a. Developer charges	825	1,419
b. Developer provided assets	337	1,496
c. Other contributions	149	-
14. Total income	11,680	12,644
15. Gain (or loss) on disposal of assets	_	12
16. Operating result	1,753	2,879
16a. Operating result (less grants for acquisition of assets)	1,753	2,879

Special Schedule 5 – Sewerage Service Income Statement (continued) Includes all internal transactions, i.e. prepared on a gross basis

for the year ended 30 June 2016

			Actuals	Actuals
\$'00	0		2016	2015
В	Capital transactions			
	Non-operating expenditures			
17.	Acquisition of fixed assets			
	a. New assets for improved standards		98	300
	b. New assets for growth		1,291	3,157
	c. Renewals		619	1,546
	d. Plant and equipment		360	582
18.	Repayment of debt		-	_
19.	Totals		2,368	5,585
	Non-operating funds employed			
20.	Proceeds from disposal of assets		_	_
21.	Borrowing utilised		_	-
22.	Totals	_	_	-
С	Rates and charges			
23.	Number of assessments			
	a. Residential (occupied)		12,907	12,654
	b. Residential (unoccupied, ie. vacant lot)		393	317
	c. Non-residential (occupied)		1,366	1,331
	d. Non-residential (unoccupied, ie. vacant lot)		170	181
24.	Number of ETs for which developer charges were received		210 ET	299 ET
25.	Total amount of pensioner rebates (actual dollars)	\$	248,449	\$ 240,843

Special Schedule 6 – Sewerage Service Statement of Financial Position Includes internal transactions, i.e. prepared on a gross basis

as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	_	12,024	12,024
b. Special purpose grants	_	-	-
c. Accrued leave	_	_	_
d. Unexpended loans	_	_	-
e. Sinking fund f. Other	-	_	-
1. Other	9,989	—	9,989
27. Receivables			
a. Specific purpose grants	4	_	4
b. Rates and availability charges	461	34	495
c. User charges	350	-	350
d. Other	34	-	34
28. Inventories	-	-	-
29. Property, plant and equipment			
a. System assets	_	91,476	91,476
b. Plant and equipment	_	3,573	3,573
30. Other assets	23	_	23
31. Total assets	10,861	107,107	117,968
LIABILITIES			
32. Bank overdraft			
33. Creditors	182		182
	102	_	102
34. Borrowings	-	-	-
35. Provisions			
a. Tax equivalents	_	-	-
b. Dividend	_	_	-
c. Other	333	1	334
36. Total liabilities	515	1	516
37. NET ASSETS COMMITTED	10,346	107,106	117,452
EQUITY			
38. Accumulated surplus			77,922
39. Asset revaluation reserve		_	39,530
40. TOTAL EQUITY		:	117,452
Note to system assets:			
41. Current replacement cost of system assets			201,055
42. Accumulated current cost depreciation of system assets			(109,579
13. Written down current cost of system assets			91,476

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

Administration (1)

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

Administration staff:

- Salaries and allowance
- Travelling expenses
- Accrual of leave entitlements
- Employment overheads.
- Meter reading
- Bad and doubtful debts

Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

- ⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).
- ⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000												
		Estimated cost to bring assets to satisfactory	Estimated cost to bring to the agreed level of	2015/16 Required	2015/16 Actual	Carrying	Gross replacement	replacement cost				
Asset class	Asset category	standard	service set by Council	maintenance ^a	maintenance	value	cost (GRC)	1	2	3	4	5
Buildings	Buildings – non-specialised	337	10	395	509	60,561	77,498	44%	38%	17%	1%	0%
	Buildings – specialised	281	-	47	324	48,061	55,728	78%	21%	0%	1%	0%
	Sub-total	618	10	442	833	108,622	133,226	58.2%	30.9%	9.9%	1.0%	0.0%
Other	Other structures	835	183	200	242	12,570	18,598	23%	43%	21%	12%	1%
	Sub-total	835	183	200	242	12,570	18,598	23.0%	43.0%	21.0%	1 2.0 %	1.0%
Roads	Sealed roads	12,961	12,425	3,063	3,436	268,850	399,623	23%	34%	24%	16%	3%
	Unsealed roads	7,405	1,546	5,778	1,023	14,746	26,361	8%	32%	49%	11%	0%
	Bridges	344	889	2,328	132	22,156	37,758	6%	63%	31%	0%	0%
	Footpaths	281	48	279	602	9,202	14,234	22%	38%	31%	8%	1%
	Other road assets including Bulk Earthworks	1,004	1,806	32	95	120,015	120,015	97%	1%	1%	0%	1%
	Sub-total	21,995	16,714	11,480	5,288	434,969	597,991	36.1%	29.2%	21.1%	11.4%	2.2%
									(
Water supply		30,451	21,882	4,482	2,674	167,585	305,042	21%	15%	42%	13%	9%
network	Sub-total	30,451	21,882	4,482	2,674	167,585	305,042	21.0%	15.0%	42.0%	13.0%	9.0%
Sewerage	Sewerage network	27,474	13,401	3,217	1,481	91,476	201,055	11%	19%	40%	16%	14%
network	Sub-total	27,474	13,401	3,217	1,481	91,476	201,055	11.0%	19.0%	40.0%	16.0%	14.0%

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

		Estimated cost to bring assets to satisfactory	Estimated cost to bring to the agreed level of	2015/16 Required	2015/16 Actual	Carrying	Gross replacement		Assets in condition as a por replacement		• •	
Asset class	Asset category	standard	service set by	maintenance ^a	maintenance	value	cost (GRC)	1	2	3	4	5
			Council									
Stormwater	Stormwater drainage	1,534	34	1,343	373	114,304	152,645	36%	32%	31%	1%	0%
drainage	Sub-total	1,534	34	1,343	373	114,304	152,645	36.0%	32.0%	31.0%	1.0%	0.0%
Open space/												
recreational	Swimming pools	-	_	_	59	12,609	13,836	100%	0%	0%	0%	0%
assets	Sub-total	-	-	-	59	12,609	13,836	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	82,907	52,224	21,164	10,950	942,135	1,422,393	31.8%	25.1%	28.1%	10.2%	4.9%

Notes:

1 2

3

4

5

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

Infrastructure asset condition assessment 'key'

Excellent No work required (normal maintenance)

Good Only minor maintenance work required

Average Maintenance work required

Poor Renewal required

Very poor Urgent renewal/upgrading required

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

	Amounts	Indicator	Prior p	eriods
\$ '000	2016	2016	2015	2014
Infrastructure asset performance indicate consolidated	ors *			
1. Infrastructure renewals ratio Asset renewals ⁽¹⁾ Depreciation, amortisation and impairment	<u>9,333</u> 19,585	47.65%	84.95%	63.45%
2. Infrastructure backlog ratio Estimated cost to bring assets to a satisfactory standard Carrying value of infrastructure assets	82,907 838,107	9.89%	6.02%	9.68%
3. Asset maintenance ratio Actual asset maintenance Required asset maintenance	<u>10,950</u> 21,164	0.52	0.54	0.57
4. Cost to bring assets to agreed service level Estimated cost to bring assets to an agreed service level set by Council Gross replacement cost	<u>52,224</u> 1,422,393	3.67%		
5. Capital expenditure ratio Annual capital expenditure Annual depreciation	<u>34,042</u> 22,793	1.49	1.80	1.08

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.

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000		Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio Asset renewals ⁽²⁾				
Depreciation, amortisation and impairment		31.78%	23.20%	56.57%
	prior period:	37.27%	63.01%	109.15%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard Carrying value of infrastructure assets		18.17%	30.03%	4.31%
Carrying value of infrastructure assets	prior period:	11.29%	15.28%	3.08%
3. Asset maintenance ratio				
Actual asset maintenance		0.60	0.46	0.50
Required asset maintenance	prior period:	0.39	0.45	0.63
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council		7.17%	6.67%	1.85%
Gross replacement cost		0.00%	0.00%	0.00%
	prior period:	0.0070	0.0070	0.00 %
5. Capital expenditure ratio				
Annual capital expenditure Annual depreciation		1.41	0.84	1.62
	prior period:	1.98	1.95	1.71

Notes

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	а	22,750	23,663
Plus or minus adjustments ⁽²⁾	b	365	392
Notional general income	c = (a + b)	23,115	24,055
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	е	2.40%	1.80%
or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	_	-
Plus special variation amount	h = d x (c - g)	-	-
Or plus rate peg amount	i = c x e	555	433
Dr plus Crown land adjustment and rate peg amount	j = c x f		_
Sub-total k	i = (c + g + h + i + j)	23,670	24,488
Plus (or minus) last year's carry forward total	I	(9)	(2)
Less valuation objections claimed in the previous year	m		_
Sub-total	n = (l + m)	(9)	(2)
Total permissible income	o = k + n	23,661	24,486
Less notional general income yield	р	23,663	24,457
Catch-up or (excess) result	q = o - p	(2)	29
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	_	-
Less unused catch-up ⁽⁵⁾	S		_
Carry forward to next year	$\mathbf{t} = \mathbf{q} + \mathbf{r} - \mathbf{s}$	(2)	29

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



AUDITOR'S REPORT PERMISSIBLE GENERAL INCOME (SPECIAL SCHEDULE No. 8) OF BATHURST REGIONAL COUNCIL

Scope

We have audited the special purpose financial report comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Bathurst Regional Council for the 2016-'17 financial year.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the reconciliation of Council's total permissible general income (Special Schedule 8) which shows a carry forward catch up total for 2016-'17 of **twenty nine thousand three hundred and forty two dollars (\$29,342)** is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.







Bathurst Regional Council Civic Centre, 158 Russell Street Bathurst NSW 2795

E: council@bathurst.nsw.gov.au W: www.bathurst.nsw.gov.au

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to the fact that Special Schedule 8 - the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the financial report may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the financial report was prepared.

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LR Smith Director

291 Stewart Street Bathurst Dated: 14 October 2016

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