

# Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"Your place, Our place, Great place"*



# Bega Valley Shire Council

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

Council's 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 31 October 2016. Council has the power to amend and reissue these financial statements.
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## Bega Valley Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

#### Understanding Council's financial statements

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##### Introduction

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

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

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

## Bega Valley Shire Council

### 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 10 August 2016.**



Kristy McBain  
Mayor



Councillor



Leanne Barnes  
General manager



Lucas Scarpin  
Responsible accounting officer

## Bega Valley Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup>			Actual	Actual
2016	\$ '000	Notes	2016	2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
46,451	Rates and annual charges	3a	46,531	44,723
15,775	User charges and fees	3b	15,640	14,831
1,584	Interest and investment revenue	3c	1,698	2,164
578	Other revenues	3d	1,298	1,187
16,021	Grants and contributions provided for operating purposes	3e,f	15,780	14,317
5,495	Grants and contributions provided for capital purposes	3e,f	6,380	7,195
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	46	75
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>85,904</b>	<b>Total income from continuing operations</b>		<b>87,373</b>	<b>84,492</b>
<b>Expenses from continuing operations</b>				
29,074	Employee benefits and on-costs	4a	30,337	29,778
2,080	Borrowing costs	4b	2,010	2,173
17,140	Materials and contracts	4c	20,876	18,447
22,312	Depreciation and amortisation	4d	24,474	22,181
–	Impairment	4d	–	–
6,449	Other expenses	4e	5,801	5,196
<b>77,055</b>	<b>Total expenses from continuing operations</b>		<b>83,498</b>	<b>77,775</b>
<b>8,849</b>	<b>Operating result from continuing operations</b>		<b>3,875</b>	<b>6,717</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>8,849</b>	<b>Net operating result for the year</b>		<b>3,875</b>	<b>6,717</b>
8,849	Net operating result attributable to Council		3,875	6,717
–	Net operating result attributable to non-controlling interests		–	–
<b>3,354</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(2,505)</b>	<b>(478)</b>

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

## Bega Valley Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>3,875</b>	<b>6,717</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(9,720)	8,146
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(9,720)</b>	<b>8,146</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>(9,720)</b>	<b>8,146</b>
<b>Total comprehensive income for the year</b>		<b>(5,845)</b>	<b>14,863</b>
<b>Total comprehensive income attributable to Council</b>		<b>(5,845)</b>	<b>14,863</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Bega Valley Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	17,484	5,127
Investments	6b	40,900	49,000
Receivables	7	5,404	5,820
Inventories	8	687	761
Other	8	–	–
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>64,475</b>	<b>60,708</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	24	29
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	1,001,169	1,003,797
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>1,001,193</b>	<b>1,003,826</b>
<b>TOTAL ASSETS</b>		<b>1,065,668</b>	<b>1,064,534</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	7,643	9,633
Borrowings	10	3,629	2,741
Provisions	10	8,991	7,057
<b>Total current liabilities</b>		<b>20,263</b>	<b>19,431</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	38,064	30,271
Provisions	10	2,590	4,236
<b>Total non-current liabilities</b>		<b>40,654</b>	<b>34,507</b>
<b>TOTAL LIABILITIES</b>		<b>60,917</b>	<b>53,938</b>
<b>Net assets</b>		<b>1,004,751</b>	<b>1,010,596</b>
<b>EQUITY</b>			
Retained earnings	20	554,641	550,766
Revaluation reserves	20	450,110	459,830
<b>Council equity interest</b>		<b>1,004,751</b>	<b>1,010,596</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>1,004,751</b>	<b>1,010,596</b>

## Bega Valley Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		550,766	459,830	1,010,596	–	1,010,596
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>550,766</b>	<b>459,830</b>	<b>1,010,596</b>	<b>–</b>	<b>1,010,596</b>
<b>c. Net operating result for the year</b>		<b>3,875</b>	<b>–</b>	<b>3,875</b>	<b>–</b>	<b>3,875</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(9,720)	(9,720)	–	(9,720)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>(9,720)</b>	<b>(9,720)</b>	<b>–</b>	<b>(9,720)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>3,875</b>	<b>(9,720)</b>	<b>(5,845)</b>	<b>–</b>	<b>(5,845)</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>554,641</b>	<b>450,110</b>	<b>1,004,751</b>	<b>–</b>	<b>1,004,751</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		544,049	451,684	995,733	–	995,733
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>544,049</b>	<b>451,684</b>	<b>995,733</b>	<b>–</b>	<b>995,733</b>
<b>c. Net operating result for the year</b>		<b>6,717</b>	<b>–</b>	<b>6,717</b>	<b>–</b>	<b>6,717</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	8,146	8,146	–	8,146
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>8,146</b>	<b>8,146</b>	<b>–</b>	<b>8,146</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>6,717</b>	<b>8,146</b>	<b>14,863</b>	<b>–</b>	<b>14,863</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>550,766</b>	<b>459,830</b>	<b>1,010,596</b>	<b>–</b>	<b>1,010,596</b>

## Bega Valley Shire Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
46,367	Rates and annual charges		46,429	44,864
22,893	User charges and fees		15,830	15,031
–	Investment and interest revenue received		1,796	2,125
21,481	Grants and contributions		21,782	21,336
–	Bonds, deposits and retention amounts received		–	296
2,162	Other		1,902	594
<b>Payments:</b>				
(29,082)	Employee benefits and on-costs		(30,022)	(29,184)
(24,288)	Materials and contracts		(22,659)	(14,392)
(2,080)	Borrowing costs		(2,015)	(2,191)
–	Bonds, deposits and retention amounts refunded		(150)	–
(6,449)	Other		(5,801)	(6,003)
<b>31,004</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>27,092</b>	<b>32,476</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		49,000	–
2,417	Sale of infrastructure, property, plant and equipment		783	1,666
–	Deferred debtors receipts		4	78
<b>Payments:</b>				
–	Purchase of investment securities		(40,900)	(23,000)
(34,959)	Purchase of infrastructure, property, plant and equipment		(32,303)	(30,686)
<b>(32,542)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(23,416)</b>	<b>(51,942)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
6,500	Proceeds from borrowings and advances		11,420	–
–	Proceeds from finance leases		–	267
<b>Payments:</b>				
(2,812)	Repayment of borrowings and advances		(2,692)	(3,005)
–	Repayment of finance lease liabilities		(47)	(16)
<b>3,688</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>8,681</b>	<b>(2,754)</b>
<b>2,150</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,357</b>	<b>(22,220)</b>
44,276	Plus: cash and cash equivalents – beginning of year	11a	5,127	27,347
<b>46,426</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>17,484</b>	<b>5,127</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	40,900	49,000
	<b>Total cash, cash equivalents and investments</b>		<b>58,384</b>	<b>54,127</b>

Please refer to Note 11 for additional cash flow information

# Bega Valley Shire Council

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

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n/a – not applicable

## Bega Valley Shire Council

### 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-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit 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-for-sale 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.

## Bega Valley Shire Council

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

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.

## Bega Valley Shire Council

### 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
- Water Supply
- Sewerage Service

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

- *Twyford Hall Committee*

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

<b>Total income from continuing operations</b>	<b>\$155,000</b>
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## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

**Total expenditure from continuing operations** \$40,000

**Total net assets held (i.e. equity)** \$1,042,000

#### Note:

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

#### (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.

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

Council has no interest in any subsidiaries.

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.

##### Associates

Council has no interest in any associates.

##### County councils

Council is not a member of any county councils.

#### 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.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### (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 re-evaluates this designation at each reporting date.

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

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

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.

Derivatives are classified as held for trading unless they are designated as hedges.

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 non-current 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 non-derivatives that are either designated in this category or not classified in any of the other categories.

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

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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 available-for-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-to-maturity 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.

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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

#### (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. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

#### (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 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.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### **(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) Inventory held for distribution**

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

###### **(iii) Land held for resale/capitalisation of borrowing costs**

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

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

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

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

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

##### **(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:

## Bega Valley Shire Council

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

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

- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Operational Land** (External Valuation)
- **Community Land** (Internal 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 incl. roads, bridges and footpaths** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Stormwater Drainage** (Internal Valuation)
- **Water and Sewerage Networks** (External Valuation)
- **Swimming Pools** (External Valuation)
- **Other Open Space/Recreational Assets**  
(External Valuation)
- **Other Infrastructure** (External 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.

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.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant and Equipment

Office Furniture	> \$10,000
Office Equipment	> \$10,000
Other Plant & Equipment	> \$10,000

##### Buildings and Land Improvements

Park Furniture and Equipment	> \$10,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$10,000
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##### 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

Bridge construction and reconstruction	> \$10,000
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##### Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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#### 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	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 10 years

##### Other Equipment

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

##### Buildings

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

##### Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes	80 years
- Sewer Treatment Plants	50 years

##### Stormwater Assets

- Drains	100 years
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##### Transportation Assets

- Roads	20 to 90 years
- Bridges	60 to 100 years
- Car Parks	100 years
- Kerb, Gutter and Paths	70 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	> \$10,000
- Other Open Space /Recreational Assets	> \$10,000
- Other Infrastructure	> \$10,000

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Other Assets

- Library Books 10 years

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).

##### (l) 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

##### (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.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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.

#### **(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 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.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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 non-current 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 cash-generating 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.

#### **(u) Borrowings**

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

Borrowings are subsequently measured at amortised cost.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

#### (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.

##### (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.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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 'multi-employer 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.

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 \$ 762k.

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 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.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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.

These include the following standards that are anticipated will impact on local government:

**AASB 9 – Financial Instruments**

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

**AASB ED 260 – Income of Not-for-Profit Entities**

**AASB16 – Leases**

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

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

**AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]**

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

#### **(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.

## Bega Valley Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	30	26	–	1,508	1,573	1,544	(1,478)	(1,547)	(1,544)	391	2	3,199	2,108
Administration	1,160	2,155	974	4,641	6,862	9,686	(3,481)	(4,707)	(8,712)	106	176	72,653	62,248
Public order and safety	661	1,200	917	2,018	2,021	1,933	(1,357)	(821)	(1,016)	539	516	1,839	1,690
Health	116	117	133	348	359	356	(232)	(242)	(223)	–	–	–	–
Environment	9,804	10,132	10,460	8,805	10,270	9,370	999	(138)	1,090	318	758	–	43,864
Community services and education	3,620	4,053	3,482	4,145	4,735	4,508	(525)	(682)	(1,026)	3,174	2,636	4,657	4,713
Housing and community amenities	758	758	730	3,757	3,903	4,231	(2,999)	(3,145)	(3,501)	9	12	44,157	–
Water supplies	11,501	11,137	10,202	11,824	13,241	11,511	(323)	(2,104)	(1,309)	149	145	194,469	206,342
Sewerage services	18,993	18,359	17,123	17,083	18,778	16,690	1,910	(419)	433	129	127	181,477	199,463
Recreation and culture	1,575	1,694	1,883	4,712	5,444	5,254	(3,137)	(3,750)	(3,371)	361	552	132,773	121,374
Mining, manufacturing and construction	1,502	1,573	1,332	7,786	7,213	721	(6,284)	(5,640)	611	–	–	435	501
Transport and communication	7,012	7,075	8,340	9,292	7,973	10,532	(2,280)	(898)	(2,192)	6,639	5,831	424,787	419,542
Economic affairs	426	496	839	1,136	1,126	1,439	(710)	(630)	(600)	–	–	5,222	2,689
<b>Total functions and activities</b>	<b>57,158</b>	<b>58,775</b>	<b>56,415</b>	<b>77,055</b>	<b>83,498</b>	<b>77,775</b>	<b>(19,897)</b>	<b>(24,723)</b>	<b>(21,360)</b>	<b>11,815</b>	<b>10,755</b>	<b>1,065,668</b>	<b>1,064,534</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	28,746	28,598	28,077	–	–	–	28,746	28,598	28,077	7,050	7,131	–	–
<b>Operating result from continuing operations</b>	<b>85,904</b>	<b>87,373</b>	<b>84,492</b>	<b>77,055</b>	<b>83,498</b>	<b>77,775</b>	<b>8,849</b>	<b>3,875</b>	<b>6,717</b>	<b>18,865</b>	<b>17,886</b>	<b>1,065,668</b>	<b>1,064,534</b>

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

## Bega Valley Shire Council

### 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**

Costs relating to the 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, area representation and public disclosure and compliance.

##### **ADMINISTRATION**

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

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

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

##### **HEALTH**

Inspection, immunisations, food control, health centres, other, administration.

##### **ENVIRONMENT**

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

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

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

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

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

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

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

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

Building control, abattoirs, quarries and pits, other.

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

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

##### **ECONOMIC AFFAIRS**

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

## Bega Valley Shire Council

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

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		17,171	16,285
Farmland		1,913	1,837
Business		2,158	2,083
<b>Total ordinary rates</b>		<b>21,242</b>	<b>20,205</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,828	6,581
Stormwater management services		288	285
Water supply services		2,945	2,860
Sewerage services		14,467	14,067
Waste management services (non-domestic)		761	725
<b>Total annual charges</b>		<b>25,289</b>	<b>24,518</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>46,531</b>	<b>44,723</b>

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

## Bega Valley Shire Council

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
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		6,733	6,011
Sewerage services		1,655	1,541
<b>Total user charges</b>		<b>8,388</b>	<b>7,552</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		1,849	1,481
Private works – section 67		452	496
Regulatory fees		89	75
Section 603 certificates		95	86
Tapping fees		165	152
<b>Total fees and charges – statutory/regulatory</b>		<b>2,650</b>	<b>2,290</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries		308	305
Child care		824	811
Community centres		91	88
Committee funds		28	75
Food shop inspections		90	85
Lease rentals		387	417
Leaseback fees – Council vehicles		308	288
Library and art gallery		17	21
Planning and building – discretionary		195	233
Refuse and effluent disposal		35	28
Recycling income (non-domestic)		6	191
Sundry sales		50	28
Swimming centres		731	758
Waste disposal tipping fees		1,486	1,649
Other		46	12
<b>Total fees and charges – other</b>		<b>4,602</b>	<b>4,989</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>15,640</b>	<b>14,831</b>

## Bega Valley Shire Council

## 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
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		160	148
– Interest earned on investments (interest and coupon payment income)		1,340	1,820
– Interest (other)		194	196
<b>Amortisation of premiums and discounts</b>			
– Interest free (and interest reduced) loans provided		4	–
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<u>1,698</u>	<u>2,164</u>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		160	64
General Council cash and investments		146	677
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		26	52
– Section 64		149	247
Water fund operations		413	393
Sewerage fund operations		581	495
Domestic waste management operations		223	236
<b>Total interest and investment revenue recognised</b>		<u>1,698</u>	<u>2,164</u>
<b>(d) Other revenues</b>			
Fines		66	62
Legal fees recovery – rates and charges (extra charges)		382	296
Legal fees recovery – other		13	2
Commissions and agency fees		5	9
Diesel rebate		131	122
Fundraising and donations		98	12
Insurance claim recoveries		297	142
Sales – general		306	542
<b>TOTAL OTHER REVENUE</b>		<u>1,298</u>	<u>1,187</u>

## Bega Valley Shire Council

## 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
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	4,859	4,938	–	–
Financial assistance – local roads component	1,821	1,833	–	–
Pensioners' rates subsidies – general component	370	360	–	–
<b>Total general purpose</b>	<b>7,050</b>	<b>7,131</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	149	145	–	–
– Sewerage	129	127	–	–
– Domestic waste management	161	157	–	–
Bushfire and emergency services	481	472	14	–
Child care	1,720	1,519	–	–
Community care	1,430	1,109	1	–
Employment and training programs	106	43	–	–
Environmental protection	88	289	–	–
Flood restoration	12	–	–	–
Heritage and cultural	63	38	–	–
Library	199	104	–	–
LIRS subsidy	242	267	–	–
Noxious weeds	127	181	–	–
Planning	8	12	–	–
Regulatory	58	44	–	–
Recreation and culture	100	58	–	360
Street lighting	51	50	–	–
Transport (roads to recovery)	–	–	2,465	830
Transport (other roads and bridges funding)	3,029	2,219	761	2,340
Waste	35	–	16	131
Wharves and jetties	–	–	370	260
<b>Total specific purpose</b>	<b>8,188</b>	<b>6,834</b>	<b>3,627</b>	<b>3,921</b>
<b>Total grants</b>	<b>15,238</b>	<b>13,965</b>	<b>3,627</b>	<b>3,921</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,985	6,945	–	–
– State funding	6,818	6,947	1,162	2,261
– Other funding	(565)	73	2,465	1,660
	<b>15,238</b>	<b>13,965</b>	<b>3,627</b>	<b>3,921</b>

## Bega Valley Shire Council

## 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
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	531	419
S 64 – water supply contributions	–	–	569	420
S 64 – sewerage service contributions	–	–	1,224	612
<b>Total developer contributions</b>	17	–	<b>2,324</b>	<b>1,451</b>
<b>Other contributions:</b>				
Administration	61	158	–	–
Airport	120	51	–	–
Bushfire services	80	39	354	180
Community services	31	10	–	–
Library	44	62	–	–
Recreation and culture	146	32	–	10
Roads and bridges	–	–	–	1,497
Sewerage (excl. section 64 contributions)	–	–	75	128
Sporting ground	–	–	–	8
Water supplies (excl. section 64 contributions)	7	–	–	–
Other	53	–	–	–
<b>Total other contributions</b>	<b>542</b>	<b>352</b>	<b>429</b>	<b>1,823</b>
<b>Total contributions</b>	<b>542</b>	<b>352</b>	<b>2,753</b>	<b>3,274</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>15,780</b>	<b>14,317</b>	<b>6,380</b>	<b>7,195</b>

\$ '000	Actual 2016	Actual 2015
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## (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	10,588	11,021
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	1,613	3,492
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(1,897)	(3,925)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(284)</b>	<b>(433)</b>
<b>Unexpended and held as restricted assets</b>	<b>10,304</b>	<b>10,588</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,848	2,388
– Developer contributions	8,456	8,200
	<b>10,304</b>	<b>10,588</b>

## Bega Valley Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		23,386	22,267
Employee termination costs (where material – other than vested leave paid)		–	358
Travel expenses		117	288
Employee leave entitlements (ELE)		4,458	3,608
Superannuation		2,853	2,712
Workers' compensation insurance		680	540
Fringe benefit tax (FBT)		48	32
Payroll tax		284	257
Training costs (other than salaries and wages)		571	819
Protective clothing		99	92
Other		2	85
<b>Total employee costs</b>		<b>32,498</b>	<b>31,058</b>
Less: capitalised costs		(2,161)	(1,280)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>30,337</b>	<b>29,778</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>355</b>	<b>360</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,999	2,162
Interest on advances		–	6
Charges relating to finance leases		11	5
<b>Total interest bearing liability costs expensed</b>		<b>2,010</b>	<b>2,173</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>2,010</b>	<b>2,173</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		6,162	3,861
Contractor and consultancy costs		14,039	13,852
Auditors remuneration <sup>(1)</sup>		66	55
Legal expenses:			
– Legal expenses: planning and development		5	62
– Legal expenses: debt recovery		384	300
– Legal expenses: other		136	218
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		84	99
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>20,876</b>	<b>18,447</b>

## Bega Valley Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		66	55
<b>Remuneration for audit and other assurance services</b>		<b>66</b>	<b>55</b>
<b>Total Auditor remuneration</b>		<b>66</b>	<b>55</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		84	99
Other		–	–
		<b>84</b>	<b>99</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	1,497	1,489
Office equipment		–	–	67	64
Infrastructure:					
– Buildings – specialised		–	–	991	1,123
– Roads		–	–	6,414	6,065
– Bridges		–	–	1,786	1,879
– Footpaths		–	–	193	157
– Stormwater drainage		–	–	368	343
– Water supply network		–	–	4,622	3,709
– Sewerage network		–	–	7,012	6,258
– Swimming pools		–	–	153	145
– Other open space/recreational assets		–	–	886	493
– Other infrastructure		–	–	414	377
Other assets					
– Library books		–	–	71	79
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>24,474</b>	<b>22,181</b>

## Bega Valley Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		232	117
Bad and doubtful debts		27	175
Bank charges		198	196
Computer software charges		952	619
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		56	49
– NSW Fire Brigade levy		67	66
– NSW Rural Fire Service levy		499	484
Councillor expenses – mayoral fee		58	40
Councillor expenses – councillors' fees		156	192
Councillors' expenses (incl. mayor) – other (excluding fees above)		53	59
Donations, contributions and assistance to other organisations (Section 356)		368	279
Electricity and heating		1,174	1,247
Insurance		1,067	951
Postage		134	101
Street lighting		305	246
Telephone and communications		340	272
Valuation fees		115	103
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>5,801</u></b>	<b><u>5,196</u></b>

## Bega Valley Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		–	200
Less: carrying amount of property assets sold/written off		–	(200)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		783	1,466
Less: carrying amount of plant and equipment assets sold/written off		(737)	(1,391)
<b>Net gain/(loss) on disposal</b>		<b>46</b>	<b>75</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		49,000	–
Less: carrying amount of financial assets sold/redeemed/matured		(49,000)	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>46</u></b>	<b><u>75</u></b>

## Bega Valley Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		4,484	–	1,127	–
Cash-equivalent assets <sup>1</sup>					
– Short-term deposits		13,000	–	4,000	–
<b>Total cash and cash equivalents</b>		<b>17,484</b>	<b>–</b>	<b>5,127</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Term deposits		40,900	–	49,000	–
<b>Total investments</b>		<b>40,900</b>	<b>–</b>	<b>49,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>58,384</b>	<b>–</b>	<b>54,127</b>	<b>–</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths (92 days).

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'

	<b>17,484</b>	<b>–</b>	<b>5,127</b>	<b>–</b>
--	---------------	----------	--------------	----------

**Investments**

b. 'Held to maturity'

6(b-ii)

Investments

	40,900	–	49,000	–
	<b>40,900</b>	<b>–</b>	<b>49,000</b>	<b>–</b>

**Note 6(b-i)****Reconciliation of investments classified as 'held to maturity'**

Balance at the beginning of the year	49,000	–	26,000	–
Additions	40,900	–	23,000	–
Disposals (sales and redemptions)	(49,000)	–	–	–
<b>Balance at end of year</b>	<b>40,900</b>	<b>–</b>	<b>49,000</b>	<b>–</b>

**Comprising:**

– Other long term financial assets	40,900	–	49,000	–
<b>Total</b>	<b>40,900</b>	<b>–</b>	<b>49,000</b>	<b>–</b>

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

## Bega Valley Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	58,384	–	54,127	–
<b>attributable to:</b>				
External restrictions (refer below)	43,118	–	42,093	–
Internal restrictions (refer below)	12,050	–	8,560	–
Unrestricted	3,216	–	3,474	–
	<b>58,384</b>	<b>–</b>	<b>54,127</b>	<b>–</b>

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

## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – general (A)	489	215	–	704
<b>External restrictions – included in liabilities</b>	<b>489</b>	<b>215</b>	<b>–</b>	<b>704</b>

**External restrictions – other**

Developer contributions – general (D)	1,395	514	(665)	1,244
Developer contributions – water fund (D)	4,224	644	(1,535)	3,333
Developer contributions – sewer fund (D)	2,581	1,298	–	3,879
Specific purpose unexpended grants (F)	2,388	–	(540)	1,848
Water supplies (G)	10,618	–	(465)	10,153
Sewerage services (G)	13,769	2,472	–	16,241
Domestic waste management (G)	6,588	–	(913)	5,675
Tathra beach estate	41	–	–	41
<b>External restrictions – other</b>	<b>41,604</b>	<b>4,928</b>	<b>(4,118)</b>	<b>42,414</b>
<b>Total external restrictions</b>	<b>42,093</b>	<b>5,143</b>	<b>(4,118)</b>	<b>43,118</b>

**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).

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

**G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Bega Valley Shire Council

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

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	553	1,812	–	2,365
Infrastructure replacement	159	1,081	–	1,240
Employees leave entitlement	1,651	–	–	1,651
Carry over works	1,291	779	–	2,070
Brighter futures vehicle reserve	30	–	–	30
Childcare services (excl. ELE shown above)	495	65	–	560
Computer reserve	488	–	(28)	460
Election expenses	148	55	–	203
Energy efficiency fund	47	–	(47)	–
Environmental management	122	–	(32)	90
Former sec 355 committees	755	–	(25)	730
Gravel pit operations	555	–	–	555
Operational examination contingency	131	–	(23)	108
Other airport	129	125	–	254
Other waste management	544	–	(129)	415
Park improvements	214	5	–	219
Property development	692	–	(319)	373
Saleyards	41	9	–	50
Sporting facilities	192	4	–	196
Sportsground sv reserve	188	–	(46)	142
SV- Armco Culvert Restoration	–	124	–	124
SV- Public Domain and Buildings	–	60	–	60
Other	135	20	–	155
<b>Total internal restrictions</b>	<b>8,560</b>	<b>4,139</b>	<b>(649)</b>	<b>12,050</b>
<b>TOTAL RESTRICTIONS</b>	<b>50,653</b>	<b>9,282</b>	<b>(4,767)</b>	<b>55,168</b>

## Bega Valley Shire Council

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

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,685	–	1,583	–
Interest and extra charges		181	–	165	–
User charges and fees		941	–	1,134	–
Private works		683	–	685	–
Contributions to works		15	–	18	–
Accrued revenues					
– Interest on investments		151	–	269	–
Children services		161	–	167	–
Deferred debtors		9	–	9	–
Government grants and subsidies		1,563	–	1,185	–
Loans to sporting clubs		–	24	–	29
Net GST receivable		434	–	813	–
Other debtors		–	–	211	–
<b>Total</b>		<b>5,823</b>	<b>24</b>	<b>6,239</b>	<b>29</b>
<b>Less: provision for impairment</b>					
User charges and fees		(419)	–	(419)	–
<b>Total provision for impairment – receivables</b>		<b>(419)</b>	<b>–</b>	<b>(419)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>5,404</u></b>	<b><u>24</u></b>	<b><u>5,820</u></b>	<b><u>29</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		70	–	70	–
– Other		512	–	472	–
<b>Sewerage services</b>					
– Rates and availability charges		293	–	295	–
– Other		151	–	143	–
<b>Total external restrictions</b>		<b>1,026</b>	<b>–</b>	<b>980</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>4,378</b>	<b>24</b>	<b>4,840</b>	<b>29</b>
<b>TOTAL NET RECEIVABLES</b>		<b>5,404</b>	<b>24</b>	<b>5,820</b>	<b>29</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (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.

## Bega Valley Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		69	–	69	–
Stores and materials		568	–	642	–
Loose tools		50	–	50	–
<b>Total inventories at cost</b>		<b>687</b>	<b>–</b>	<b>761</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>687</b>	<b>–</b>	<b>761</b>	<b>–</b>

**(b) Other assets**

Nil

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**(i) Other disclosures****(a) Details for real estate development**

Residential		69	–	69	–
<b>Total real estate for resale</b>		<b>69</b>	<b>–</b>	<b>69</b>	<b>–</b>

(Valued at the lower of cost and net realisable value)

**Represented by:**

Acquisition costs		69	–	69	–
<b>Total costs</b>		<b>69</b>	<b>–</b>	<b>69</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>69</b>	<b>–</b>	<b>69</b>	<b>–</b>

**Movements:**

Real estate assets at beginning of the year		69	–	69	–
<b>Total real estate for resale</b>		<b>69</b>	<b>–</b>	<b>69</b>	<b>–</b>

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

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

	2016	2015
Real estate for resale	69	–
	<b>69</b>	<b>–</b>

**(c) Inventory write downs**

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

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

Bega Valley Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016				
	At	At	Accumulated		Carrying	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At	At	Accumulated		Carrying
	cost	fair value	depreciation	impairment	value									cost	fair value	depreciation	impairment	value
Capital work in progress	-	6,204	-	-	6,204	-	33	-	-	(6,204)	-	-	-	-	33	-	-	33
Plant and equipment	-	18,626	8,091	-	10,535	2,275	-	(737)	(1,497)	-	-	-	-	19,560	8,984	-	10,576	
Office equipment	-	3,310	3,031	-	279	-	194	-	(67)	-	-	-	-	3,504	3,098	-	406	
Furniture and fittings	-	243	243	-	-	-	-	-	-	-	-	-	-	243	243	-	-	
<b>Land:</b>																		
- Operational land	-	28,666	-	-	28,666	-	548	-	-	-	2,458	-	-	31,672	-	-	31,672	
- Community land	-	66,925	-	-	66,925	-	650	-	-	-	(2,458)	(15,859)	-	49,258	-	-	49,258	
- Land under roads (post 30/6/08)	-	540	-	-	540	-	-	-	-	-	-	-	-	540	-	-	540	
Land improvements – depreciable	-	7,540	374	-	7,166	-	-	-	-	-	(7,166)	-	-	-	-	-	-	
<b>Infrastructure:</b>																		
- Buildings – specialised	-	64,399	13,632	-	50,767	85	5,524	-	(991)	5,811	(17,791)	-	-	54,399	10,994	-	43,405	
- Other structures	-	2,788	338	-	2,450	-	-	-	-	-	(2,450)	-	-	-	-	-	-	
- Roads	-	362,888	189,470	-	173,418	6,097	2,926	-	(6,414)	31	-	-	-	371,943	195,885	-	176,058	
- Bridges	-	166,610	79,205	-	87,405	717	201	-	(1,786)	-	-	-	-	167,527	80,990	-	86,537	
- Footpaths	-	8,489	4,011	-	4,478	-	59	-	(193)	-	-	-	-	8,548	4,204	-	4,344	
- Bulk earthworks (non-depreciable)	-	135,942	-	-	135,942	-	-	-	-	-	-	-	-	135,942	-	-	135,942	
- Stormwater drainage	-	36,745	10,506	-	26,239	202	282	-	(368)	-	-	-	-	37,229	10,874	-	26,355	
- Water supply network	-	308,037	117,079	-	190,958	2,675	1,071	-	(4,622)	-	-	2,850	-	316,459	123,527	-	192,932	
- Sewerage network	-	296,915	114,924	-	181,991	1,365	325	-	(7,012)	260	-	-	2,654	303,348	123,765	-	179,583	
- Swimming pools	-	7,821	722	-	7,099	199	-	-	(153)	-	-	(2,805)	-	12,065	7,725	-	4,340	
- Other open space/recreational assets	-	22,050	6,804	-	15,246	88	4,030	-	(886)	-	16,576	-	4,699	61,160	21,407	-	39,753	
- Other infrastructure	-	9,223	2,153	-	7,070	-	2,664	-	(414)	102	10,831	(1,259)	-	22,367	3,373	-	18,994	
<b>Other assets:</b>																		
- Library books	-	1,953	1,534	-	419	93	-	-	(71)	-	-	-	-	2,046	1,605	-	441	
<b>Reinstatement, rehabilitation and restoration assets</b> (refer Note 26):																		
- Tip assets	-	3,809	3,809	-	-	-	-	-	-	-	-	-	-	3,809	3,809	-	-	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>-</b>	<b>1,559,723</b>	<b>555,926</b>	<b>-</b>	<b>1,003,797</b>	<b>13,796</b>	<b>18,507</b>	<b>(737)</b>	<b>(24,474)</b>	<b>-</b>	<b>-</b>	<b>(19,923)</b>	<b>10,203</b>	<b>-</b>	<b>1,601,652</b>	<b>600,483</b>	<b>-</b>	<b>1,001,169</b>

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

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

## Bega Valley Shire Council

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

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
Plant and equipment	-	-	-	-	-	44	44	-
Infrastructure	-	316,458	123,527	<b>192,931</b>	-	308,037	117,079	<b>190,958</b>
<b>Total water supply</b>	<b>-</b>	<b>316,458</b>	<b>123,527</b>	<b>192,931</b>	<b>-</b>	<b>308,081</b>	<b>117,123</b>	<b>190,958</b>
<b>Sewerage services</b>								
WIP	-	-	-	-	-	259	-	<b>259</b>
Plant and equipment	-	1,162	800	<b>362</b>	-	1,162	737	<b>425</b>
Land								
- Operational land	-	13	-	<b>13</b>	-	-	-	-
Infrastructure	-	303,348	123,765	<b>179,583</b>	-	296,915	114,924	<b>181,991</b>
<b>Total sewerage services</b>	<b>-</b>	<b>304,523</b>	<b>124,565</b>	<b>179,958</b>	<b>-</b>	<b>298,336</b>	<b>115,661</b>	<b>182,675</b>
<b>Domestic waste management</b>								
Land								
- Operational land	-	-	-	-	-	2,535	-	<b>2,535</b>
- Community land	-	-	-	-	-	445	-	<b>445</b>
- Improvements - depreciable	-	-	-	-	-	7,468	367	<b>7,101</b>
Other assets	-	3,809	3,809	-	-	3,808	-	<b>3,808</b>
<b>Total DWM</b>	<b>-</b>	<b>3,809</b>	<b>3,809</b>	<b>-</b>	<b>-</b>	<b>14,256</b>	<b>367</b>	<b>13,889</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>-</b>	<b>624,790</b>	<b>251,901</b>	<b>372,889</b>	<b>-</b>	<b>620,673</b>	<b>233,151</b>	<b>387,522</b>

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

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

## Bega Valley Shire Council

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

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		4,365	–	6,222	–
Payments received in advance		586	–	591	–
Accrued expenses:					
– Borrowings		281	–	286	–
– Salaries and wages		1,246	–	1,219	–
Security bonds, deposits and retentions		1,165	–	1,315	–
<b>Total payables</b>		<b>7,643</b>	<b>–</b>	<b>9,633</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		3,578	37,911	2,692	30,069
Finance lease liabilities		51	153	49	202
<b>Total borrowings</b>		<b>3,629</b>	<b>38,064</b>	<b>2,741</b>	<b>30,271</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		2,645	–	2,365	–
Long service leave		4,583	200	4,576	219
Other leave		136	–	116	–
Sub-total – aggregate employee benefits		7,364	200	7,057	219
Asset remediation/restoration (future works)	26	1,627	2,390	–	4,017
<b>Total provisions</b>		<b>8,991</b>	<b>2,590</b>	<b>7,057</b>	<b>4,236</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>20,263</b>	<b>40,654</b>	<b>19,431</b>	<b>34,507</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		–	–	301	4
Sewer		271	20,377	1,304	20,595
Liabilities relating to externally restricted assets		271	20,377	1,605	20,599
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		271	20,377	1,605	20,599
<b>Total liabilities relating to unrestricted assets</b>		19,992	20,277	17,826	13,908
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>20,263</b>	<b>40,654</b>	<b>19,431</b>	<b>34,507</b>

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

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

## Bega Valley Shire Council

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

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

\$ '000	Actual 2016	Actual 2015
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	4,271	4,390
	<u>4,271</u>	<u>4,390</u>

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

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	2,365	2,171	(1,891)	–	–	2,645
Long service leave	4,795	980	(992)	–	–	4,783
Other leave (enter detai	116	212	(192)	–	–	136
Asset remediation	4,017	–	–	–	–	4,017
<b>TOTAL</b>	<b>11,293</b>	<b>3,363</b>	<b>(3,075)</b>	<b>–</b>	<b>–</b>	<b>11,581</b>

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

## Bega Valley Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	17,484	5,127
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>17,484</b>	<b>5,127</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>3,875</b>	<b>6,717</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		24,474	22,181
Net losses/(gains) on disposal of assets		(46)	(75)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(4)	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		421	(656)
Increase/(decrease) in provision for doubtful debts		–	175
Decrease/(increase) in inventories		74	9
Decrease/(increase) in other assets		–	15
Increase/(decrease) in payables		(1,857)	2,930
Increase/(decrease) in accrued interest payable		(5)	(18)
Increase/(decrease) in other accrued expenses payable		27	634
Increase/(decrease) in other liabilities		(155)	604
Increase/(decrease) in employee leave entitlements		288	(40)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>27,092</b>	<b>32,476</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		1,000	1,000
<b>Total financing arrangements</b>		<b>1,000</b>	<b>1,000</b>

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(ii) Secured loan liabilities**

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

## Bega Valley Shire Council

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

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		–	426
Infrastructure		3,696	795
<b>Total commitments</b>		<b>3,696</b>	<b>1,221</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		3,696	1,221
<b>Total payable</b>		<b>3,696</b>	<b>1,221</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		3,696	–
Externally restricted reserves		–	795
New loans (to be raised)		–	426
<b>Total sources of funding</b>		<b>3,696</b>	<b>1,221</b>

## Bega Valley Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) Finance lease commitments</b>			
<b>(i) Commitments under finance leases at the reporting date are payable as follows:</b>			
Within the next year		51	49
Later than one year and not later than 5 years		153	202
Later than 5 years		–	–
<b>Total minimum lease payments</b>		<b>204</b>	<b>251</b>
Less: future finance charges		–	–
<b>Amount recognised as a liability</b>		<b>204</b>	<b>251</b>
<b>(ii) Finance lease liability recognised represent;</b>			
Current liabilities		51	49
Non-current liabilities		153	202
<b>Total finance lease liabilities disclosed</b>		<b>204</b>	<b>251</b>
<b>(iii) General details</b>			
Council leases the following property, plant and equipment under finance leases:			
Other equipment/assets		204	251
<b>Total carrying value at year end</b>		<b>204</b>	<b>251</b>

**(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		64	98
Later than one year and not later than 5 years		29	118
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>93</b>	<b>216</b>

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

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

**Conditions relating to finance and operating leases:**

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

**(d) Investment property commitments**

Nil

## Bega Valley Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(2,551)</u>	<b>-3.15%</b>	-0.72%	-8.87%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>80,947</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>65,167</u>	<b>74.62%</b>	74.52%	79.55%
Total continuing operating revenue <sup>(1)</sup>	<b>87,327</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>20,262</u>	<b>1.29x</b>	1.31x	1.94x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>15,721</b>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>23,933</u>	<b>5.04x</b>	4.58x	4.16x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>4,749</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>1,866</u>	<b>3.82%</b>	3.71%	4.14%
Rates, annual and extra charges collectible	<b>48,821</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>58,384</u>	<b>11.05 mths</b>	11.9 mths	10.0 mths
Payments from cash flow of operating and financing activities	<b>5,282</b>			

## Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

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

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

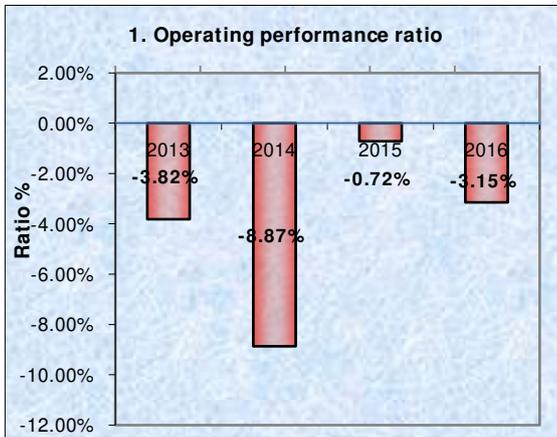
<sup>(3)</sup> Refer to Note 10(a).

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

# Bega Valley Shire Council

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

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



**Purpose of operating performance ratio**

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

**Commentary on 2015/16 result**

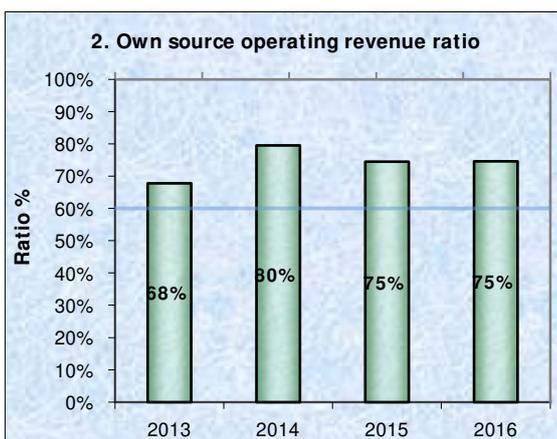
**2015/16 ratio -3.15%**

Council's operating performance ratio is below the benchmark of breakeven. The below benchmark result is due to the increase in depreciation. Please note that General Fund operating performance is still above benchmark.

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2015/16 result**

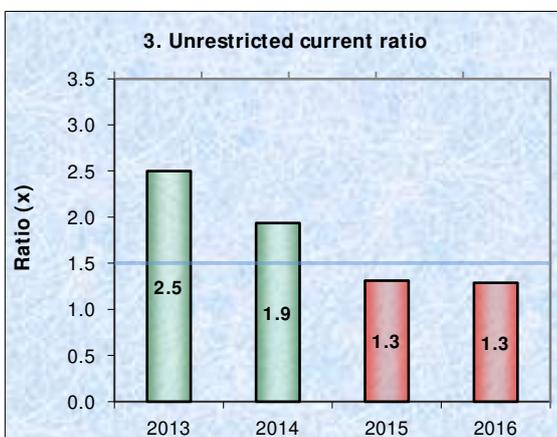
**2015/16 ratio 74.62%**

Council's own source revenue continues to be well above benchmark.

Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 1.29x**

Unrestricted cash ratio is consistent from prior year and still below the benchmark.

Benchmark: — Minimum  $\geq 1.50$

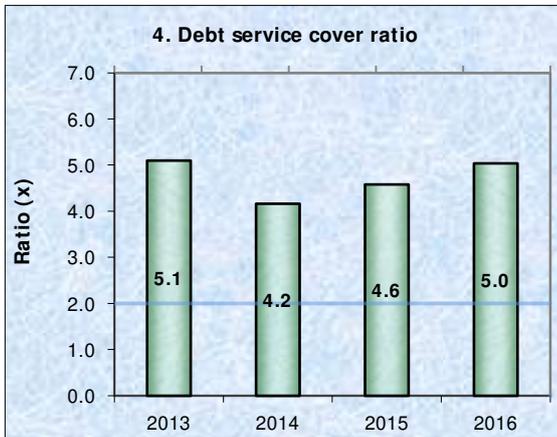
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

# Bega Valley Shire Council

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 5.04x**

Above benchmark ratio shows Council's strong capacity to service its borrowings.

Benchmark: Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

**Commentary on 2015/16 result**

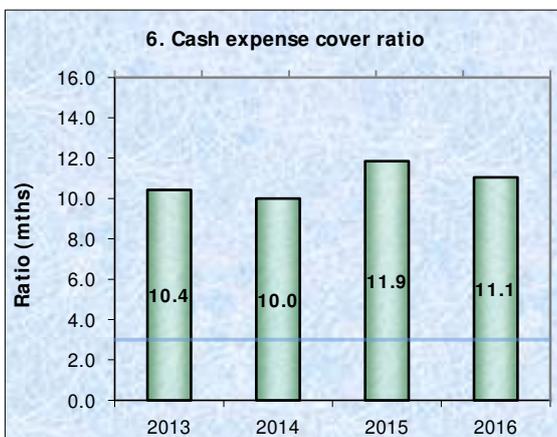
**2015/16 ratio 3.82%**

The outstanding ratio remains very low and is well below the industry benchmark

Benchmark: Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 11.05 mths**

This ratio indicates council's strong cash position which is well above the industry benchmark

Benchmark: Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## Bega Valley Shire Council

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 <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>-22.77%</b>	<b>-9.08%</b>	<b>2.78%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: -13.83%	-0.72%	1.91%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>93.62%</b>	<b>92.14%</b>	<b>65.24%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 94.64%	94.97%	64.54%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	No liabilities	<b>57.76x</b>	<b>1.29x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 37.08x	10.89x	1.31x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>0.00</b>	<b>2.97x</b>	<b>6.12x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 770.67x	3.02x	5.19x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>2.38%</b>	<b>2.03%</b>	<b>4.79%</b>
Rates, annual and extra charges collectible	prior period: 2.45%	2.10%	4.59%
<b>6. Cash expense cover ratio</b>			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>0.00</b>	<b>0.00</b>	<b>11.05 mths</b>
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	17.71 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.

## Bega Valley Shire Council

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

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	17,484	5,127	–	–
Investments				
– 'Held to maturity'	40,900	49,000	–	–
Receivables	5,428	5,849	–	–
<b>Total financial assets</b>	<b>63,812</b>	<b>59,976</b>	<b>–</b>	<b>–</b>
<b>Financial liabilities</b>				
Payables	7,057	9,042	–	–
Loans/advances	41,489	32,761	–	–
Lease liabilities	204	251	–	–
<b>Total financial liabilities</b>	<b>48,750</b>	<b>42,054</b>	<b>–</b>	<b>–</b>

Fair value is determined as follows:

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

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

## Bega Valley Shire Council

### 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's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 10% movement in market values	5,200	5,200	5,200	5,200
Possible impact of a 1% movement in interest rates	520	520	520	520
<b>2015</b>				
Possible impact of a 10% movement in market values	5,300	5,300	5,300	5,300
Possible impact of a 1% movement in interest rates	520	520	520	520

## Bega Valley Shire Council

### 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 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		0%	59%	0%	79%
Overdue		100%	41%	100%	21%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	2,460	–	3,679
< 1 year overdue	0 – 30 days overdue	1,685	1,212	1,583	515
1 – 2 years overdue	30 – 60 days overdue	–	60	–	28
2 – 5 years overdue	60 – 90 days overdue	–	9	–	8
> 5 years overdue	> 90 days overdue	–	421	–	455
		<b>1,685</b>	<b>4,162</b>	<b>1,583</b>	<b>4,685</b>
<b>(iii) Movement in provision for impairment of receivables</b>					
				2016	2015
Balance at the beginning of the year				419	244
+ new provisions recognised during the year				–	175
<b>Balance at the end of the year</b>				<b>419</b>	<b>419</b>

## Bega Valley Shire Council

### 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 to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	1,165	5,892	–	–	–	–	–	7,057	7,057
Loans and advances	–	3,578	3,408	3,371	3,351	3,333	24,448	41,489	41,489
Lease liabilities	–	69	64	64	7	–	–	204	204
<b>Total financial liabilities</b>	<b>1,165</b>	<b>9,539</b>	<b>3,472</b>	<b>3,435</b>	<b>3,358</b>	<b>3,333</b>	<b>24,448</b>	<b>48,750</b>	<b>48,750</b>
<b>2015</b>									
Trade/other payables	1,315	7,727	–	–	–	–	–	9,042	9,042
Loans and advances	–	2,692	2,567	2,369	2,304	2,256	20,573	32,761	32,761
Lease liabilities	–	49	202	–	–	–	–	251	251
<b>Total financial liabilities</b>	<b>1,315</b>	<b>10,468</b>	<b>2,769</b>	<b>2,369</b>	<b>2,304</b>	<b>2,256</b>	<b>20,573</b>	<b>42,054</b>	<b>42,054</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	7,057	0.00%	9,042	0.00%
Loans and advances – fixed interest rate	41,489	6.00%	32,761	6.50%
Lease liabilities	204	6.00%	251	5.20%
	<u>48,750</u>		<u>42,054</u>	

## Bega Valley Shire Council

### 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 10 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.

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	46,451	46,531	80	0%	<b>F</b>
<b>User charges and fees</b>	15,775	15,640	(135)	(1%)	<b>U</b>
<b>Interest and investment revenue</b>	1,584	1,698	114	7%	<b>F</b>
Actual average Investment return is higher (3.28%) compared to budget 3%. Further, budgeted investment was \$44M and actual average investment is \$49M					
<b>Other revenues</b>	578	1,298	720	125%	<b>F</b>
Other revenues include items that were not budgeted at the beginning of the year. Major items include:					
- Sale of items-300K					
- Insurance reimbursement-290K					
- Fuel Tax credit-130K					
<b>Operating grants and contributions</b>	16,021	15,780	(241)	(2%)	<b>U</b>
Actual Operating grants is lower compared to budget mainly due to following:					
- Financial Assistance Grant under by 100k					
- Merimbula Airport Restart grant under by 100k					
<b>Capital grants and contributions</b>	5,495	6,380	885	16%	<b>F</b>
Capital grants and contributions are higher because of the additional allocation of roads to recovery funding					
<b>Net gains from disposal of assets</b>	-	46	46	0%	<b>F</b>
Budget variance pertains to gain from asset disposal which was not anticipated at the beginning of the year.					

## Bega Valley Shire Council

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

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>29,074</b>	<b>30,337</b>	<b>(1,263)</b>	(4%)	<b>U</b>
<b>Borrowing costs</b>	<b>2,080</b>	<b>2,010</b>	<b>70</b>	3%	<b>F</b>
<b>Materials and contracts</b>	<b>17,140</b>	<b>20,876</b>	<b>(3,736)</b>	(22%)	<b>U</b>
Treatment plant operations contract incorrectly budgeted as capital expense. The contract value approx \$3.6 Mil					
<b>Depreciation and amortisation</b>	<b>22,312</b>	<b>24,474</b>	<b>(2,162)</b>	(10%)	<b>U</b>
<b>Other expenses</b>	<b>6,449</b>	<b>5,801</b>	<b>648</b>	10%	<b>F</b>

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

<b>Cash flows from operating activities</b>	<b>31,004</b>	<b>27,092</b>	<b>(3,912)</b>	(12.6%)	<b>U</b>
Budget variance mainly relates to higher expenditure in materials and contracts \$3.74 Mil					
<b>Cash flows from investing activities</b>	<b>(32,542)</b>	<b>(23,416)</b>	<b>9,126</b>	(28.0%)	<b>F</b>
The variance can be attributable to:					
- Purchase of IPPE was lower by \$2.7M than budgeted					
- Receipts from sale of investments higher than anticipated by \$8.1 Mil					
- Sale of IPPE also lower by \$1.9 Mil					
<b>Cash flows from financing activities</b>	<b>3,688</b>	<b>8,681</b>	<b>4,993</b>	135.4%	<b>F</b>
The variance is mainly due to higher loan raised (\$11.4M) than budgeted (\$6.5M)					

## Bega Valley Shire Council

## 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

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1	304	–	–	(305)	–	–	–
Open space	179	61	–	3	(138)	–	105	–
Community facilities	–	39	–	–	(39)	–	–	–
Streetscapes	2	17	–	–	(19)	–	–	–
Land acquisition	–	9	–	–	–	–	9	–
Other	–	24	–	–	(4)	–	20	–
<b>S94 contributions – under a plan</b>	<b>182</b>	<b>454</b>	<b>–</b>	<b>3</b>	<b>(505)</b>	<b>–</b>	<b>134</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>194</b>	<b>454</b>	<b>–</b>	<b>3</b>	<b>(505)</b>	<b>–</b>	<b>146</b>	<b>–</b>
S94 not under plans	1,201	77	–	23	(203)	–	1,098	–
S64 contributions	6,805	1,793	–	149	(1,535)	–	7,212	–
<b>Total contributions</b>	<b>8,200</b>	<b>2,324</b>	<b>–</b>	<b>175</b>	<b>(2,243)</b>	<b>–</b>	<b>8,456</b>	<b>–</b>

## Bega Valley Shire Council

## 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**

## Section 94 and 94A Contributions Plan 2014

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	1	304	–	–	(305)	–	–	–
Open space	179	61	–	3	(138)	–	105	–
Community facilities	–	39	–	–	(39)	–	–	–
Streetscapes	2	17	–	–	(19)	–	–	–
Land acquisition	–	9	–	–	–	–	9	–
Other	–	24	–	–	(4)	–	20	–
<b>Total</b>	<b>182</b>	<b>454</b>	<b>–</b>	<b>3</b>	<b>(505)</b>	<b>–</b>	<b>134</b>	<b>–</b>

**S94A LEVIES – UNDER A PLAN**

## CONTRIBUTION PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	12	–	–	–	–	–	12	–
<b>Total</b>	<b>12</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>–</b>

**S94 CONTRIBUTIONS – NOT UNDER A PLAN**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	817	77	–	15	(203)	–	706	–
Public reserve acquisition	384	–	–	8	–	–	392	–
<b>Total</b>	<b>1,201</b>	<b>77</b>	<b>–</b>	<b>23</b>	<b>(203)</b>	<b>–</b>	<b>1,098</b>	<b>–</b>

## Bega Valley Shire Council

### 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 its defined benefit scheme obligations in accordance with AASB 119.

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other guarantees

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

## Bega Valley Shire Council

### 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) HIH insurance

During the period 1995 - 1997, a portion of Council's public risk insurance cover was insured or re-insured with a member of the HIH Insurance Group of companies.

At reporting date, there are two outstanding claims relating to that period of cover.

Council being one of a number of co-defendants in both cases may have some exposure should the cases go against Council.

##### (iii) Potential site contamination

Council has received notice of potential site contamination on land that was formerly used as a gas works.

Council has contracted to a land purchase that requires vendor rehabilitation to the site to residential standard.

##### 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 & including 30/6/08.

##### (ii) Rural fire fighting assets

Council has title to and is the registered owner of various rural fire appliances & associated rural fire fighting equipment.

These assets are however under the control of the Rural Fire Services to enable that Department to provide the necessary bushfire protection defences as set out in a Service Level Agreement between the RFS and Council, and accordingly, these assets have not been recognised in these reports.

Council continues to contribute to the costs of maintenance for this equipment.

#### Note 19. Interests in other entities

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

## Bega Valley Shire Council

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		550,766	544,049
a. Net operating result for the year		3,875	6,717
<b>Balance at end of the reporting period</b>		<b>554,641</b>	<b>550,766</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		450,110	459,830
<b>Total</b>		<b>450,110</b>	<b>459,830</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		459,830	451,684
– Revaluations for the year	9(a)	(9,720)	8,146
<b>– Balance at end of year</b>		<b>450,110</b>	<b>459,830</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>450,110</b>	<b>459,830</b>

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

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

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

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

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

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

**(e) Changes in accounting estimates**

Council made no changes in accounting estimates during the year.

## Bega Valley Shire Council

## 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 \$ '000	Actual 2016	Actual 2016	Actual 2016
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	2,945	14,467	29,119
User charges and fees	7,162	1,820	6,658
Interest and investment revenue	488	655	555
Other revenues	36	91	1,171
Grants and contributions provided for operating purposes	156	154	15,470
Grants and contributions provided for capital purposes	569	1,299	4,512
<b>Other income</b>			
Net gains from disposal of assets	–	–	46
Share of interests in joint ventures and associates using the equity method	–	–	–
<b>Total income from continuing operations</b>	<b>11,356</b>	<b>18,486</b>	<b>57,531</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	2,952	2,390	24,995
Borrowing costs	–	1,354	656
Materials and contracts	5,048	7,536	8,292
Depreciation and amortisation	4,623	7,074	12,777
Impairment	–	–	–
Other expenses	620	476	4,705
<b>Total expenses from continuing operations</b>	<b>13,243</b>	<b>18,830</b>	<b>51,425</b>
<b>Operating result from continuing operations</b>	<b>(1,887)</b>	<b>(344)</b>	<b>6,106</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>(1,887)</b>	<b>(344)</b>	<b>6,106</b>
<b>Net operating result attributable to each council fund</b>	<b>(1,887)</b>	<b>(344)</b>	<b>6,106</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(2,456)</b>	<b>(1,643)</b>	<b>1,594</b>

<sup>1</sup> 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.

## Bega Valley Shire Council

## 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 \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	–	–	17,484
Investments	13,486	20,120	7,294
Receivables	582	444	4,378
Inventories	–	–	687
Other	–	–	–
Non-current assets classified as 'held for sale'	–	–	–
<b>Total current assets</b>	<b>14,068</b>	<b>20,564</b>	<b>29,843</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	–	–	24
Inventories	–	–	–
Infrastructure, property, plant and equipment	192,931	179,958	628,280
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>192,931</b>	<b>179,958</b>	<b>628,304</b>
<b>TOTAL ASSETS</b>	<b>206,999</b>	<b>200,522</b>	<b>658,147</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	–	271	7,372
Borrowings	–	932	2,697
Provisions	–	–	8,991
<b>Total current liabilities</b>	<b>–</b>	<b>1,203</b>	<b>19,060</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	–	19,445	18,619
Provisions	–	–	2,590
<b>Total non-current liabilities</b>	<b>–</b>	<b>19,445</b>	<b>21,209</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>20,648</b>	<b>40,269</b>
<b>Net assets</b>	<b>206,999</b>	<b>179,874</b>	<b>617,878</b>
<b>EQUITY</b>			
Retained earnings	100,056	81,150	373,435
Revaluation reserves	106,943	98,724	244,443
<b>Total equity</b>	<b>206,999</b>	<b>179,874</b>	<b>617,878</b>

<sup>1</sup> 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.

## Bega Valley Shire Council

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

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

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\$ '000

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

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

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Events that occur between the end of the reporting period (30 June 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 31/10/16.

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

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

#### Note 25. Intangible assets

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

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

## Bega Valley Shire Council

### 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:

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Bermagui tip	2018	1,295	1,295
Eden tip	2019	1,095	1,095
Merimbula tip	2017	1,627	1,627
<b>Balance at end of the reporting period</b>		10(a) <u><b>4,017</b></u>	<u><b>4,017</b></u>

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

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

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

#### Reconciliation of movement in provision for year:

Balance at beginning of year	<u>4,017</u>	<u>4,017</u>
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<u><b>4,017</b></u>	<u><b>4,017</b></u>

## Bega Valley Shire Council

### 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

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:

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Capital work in progress	–	–	33	33
Plant and equipment	–	–	10,982	10,982
Land operational	–	–	31,672	31,672
Land community and land improvements	–	–	49,798	49,798
Buildings and other structures	–	–	43,405	43,405
Roads (incl bridges footpaths and bulk earthworks)	–	–	402,881	402,881
Stormwater drainage	–	–	26,355	26,355
Water supply network	–	–	192,932	192,932
Sewer network	–	–	179,583	179,583
Recreational assets	–	–	44,093	44,093
Library books	–	–	441	441
Other infrastructure	–	–	18,994	18,994
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>1,001,169</b>	<b>1,001,169</b>

## Bega Valley Shire Council

## 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):

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital work in progress		—	—	6,203	6,203
Plant and equipment		—	—	10,822	10,822
Land operational		—	—	28,665	28,665
Land community and land improvements		—	—	74,631	74,631
Buildings and other structures		—	—	53,217	53,217
Roads (incl bridges footpaths and bulk earthworks)		—	—	401,241	401,241
Stormwater drainage		—	—	26,239	26,239
Water supply network		—	—	190,957	190,957
Sewer network		—	—	181,991	181,991
Recreational assets		—	—	22,344	22,344
Library books		—	—	418	418
Other infrastructure		—	—	7,069	7,069
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>1,003,797</b>	<b>1,003,797</b>

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

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

## Bega Valley Shire Council

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

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

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\$ '000

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

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

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

##### **Financial assets**

Council has an amount of \$29k shown in Financial Assets Level 3. This amounts relates to the actual monetary value owing at 30 June 2015.

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##### **Financial liabilities**

Non current borrowing liabilities shown in Level 3 are the monetary values due at 30 June 2015. There has been no independent valuation carried out on these loans.

The non current liability for provision relates to \$219k for Long Service Leave entitlements which is shown at the discounted rate calculated for council's liability at 30 June 2015.

The other amount relates to provision for tip remediation and is reviewed in conjunction with the relevant manager annually. There has been no independent assessment on this calculation.

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

##### **Plant and equipment, and office equipment**

Plant & equipment, and office equipment are valued at cost but are disclosed at fair value in the notes in accordance with the Code of Accounting practice. The carrying amounts of these assets is assumed to approximate fair value due to the nature of the items. The unobservable inputs for these items are the estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

##### **Operational land**

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The most recent valuation was 30 June 2013 carried out by APV valuers. The unobservable input is the reliance on estimates but was based on market values available. There has been no change to the valuation process during the reporting period.

##### **Community land and land improvements**

Community land and land improvements were last reviewed at 30 June 2011. This exercise was done in house using adjacent land value where available, or alternatively the unit rate average by the size of each parcel of land. These valuations are achieved through unobservable inputs and are reported in Level 3.

Land improvements include assets such as landscaping and streetscaping. There has been no change to the valuation process during the reporting period.

##### **Buildings and other structures**

The most recent fair value for the Building asset class was 30 June 2013 and was carried out by APV Valuers. The method used was fair value (market-based measurement). It is categorised in Level 3 as although the fair value measurement was carried out by professional valuers, and based on market movement, it is still open to subjective assessment. There has been no change to the valuation process during the reporting period.

Other structures were valued in house using the replacement cost method, reviewing condition and remaining useful life. As these were subjective estimates using unobservable inputs, they are reported in Level 3. There has been no change in the valuation process during the reporting period.

## Bega Valley Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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

###### **Roads infrastructure**

This asset class, including roads surface, substructure, earthworks kerb and gutter and footpaths was revalued for 30 June 2015. This roads revaluation was carried out in-house by engineering professionals. As there are unobservable inputs (including condition and remaining useful life and residual values) this class has been reported in Level 3. There has been no change in the valuation process during the reporting period.

###### **Stormwater drainage**

This asset class was also revalued for 30 June 2015 using in-house professionals. As with roads infrastructure there are unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

###### **Water supply network and sewer network**

The infrastructure for both these asset classes were revalued at 30 June 2012 externally by NSW Public Works. An extract from their report states that the valuation of BVSC's water supply and sewerage system assets was undertaken by them as a desktop exercise, using the depreciated MEERA (Modern Engineering Equivalent Replacement Asset) cost approach. The asset data for valuation was derived mainly from Council's Asset PLAN2012 asset management system and engineering drawings of facilities supplied by council. The report contains the summaries of fair values of major classes and subclasses of water supply and sewerage assets for scheme in all the catchment areas serviced by the Council. The water and sewer assets have also had the reference rate index applied each year between full revaluation exercises.

As with previous asset classes there has been unobservable inputs (including condition, remaining useful life and residual values) and so has been reported in Level 3. There has been no change in the valuation process during the reporting period.

###### **Recreational assets**

This class of assets was revalued for 30 June 2011 by in-house professionals and so has also been categorised in Level 3 due to the unobservable inputs of estimated useful life, condition assessment and replacement values. There has been no change in the valuation process during the reporting period.

###### **Library books**

Library books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

There has been no change in the valuation process during the reporting period.

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## Bega Valley Shire Council

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.

	Receivables	WIP	Plant and equipment	Land operational	Total
<b>Opening balance – 1/7/14</b>	–	1,354	9,643	28,643	39,640
Purchases (GBV)	–	4,850	4,115	223	9,188
Disposals (WDV)	–	–	(1,391)	(200)	(1,591)
Depreciation and impairment	–	–	(1,553)	–	(1,553)
<b>Closing balance – 30/6/15</b>	<b>–</b>	<b>6,204</b>	<b>10,814</b>	<b>28,666</b>	<b>45,684</b>
Purchases (GBV)	–	33	2,469	3,006	5,508
Disposals (WDV)	–	(6,204)	(737)	–	(6,941)
Depreciation and impairment	–	–	(1,564)	–	(1,564)
<b>Closing balance – 30/6/16</b>	<b>–</b>	<b>33</b>	<b>10,982</b>	<b>31,672</b>	<b>42,687</b>

	Land community and land Improve.	Buildings and other structures	Roads infra-structure	Stormwater drainage	Total
<b>Opening balance – 1/7/14</b>	74,004	52,220	399,560	24,234	550,018
Purchases (GBV)	712	2,198	9,125	372	12,407
Depreciation and impairment	(85)	(1,201)	(8,101)	(343)	(9,730)
FV gains – other comprehensive income	–	–	659	1,976	2,635
<b>Closing balance – 30/6/15</b>	<b>74,631</b>	<b>53,217</b>	<b>401,243</b>	<b>26,239</b>	<b>555,330</b>
Purchases (GBV)	650	11,420	10,031	484	22,585
Depreciation and impairment	(25,483)	(21,232)	(8,393)	(368)	(55,476)
FV gains – other comprehensive income	–	–	–	–	–
<b>Closing balance – 30/6/16</b>	<b>49,798</b>	<b>43,405</b>	<b>402,881</b>	<b>26,355</b>	<b>522,439</b>

## Bega Valley Shire Council

## 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)** (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Water supply network	Sewer network	Recreation assets	Library books	Total
<b>Opening balance – 1/7/14</b>	187,761	181,975	21,652	407	391,795
Purchases (GBV)	4,084	3,585	1,331	91	9,091
Depreciation and impairment	(3,709)	(6,258)	(638)	(79)	(10,684)
FV gains – other comprehensive income	2,822	2,689	–	–	5,511
<b>Closing balance – 30/6/15</b>	<b>190,958</b>	<b>181,991</b>	<b>22,345</b>	<b>419</b>	<b>395,713</b>
Purchases (GBV)	3,746	1,950	20,893	93	26,682
Depreciation and impairment	(4,622)	(7,012)	(1,039)	(71)	(12,744)
FV gains – other comprehensive income	2,850	2,654	1,894	–	7,398
<b>Closing balance – 30/6/16</b>	<b>192,932</b>	<b>179,583</b>	<b>44,093</b>	<b>441</b>	<b>417,049</b>

	Other infra- -structure	Total
<b>Opening balance – 1/7/14</b>	7,284	7,284
Depreciation and impairment	(214)	(214)
<b>Closing balance – 30/6/15</b>	<b>7,070</b>	<b>7,070</b>
Purchases (GBV)	13,597	13,597
Depreciation and impairment	(414)	(414)
FV gains – other comprehensive income	(1,259)	(1,259)
<b>Closing balance – 30/6/16</b>	<b>18,994</b>	<b>18,994</b>

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

Nil

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

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

## Bega Valley Shire Council

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

#### Note 28. Council information and contact details

---

**Principal place of business:**

Zingel Place  
BEGA NSW 2550

**Contact details**

**Mailing address:**

PO Box 492  
BEGA NSW 2550

**Opening hours:**

9.00 a.m. to 4.30 p.m. Monday to Friday

**Telephone:** 02 6499 2222

**Facsimile:** 02 6499 2200

**Internet:** <http://www.begavalley.nsw.gov.au>

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

**Officers**

**GENERAL MANAGER**

Leanne Barnes

**RESPONSIBLE ACCOUNTING OFFICER**

Lucas Scarpin

**Elected members**

**MAYOR**

Kristy McBain

**Other information**

**ABN:** 26 987 935 332

# **Independent Auditor's Report**

## **On the General Purpose Financial Statements**

### **To Bega Valley Shire Council**

#### **Report on the Financial Statements**

We have audited the accompanying general purpose financial statements of Bega Valley Shire Council, which comprises the Balance Sheet as at 30 June 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended on that date, and accompanying Notes to the Financial Statements and the Statement by Council and Management. The financial statements include the consolidated financial statements of the Council and the entities it controlled at year end or from time to time during the year.

#### **Council's Responsibility for the Financial Statements**

The Council is responsible for preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Local Government Act 1993 and Regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements 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.

#### **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 of material misstatement. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, nor the projections disclosed in Note 17 and accordingly, we express no opinion on them.

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 in 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.

**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 statements:
  - (i) have been prepared in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records; and
  - (iii) present fairly the Council's financial position and the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards.
- (c) we have obtained all information relevant to the conduct of our audit; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

**RSM**

**W E Beuman**  
Director

31 October 2016

31 October 2016

**RSM Australia Pty Ltd**

Level 12, 60 Castlereagh Street Sydney NSW 2000  
GPO Box 5138 Sydney NSW 2001

Councillor Kristy McBain  
Mayor  
Bega Valley Shire Council  
Zingel Place  
BEGA NSW 2550

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Dear Councillor McBain,

## **SECTION 417(3) REPORT ON THE CONDUCT OF THE 2016 AUDIT**

We have completed our audit of the financial statements of Bega Valley Shire Council for the year ended 30 June 2016 in accordance with Section 415 of the Local Government Act, 1993. The financial statements include the general purpose consolidated accounts of Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at balance date. Our audit opinions on the 2016 financial statements of Council are issued without qualification.

### **1. COUNCIL'S RESPONSIBILITY**

The Council is responsible for 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.

### **2. AUDIT SCOPE**

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 of material misstatement.

Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Statement of Cash Flows nor the budget disclosures in Notes 2(a) and 16.

Following the completion of our audit we provide the following comments to assist with the understanding of our audit and Council's financial performance and position. This report is not intended to take the place of traditional or other comprehensive reports which may be provided to Council by management. As such, it should be read in conjunction with the financial statements and other financial information presented to the Council by management on an on-going basis.

### 3. FINANCIAL MANAGEMENT

Our audit does not involve an analysis of the prudence of business decisions made by Council or management. We are not required to review, assess or comment upon Council's:

- Integrated planning documents;
- Annual budget and quarterly reviews;
- Asset management plans etc.

The Local Government Act and Regulations require Council to prepare detailed budgets for all its operations and as part of this process to authorise all expenditure and variations from budget. The quarterly budget review is an important process for Council to ensure its financial targets are met. In order to maintain or improve Council's financial position, all decisions need to be made with due regard to their financial impact.

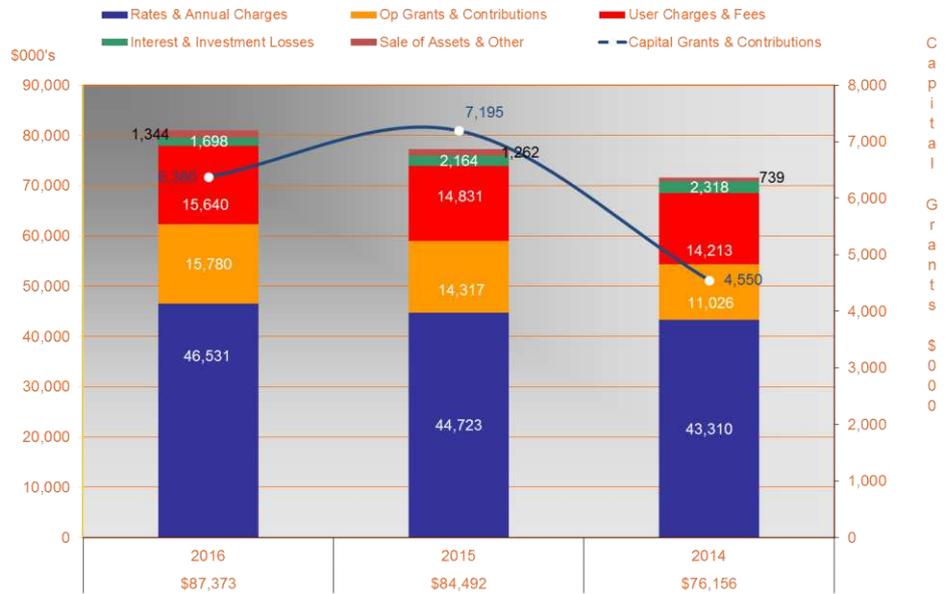
### 4. FINANCIAL PERFORMANCE

The consolidated profit for the year ended 30 June 2016 from ordinary continuing operations amounted to \$3.875M. (2015: \$6.717M). The activities of Council contributed to the consolidated operating result as follows:

	2016 \$000	2015 \$000
General Fund	6,106	7,204
Water Supply	(1,887)	(979)
Sewer Supply	(344)	492
<b>Operating Result from continuing Operations</b>	<b>\$3,875</b>	<b>\$6,717</b>

**4.1 OPERATING REVENUES**

**Increased by \$3.696M (0.4%) to \$80.993M**  
before capital grants of \$6.380M  
(2015 \$7.195M)



**i. Rates & Annual Charges increased \$1.808M (4%) to \$46.531M**

This equates to 53% of revenues from continuing operations and compares with 53% in 2015.

- a. Ordinary rates amounted to \$21.242M and increased by 5%. This is consistent with Council's special variation approval of 5% in 2016 and the budget estimate of net general rates revenue of \$21.357M.
- b. For 2017, the LGI rate increase approved by IPART is 1.8% and Council is estimating revenue from general rates net of rebates equal to \$21.881M.
- c. Annual Charges increased by \$771K to \$25.289M an increase of 3.1% (2015 – 3.8%) compared with a 2.4% increase in councils 2016 revenue policy.

**ii. User Charges & Fees increased \$809K (5.5%) to \$15.64M**

Water consumption revenues increased \$722K (12%) in part reflecting the 8% increase in the usage charge to \$2.70 per kilolitre. Changes resulting from activity levels included an increase in planning & building regulation fees of \$368K whilst waste tipping fees decreased \$163K.

**iii. Investment Revenues \$1.698M decreased \$(466)K**

Council earned interest of \$1.340M on its investments this year a decrease of \$(480)K.. This was due to lower average investment balances, owing to Council funding works until the drawdown of new loans of \$11.4M in June 2016, as well as lower interest yields in 2016. At year end Council holds \$46M or 85% (2015 - 92%) of its total cash and investments in term deposits.

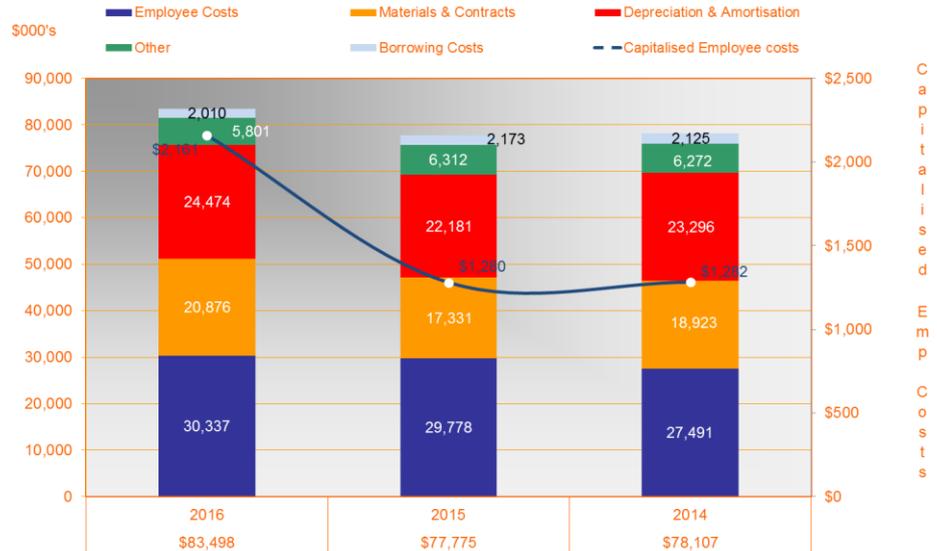
**iv. Operating Grants and Contributions increased by \$1.463M to \$15.78M**

This source of council's revenue comprises 18% of total income (2015 – 17%). Increases in funding were received in programs for childcare \$201K, community care \$321K and transport assets of \$810K.

The balance of grants and contributions received and recognised as income and remaining unspent at year end decreased by \$284K to \$10.304M. Unexpended grants decreased by \$540K to \$1.848M with significant balances related to unspent R2R funding of \$695K and Newton road handover funding of \$239K.

4.2 EXPENSES FROM CONTINUING OPERATIONS

Increased by \$5.723M to \$83.498M



**i. Employee Costs before amounts capitalised increased \$1.440M (4.6%) to \$32.498M**

Gross Employee costs are equal to 55% of total expenses before depreciation and amortisation and this compares with 56% in 2015. Salaries and wages increased by \$1.119M (5%) to \$23.386M and is consistent with Award increases of 2.8% and performance based adjustment of 2.5%.

**ii. Depreciation & Amortisation expense increased by \$2.293M to \$24.474M**

Depreciation expense is a significant cost to Council representing 29% (2015 – 28%) of total ordinary expenses although this does not involve an outflow of cash. The extent of any revaluation adjustments will affect depreciation expense charged in following years. The Water and Sewer network depreciation expense of \$11.634M is after adjustments for under depreciation made in the prior year of \$262K and \$560K respectively.

**iii. Interest expense included in Borrowing Costs decreased \$163K (7.5%) to \$1.999M**

Council’s outstanding borrowings increased by \$8.681M in 2016 with new loans of \$11.4M being obtained from NSW Treasury Corporation being drawn down in June. This includes loans of \$3.17M deferred from the 2015 borrowing program in respect of Urban Roads renewals of \$1.67m and the Bega Depot \$1.5M. This interest cost to Council is partially offset by the interest subsidy received as part of the LIRS program which amounted to \$242K this year.

**4.3 CAPITAL INCOME**

Council receives Capital Grants & Contributions from various sources each financial year to renew existing assets and construct new assets. Capital contributions can include developer contributions as well as (non cash) asset dedications. This year there was an increase of \$1.635M of R2R funding provided to council. This grant funding is classified and disclosed as a capital grant rather than operating consistent with the nature in which this funding was provided to Council. Overall capital income decreased by \$(815)K to \$6.380M with the above increase in R2R funding and Sewer headwork contributions of \$612K and last year including \$2.56M road dedications. Developer Contributions received comprise:

	2016 \$000	2015 \$000
Section 94 contributions	531	419
Section 64 water supply contributions	569	420
Section 64 sewer supply contributions	1,224	612
<b>Total</b>	<b>\$2,324</b>	<b>\$1,451</b>

The use of these contributions is restricted for specific purposes and they are not available to meet Council's general operations. At year end Council has restricted assets of \$1.244M relating to S.94 contributions and \$7.212M for unspent S.64 contributions, a net increase of \$256K from 2015.

**5. PERFORMANCE INDICATORS**

**5.1 Net Current Assets:**  
 This indicator discloses the working capital available to Council to fund day to day operations. This should be considered together with the level of internal restrictions.



At 30 June 2016 Council's net current assets amounted to \$44.212M and its unrestricted current ratio is equal to 1.29, this compares with a ratio of 1.31 in 2015 and continues to be slightly below the benchmark target of 1.5 times.

## 5.2 CASH AND INVESTMENTS

- (a) Council's cash and investment balances increased by \$4.257M to \$58.384M. Cash from operating activities amounted to \$27.092M and together with new borrowings of \$8.681M was used to fund \$(32.303)M in acquisitions of infrastructure, property, plant and equipment. The composition of cash and investments held by Council at year end is as follows:

	2016 \$000	2015 \$000
Cash	4,484	1,127
Cash equivalent Short term deposits (< 3 month maturity dates)	13,000	4,000
Held to Maturity Term deposits (> 3 month maturity dates)	40,900	49,000
<b>Total</b>	<b>\$58,384</b>	<b>\$54,127</b>

- (b) Cash and investments are held for the following purposes:

	2016 \$000	2015 \$000
Externally Restricted	43,118	42,093
Internally Restricted	12,050	8,560
Unrestricted	3,216	3,474
<b>Total</b>	<b>\$58,384</b>	<b>\$54,127</b>

- (c) External restrictions include the internal reserves of the Water and Sewer funds which amount to \$10.153M and \$16.241M respectively. Including developer contributions, the Water and Sewer supply operations of Council account for \$33.606M or 79% (2015 – 75%) of all external restrictions.
- (d) Internally restricted cash increased \$3.490M to \$12.05M. Internal restrictions result from resolution or policy of Council and reflect identified programs of works and forward plans and represent the 'reserves' of Council. Significant internal restrictions over cash assets are held in respect of:
- i. **Plant Replacement - \$2.365M:** This reserve is used to fund major plant replacements with surpluses from fleet running being transferred to this reserve. The 2017 budget indicates \$304K will be spent next year.
  - ii. **Carryover works – \$2.070M:** This restriction is for budgeted works funded from revenue not completed in the current year and revoted to 2017. This balance includes amounts set aside for: tourism infrastructure \$657K; shire wide storm damage repairs of \$350K; Government Road – Eden \$200K and Pretty Point bridge stage 2 works of \$200K.

- iii. **Employees leave entitlements – \$1.651M:** Council’s liability for employee leave entitlements and associated on-costs amounts to \$7.564M. This cash reserve provides liquidity equal to 22% (2015 - 23%) of the total liability and is a decrease compared with 30% of earlier years.
- iv. **Infrastructure replacement – \$1.240M:** a net increase of \$1.081M was made this year. This reserve is for asset replacement with unspent renewal or upgrade allocations being set aside for use in future periods. In 2017 funds of \$928K will be used for timber bridge renewals.

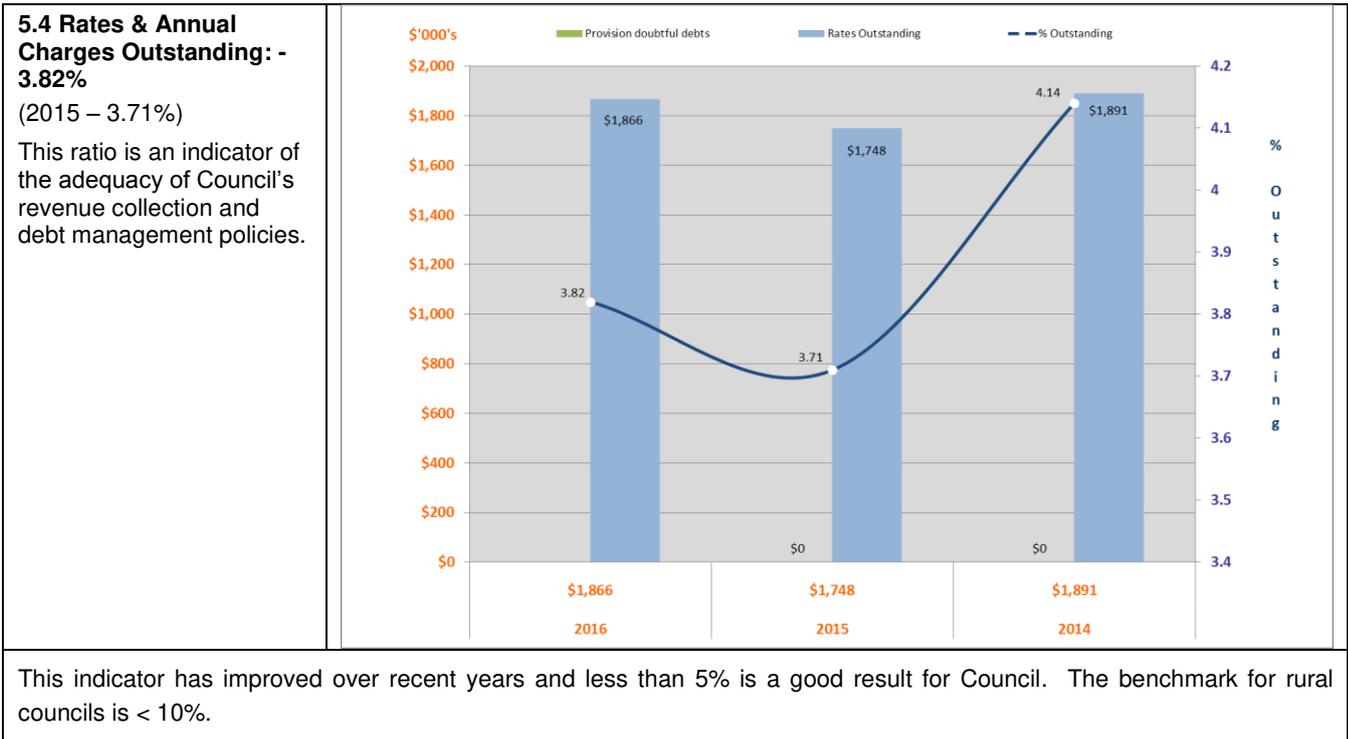
**5.3 Debt Service Cover:**  
**5.04x**

(2015 – 4.58x)

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



This indicator is significantly better than the benchmark level of 2 times coverage indicating Council is generating sufficient cash to meet its debt repayment obligations. At year end Council borrowings increased to \$41.693M after a net new borrowings of \$8.681M in 2016. There are also new borrowings planned for 2017 of \$2.1M which will act to reduce this indicator. Loans raised and unexpended at year-end amount to \$704K, an increase of \$215K. Outstanding loans are related to Sewer operations – \$20.377M and general operations of \$21.316M.



**6. REVALUATION OF ASSETS**

In July 2006 NSW councils were required to commence valuing infrastructure assets at fair value using a staged approach. The revaluation of assets should be undertaken every five years unless there is a material change to carrying values beforehand.

This year in accordance with these requirements, Community land, other assets and land improvements assets were revalued. This resulted in a revaluation decrease of \$19.923M mostly attributable to Community Land. This year land values used were obtained from the Valuer General whereas previously Council applied a shire wide average land value to this asset class. Details of revaluation adjustments are disclosed in Notes 9 and 20 to the Financial Statements.

Valuations of the following asset classes in the next four years that will need to be planned for are as follows:

<i>Asset Class</i>	<i>Due</i>
Water & Sewer network assets	30 June 2017
PPE, operational land, buildings	30 June 2018
Land under Roads	30 June 2019
Roads, Bridges, Footpaths and Drainage and Earthworks infrastructure	30 June 2020

**7. FUTURE FINANCIAL REPORTING**

There are several new Australian Accounting Standards that will impact 2017 and future years. We are encouraging all our clients to put sufficient time aside to look at these standards to determine an implementation

plan as the impact of adoption may be significant.

<i>AASB Ref</i>	<i>Effective Date</i>	<i>Impact</i>
AASB 2015-6 <i>Amendments to Australian Accounting Standards –Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i>	1 July 2016	Reporting of related party transactions to local government including key management remuneration disclosure
AASB 9 Financial Instruments	1 January 2018	Significant changes in relation to classification and measurement of financial assets, impairment of financial assets eg. provision for impairment relating to receivables
AASB 15 Revenue From Contracts With Customers	1 January 2018	Changes to the way in which certain revenue streams are recognised and reported. May affect revenue recognition for grants and contributions
AASB 16 Leases	1 January 2018	Accounting for operating leases as we know it will cease to exist, all leases will be brought onto the balance sheet and the basis for measurement will be different from the existing finance lease model

## 8. NSW AUDITOR-GENERAL AS THE AUDITOR TO LOCAL GOVERNMENT

The Bill appoints the Auditor-General as the auditor of all NSW Local Government Authorities. This is effective for financial years commencing 1 July 2016 and will result in most existing local government auditors being appointed as contractors to the Auditor-General for the next few years being the transition period to 30 June 2019. The Audit Office of NSW proposes to finalise audit appointments by 16 December 2016.

## 9. CONCLUSION

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements as presented that have come to our attention during the conduct of the audit and that Bega Valley Shire Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements.

We would like to thank Council's general manager and staff for their cooperation and courteous assistance provided to us in the performance of our audit visit to Council's office. A memorandum dealing with less significant matters arising from our audit will be forwarded to the General Manager in due course.

Yours faithfully,



RSM



**W E Beauman**  
 Director

# Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"Your place, Our place, Great place"*



# Bega Valley Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

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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).
-

## Bega Valley Shire Council

### 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 10 August 2016.**



Kristy McBain  
Mayor



Councillor



Leanne Barnes  
General manager



Lucas Scarpin  
Responsible accounting officer

## Bega Valley Shire Council

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

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	2,945	2,861
User charges	6,910	6,337
Fees	252	202
Interest	488	545
Grants and contributions provided for non-capital purposes	156	145
Profit from the sale of assets	–	–
Other income	36	27
<b>Total income from continuing operations</b>	<b>10,787</b>	<b>10,117</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,952	1,912
Borrowing costs	–	–
Materials and contracts	5,048	5,893
Depreciation and impairment	4,623	3,711
Water purchase charges	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	620	–
<b>Total expenses from continuing operations</b>	<b>13,243</b>	<b>11,516</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(2,456)</b>	<b>(1,399)</b>
Grants and contributions provided for capital purposes	569	420
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,887)</b>	<b>(979)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,887)</b>	<b>(979)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,887)</b>	<b>(979)</b>
<b>Plus opening retained profits</b>	101,943	102,922
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>100,056</b>	<b>101,943</b>
<b>Return on capital %</b>	<b>-1.3%</b>	<b>-0.7%</b>
<b>Subsidy from Council</b>	<b>6,295</b>	<b>7,260</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(1,887)	(979)
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Bega Valley Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	14,467	14,067
User charges	1,734	1,584
Liquid trade waste charges	–	–
Fees	86	113
Interest	655	590
Grants and contributions provided for non-capital purposes	154	127
Profit from the sale of assets	–	29
Other income	91	–
<b>Total income from continuing operations</b>	<b>17,187</b>	<b>16,510</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,390	1,305
Borrowing costs	1,354	1,419
Materials and contracts	7,536	7,714
Depreciation and impairment	7,074	6,320
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	476	–
<b>Total expenses from continuing operations</b>	<b>18,830</b>	<b>16,758</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,643)</b>	<b>(248)</b>
Grants and contributions provided for capital purposes	1,299	740
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(344)</b>	<b>492</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(344)</b>	<b>492</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(344)</b>	<b>492</b>
<b>Plus opening retained profits</b>	<b>81,494</b>	<b>81,002</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	–
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>81,150</b>	<b>81,494</b>
<b>Return on capital %</b>	<b>-0.2%</b>	<b>0.6%</b>
<b>Subsidy from Council</b>	<b>3,870</b>	<b>4,435</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(344)	492
Less: capital grants and contributions (excluding developer contributions)	(75)	(128)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>364</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>182</b>

## Bega Valley Shire Council

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

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	13,486	14,841
Receivables	582	543
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>14,068</b>	<b>15,384</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	192,931	190,958
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>192,931</b>	<b>190,958</b>
<b>TOTAL ASSETS</b>	<b>206,999</b>	<b>206,342</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	72
Borrowings	–	–
Provisions	–	230
<b>Total current liabilities</b>	<b>–</b>	<b>302</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	3
<b>Total non-current liabilities</b>	<b>–</b>	<b>3</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>305</b>
<b>NET ASSETS</b>	<b>206,999</b>	<b>206,037</b>
<b>EQUITY</b>		
Retained earnings	100,056	101,943
Revaluation reserves	106,943	104,094
Council equity interest	206,999	206,037
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>206,999</b>	<b>206,037</b>

## Bega Valley Shire Council

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

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	20,120	16,350
Receivables	444	438
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>20,564</b>	<b>16,788</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	179,958	182,675
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>179,958</b>	<b>182,675</b>
<b>TOTAL ASSETS</b>	<b>200,522</b>	<b>199,463</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	271	332
Borrowings	932	742
Provisions	–	230
<b>Total current liabilities</b>	<b>1,203</b>	<b>1,304</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	19,445	20,593
Provisions	–	2
<b>Total non-current liabilities</b>	<b>19,445</b>	<b>20,595</b>
<b>TOTAL LIABILITIES</b>	<b>20,648</b>	<b>21,899</b>
<b>NET ASSETS</b>	<b>179,874</b>	<b>177,564</b>
<b>EQUITY</b>		
Retained earnings	81,150	81,494
Revaluation reserves	98,724	96,070
Council equity interest	179,874	177,564
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>179,874</b>	<b>177,564</b>

## Bega Valley Shire Council

### 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	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

## Bega Valley Shire Council

### 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. Water Supply

Comprising the operations and net assets of Council's water supply activities that services the Bega Valley Shire.

##### b. Sewerage Services

Comprising the operations and net assets of Council's sewerage reticulation and treatment activities that services the Bega Valley Shire.

##### Category 2

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

Nil

#### 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).

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.

## Bega Valley Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

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

##### (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 Council-nominated 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.

Payroll tax – 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.

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.

## Bega Valley Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

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

##### (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 1.99% 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.

## Bega Valley Shire Council

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

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

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

2016

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

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	43,866
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	438,660
(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	(3,454,000)

2016 Surplus	(1,887,000)	2015 Surplus	(979,000)	2014 Surplus	(588,000)
		2015 Dividend	-	2014 Dividend	-

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

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

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	-
(iii)	Sound water conservation and demand management implemented	NO
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Bega Valley Shire Council

### 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 amounts shown below are in whole dollars (unless otherwise indicated) 2016

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

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	10,868
<b>NWI F4</b>	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)]	%	62.85%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	192,931
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	8,620
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,745
<b>NWI F17</b>	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)]	%	-1.23%
<b>NWI F26</b>	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

# Bega Valley Shire Council

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

### Note 3. Sewerage business best-practice management disclosure requirements

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

2016

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

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	39,003
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

#### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	390,030
(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	(269,000)

2016 Surplus	(419,000)	2015 Surplus	364,000	2014 Surplus	(214,000)
		2015 Dividend	-	2014 Dividend	-

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

#### 3. Required outcomes for 4 criteria

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

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

## Bega Valley Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	17,832
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	179,596
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	10,402
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,703
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.20%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	28,700
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.97%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	5,448
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.54%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Bega Valley Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2016

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-3.42%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(2,231)
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	278

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## **Independent Auditor's Report On the Special Purpose Financial Statements To Bega Valley Shire Council**

### **Report on the Financial Statements**

We have audited the accompanying special purpose financial statements of Bega Valley Shire Council, which comprises the Balance Sheets as at 30 June 2016, Income Statements of Business Activities for the year ended on that date, a summary of significant accounting policies and the Statement by Councillors' and Management.

### **Council's Responsibility for the Financial Statements**

The Council is responsible for 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 NSW Office of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements 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.

### **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 Council or the NSW Office of Local Government. 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 is free of material misstatement. 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.

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.

**Auditor's Opinion**

1. In our opinion the Special Purpose Financial Statements of the Bega Valley Shire Council:
  - a. Have been prepared in accordance with those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
  - b. Are consistent with council's accounting records;
  - c. present fairly, the financial position of Council's nominated business activities as at 30 June 2016 and the results of their operations for the year then ended;
2. All information relevant to the conduct of the audit has been obtained;
3. There are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of our audit.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

**RSM**  
**W E Beauman**  
Partner

31 October 2016

# Bega Valley Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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*"Your place, Our place, Great place"*



# Bega Valley Shire Council

## Special Schedules

for the year ended 30 June 2016

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

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#### Background

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

## Bega Valley Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,573</b>	<b>26</b>	<b>–</b>	<b>(1,547)</b>
<b>Administration</b>	<b>6,862</b>	<b>1,623</b>	<b>532</b>	<b>(4,707)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,137	561	368	(208)
Beach control	203	12	–	(191)
Enforcement of local government regulations	679	259	–	(420)
Animal control	2	–	–	(2)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>2,021</b>	<b>832</b>	<b>368</b>	<b>(821)</b>
<b>Health</b>	<b>359</b>	<b>117</b>	<b>–</b>	<b>(242)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	722	150	–	(572)
Other environmental protection	1,153	118	–	(1,035)
Solid waste management	7,997	9,512	16	1,531
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	398	336	–	(62)
<b>Total environment</b>	<b>10,270</b>	<b>10,116</b>	<b>16</b>	<b>(138)</b>
<b>Community services and education</b>				
Administration and education	1,005	332	–	(673)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	711	685	–	(26)
Children's services	3,019	3,036	–	17
<b>Total community services and education</b>	<b>4,735</b>	<b>4,053</b>	<b>–</b>	<b>(682)</b>
<b>Housing and community amenities</b>				
Public cemeteries	341	308	–	(33)
Public conveniences	699	–	–	(699)
Street lighting	25	–	–	(25)
Town planning	2,503	449	–	(2,054)
Other community amenities	335	–	1	(334)
<b>Total housing and community amenities</b>	<b>3,903</b>	<b>757</b>	<b>1</b>	<b>(3,145)</b>
<b>Water supplies</b>	<b>13,241</b>	<b>10,568</b>	<b>569</b>	<b>(2,104)</b>
<b>Sewerage services</b>	<b>18,778</b>	<b>17,060</b>	<b>1,299</b>	<b>(419)</b>

## Bega Valley Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,516	256	–	(1,260)
Museums	–	–	–	–
Art galleries	308	136	–	(172)
Community centres and halls	278	111	–	(167)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	433	63	–	(370)
Swimming pools	1,627	762	–	(865)
Parks and gardens (lakes)	1,175	366	–	(809)
Other sport and recreation	107	–	–	(107)
<b>Total recreation and culture</b>	<b>5,444</b>	<b>1,694</b>	<b>–</b>	<b>(3,750)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	7,008	1,573	–	(5,435)
Other mining, manufacturing and construction	205	–	–	(205)
<b>Total mining, manufacturing and const.</b>	<b>7,213</b>	<b>1,573</b>	<b>–</b>	<b>(5,640)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,395	56	1,544	(795)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,802	1	934	(1,867)
Sealed rural roads (SRR) – regional	1,315	2,183	587	1,455
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	585	–	–	(585)
Bridges on UR – local	475	–	–	(475)
Bridges on SRR – local	–	26	90	116
Bridges on URR – local	–	–	–	–
Bridges on regional roads	276	–	–	(276)
Parking areas	33	–	–	(33)
Footpaths	–	–	–	–
Aerodromes	65	147	–	82
Other transport and communication	27	1,067	440	1,480
<b>Total transport and communication</b>	<b>7,973</b>	<b>3,480</b>	<b>3,595</b>	<b>(898)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	1,126	496	–	(630)
<b>Total economic affairs</b>	<b>1,126</b>	<b>496</b>	<b>–</b>	<b>(630)</b>
<b>Totals – functions</b>	<b>83,498</b>	<b>52,395</b>	<b>6,380</b>	<b>(24,723)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>28,598</b>		<b>28,598</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>83,498</b>	<b>80,993</b>	<b>6,380</b>	<b>3,875</b>

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

## Bega Valley Shire Council

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

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	11,420	–	–	–	11	1,011	10,409	11,420
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	2,680	30,009	32,689	–	2,680	–	–	1,983	2,555	27,454	30,009
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>2,680</b>	<b>30,009</b>	<b>32,689</b>	<b>11,420</b>	<b>2,680</b>	<b>–</b>	<b>–</b>	<b>1,994</b>	<b>3,566</b>	<b>37,863</b>	<b>41,429</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	12	60	72	–	12	–	–	5	12	48	60
Finance leases	49	202	251	–	47	–	–	11	51	153	204
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>61</b>	<b>262</b>	<b>323</b>	<b>–</b>	<b>59</b>	<b>–</b>	<b>–</b>	<b>16</b>	<b>63</b>	<b>201</b>	<b>264</b>
<b>Total debt</b>	<b>2,741</b>	<b>30,271</b>	<b>33,012</b>	<b>11,420</b>	<b>2,739</b>	<b>–</b>	<b>–</b>	<b>2,010</b>	<b>3,629</b>	<b>38,064</b>	<b>41,693</b>

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

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

## Bega Valley Shire Council

## 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

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,301	1,884
b. Engineering and supervision	3,117	2,395
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	434	307
b. Maintenance expenses	102	92
– <b>Mains</b>		
c. Operation expenses	1,168	635
d. Maintenance expenses	846	1,015
– <b>Reservoirs</b>		
e. Operation expenses	191	83
f. Maintenance expenses	184	140
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	89	36
h. Energy costs	340	507
i. Maintenance expenses	190	147
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	205	487
k. Chemical costs	184	–
l. Maintenance expenses	154	75
– <b>Other</b>		
m. Operation expenses	3	–
n. Maintenance expenses	112	–
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	4,622	3,709
b. Plant and equipment	1	2
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>13,243</b>	<b>11,514</b>

## Bega Valley Shire Council

## 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

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	2,945	2,861
b. Usage charges	4,983	4,519
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	1,927	1,817
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	488	545
<b>10. Other income</b>	288	228
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	149	145
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	569	420
b. Developer provided assets	–	–
c. Other contributions	7	–
<b>13. Total income</b>	<b>11,356</b>	<b>10,535</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>(1,887)</b>	<b>(979)</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	<b>(1,887)</b>	<b>(979)</b>

## Bega Valley Shire Council

## 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

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	1,070	2,060
c. Renewals	2,675	2,022
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	3
<b>18. Totals</b>	<b>3,745</b>	<b>4,085</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	11
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>11</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	12,822	12,763
b. Residential (unoccupied, ie. vacant lot)	660	782
c. Non-residential (occupied)	1,108	939
d. Non-residential (unoccupied, ie. vacant lot)	32	28
<b>23. Number of ETs for which developer charges were received</b>	69 ET	53 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 149,000	\$ 148,399

## Bega Valley Shire Council

## 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
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	3,332	–	3,332
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	10,154	–	10,154
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	70	–	70
c. User charges	501	–	501
d. Other	11	–	11
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	192,931	192,931
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>14,068</u>	<u>192,931</u>	<u>206,999</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	–	–	–
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<u>–</u>	<u>–</u>	<u>–</u>
<b>36. NET ASSETS COMMITTED</b>	<u>14,068</u>	<u>192,931</u>	<u>206,999</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			100,055
<b>38. Asset revaluation reserve</b>			106,944
<b>39. TOTAL EQUITY</b>			<u>206,999</u>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			316,458
<b>41. Accumulated current cost</b> depreciation of system assets			(123,527)
<b>42. Written down current cost</b> of system assets			<u>192,931</u>

## Bega Valley Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,209	1,388
b. Engineering and supervision	2,451	2,085
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	1,177	509
b. Maintenance expenses	535	400
– Pumping stations		
c. Operation expenses (excluding energy costs)	523	401
d. Energy costs	178	248
e. Maintenance expenses	642	598
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	2,969	3,274
g. Chemical costs	–	–
h. Energy costs	–	–
i. Effluent management	–	46
j. Biosolids management	–	–
k. Maintenance expenses	716	–
– Other		
l. Operation expenses	2	68
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	7,012	6,258
b. Plant and equipment	63	63
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	1,354	1,420
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>18,831</b>	<b>16,758</b>

## Bega Valley Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	13,208	14,067
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,259	–
b. Usage charges	1,734	1,584
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	655	590
<b>11. Other income</b>	178	113
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	129	127
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	1,224	612
b. Developer provided assets	–	–
c. Other contributions	100	128
<b>14. Total income</b>	<b>18,487</b>	<b>17,221</b>
<b>15. Gain (or loss) on disposal of assets</b>	–	29
<b>16. Operating result</b>	<b>(344)</b>	<b>492</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(344)	492

## Bega Valley Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	325	2,110
c. Renewals	1,378	1,734
d. Plant and equipment	–	229
<b>18. Repayment of debt</b>	958	1,100
<b>19. Totals</b>	<b>2,661</b>	<b>5,173</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	54
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>54</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	11,430	11,333
b. Residential (unoccupied, ie. vacant lot)	680	782
c. Non-residential (occupied)	865	738
d. Non-residential (unoccupied, ie. vacant lot)	26	22
<b>24. Number of ETs for which developer charges were received</b>	100 ET	55 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 129,000	\$ 105,367

## Bega Valley Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	4,910	–	4,910
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	15,210	–	15,210
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	293	–	293
c. User charges	95	–	95
d. Other	56	–	56
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	179,596	179,596
b. Plant and equipment	–	362	362
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>20,564</u>	<u>179,958</u>	<u>200,522</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	271	–	271
<b>34. Borrowings</b>	–	20,377	20,377
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>271</u>	<u>20,377</u>	<u>20,648</u>
<b>37. NET ASSETS COMMITTED</b>	<u>20,293</u>	<u>159,581</u>	<u>179,874</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			81,150
<b>39. Asset revaluation reserve</b>			98,724
<b>40. TOTAL EQUITY</b>			<u>179,874</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			303,361
<b>42. Accumulated current cost</b> depreciation of system assets			(123,765)
<b>43. Written down current cost</b> of system assets			<u>179,596</u>

## Bega Valley Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

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

(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 <sup>(1)</sup>

(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** <sup>(2)</sup> (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** <sup>(2)</sup> (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:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

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

## Bega Valley Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – specialised	1,174	–	606	1,796	43,405	54,399	36%	17%	35%	7%	5%
	<b>Sub-total</b>	<b>1,174</b>	<b>–</b>	<b>606</b>	<b>1,796</b>	<b>43,405</b>	<b>54,399</b>	<b>36.0%</b>	<b>17.0%</b>	<b>35.0%</b>	<b>7.0%</b>	<b>5.0%</b>
<b>Roads</b>	Sealed roads	–	–	3,515	5,865	124,638	248,829	15%	48%	34%	3%	0%
	Unsealed roads	–	–	1,705	585	7,453	17,294	4%	11%	61%	24%	0%
	Bridges	–	–	650	687	86,537	167,527	44%	48%	8%	0%	0%
	Footpaths	–	–	84	–	4,344	8,548	78%	20%	2%	0%	0%
	Other road assets	1,891	–	352	58	43,967	105,819	18%	26%	21%	18%	17%
	Bulk earthworks	–	–	–	–	135,942	135,942	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>1,891</b>	<b>–</b>	<b>6,306</b>	<b>7,195</b>	<b>402,881</b>	<b>683,959</b>	<b>40.0%</b>	<b>33.8%</b>	<b>19.1%</b>	<b>4.5%</b>	<b>2.6%</b>
<b>Water supply network</b>	Water supply network	–	–	–	4,191	192,932	311,783	37%	28%	15%	8%	12%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,191</b>	<b>192,932</b>	<b>311,783</b>	<b>37.0%</b>	<b>28.0%</b>	<b>15.0%</b>	<b>8.0%</b>	<b>12.0%</b>
<b>Sewerage network</b>	Sewerage network	–	–	–	6,238	179,583	298,865	22%	49%	17%	8%	4%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>6,238</b>	<b>179,583</b>	<b>298,865</b>	<b>22.0%</b>	<b>49.0%</b>	<b>17.0%</b>	<b>8.0%</b>	<b>4.0%</b>

## Bega Valley Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	247	262	26,355	37,229	26%	62%	12%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>247</b>	<b>262</b>	<b>26,355</b>	<b>37,229</b>	<b>26.0%</b>	<b>62.0%</b>	<b>12.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	–	1,711	4,340	8,020	4%	17%	54%	9%	16%
	Other	–	–	–	1,852	39,753	25,960	10%	22%	46%	20%	2%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,563</b>	<b>44,093</b>	<b>33,980</b>	<b>8.6%</b>	<b>20.8%</b>	<b>47.9%</b>	<b>17.4%</b>	<b>5.3%</b>
Other infrastructure assets	Airport	–	–	350	38	10,215	11,030	93%	2%	5%	0%	0%
	Waste Infrastructure	677	–	–	3,315	6,437	7,688	94%	2%	1%	1%	2%
	Saleyards	–	–	–	1	2,342	3,648	29%	64%	1%	7%	0%
	<b>Sub-total</b>	<b>677</b>	<b>–</b>	<b>350</b>	<b>3,354</b>	<b>18,994</b>	<b>22,366</b>	<b>82.9%</b>	<b>12.0%</b>	<b>2.9%</b>	<b>1.4%</b>	<b>0.7%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>3,742</b>	<b>–</b>	<b>7,509</b>	<b>26,599</b>	<b>908,243</b>	<b>1,442,581</b>	<b>35.0%</b>	<b>35.1%</b>	<b>18.6%</b>	<b>6.2%</b>	<b>5.0%</b>

## Notes:

<sup>a</sup> Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

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

## Bega Valley Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>11,428</u>	<b>50.04%</b>	81.65%	61.21%
Depreciation, amortisation and impairment	<u>22,839</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>3,742</u>	<b>0.48%</b>	3.26%	8.96%
Carrying value of infrastructure assets	<u>772,301</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>26,599</u>	<b>3.54</b>	0.81	0.94
Required asset maintenance	<u>7,509</u>			

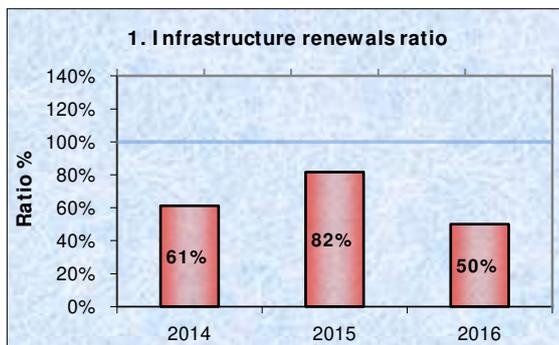
## Notes

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

<sup>(1)</sup> 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.

# Bega Valley Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



### Purpose of asset renewals ratio

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

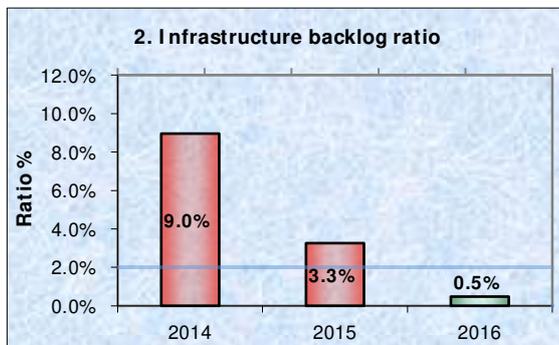
### Commentary on 2015/16 result

**2015/16 Ratio 50.04%**

The ratio is below benchmark due to expenditure of capital funds on upgrades/additions

Benchmark: ——— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

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

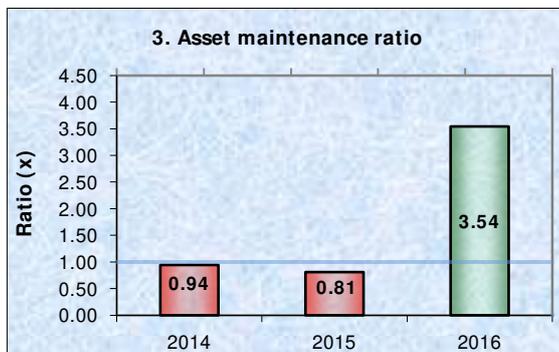
### Commentary on 2015/16 result

**2015/16 Ratio 0.48%**

The ratio is well below the benchmark indicating a very limited backlog

Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of asset maintenance ratio

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

### Commentary on 2015/16 result

**2015/16 Ratio 3.54 x**

The ratio is significantly above the benchmark indicating all maintenance requirements have been met

Benchmark: ——— Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark

## Bega Valley Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
<u>Asset renewals <sup>(2)</sup></u>	<b>57.88%</b>	<b>19.47%</b>	<b>65.93%</b>
Depreciation, amortisation and impairment			
prior period:	0.00%	0.00%	158.56%
<b>2. Infrastructure backlog ratio</b>			
<u>Estimated cost to bring assets to a satisfactory standard</u>	<b>0.00%</b>	<b>0.00%</b>	<b>0.94%</b>
Carrying value of infrastructure assets			
prior period:	2.70%	0.18%	5.02%
<b>3. Asset maintenance ratio</b>			
<u>Actual asset maintenance</u>	<b>0.00</b>	<b>0.00</b>	<b>2.15</b>
Required asset maintenance			
prior period:	19.33	12.57	0.60

## 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.

## Bega Valley Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	21,203	22,054
Plus or minus adjustments <sup>(2)</sup>	b	(151)	66
<b>Notional general income</b>	c = (a + b)	<b>21,052</b>	<b>22,120</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	5.00%	0.00%
Or rate peg percentage	e	0.00%	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)	1,053	–
Or plus rate peg amount	i = c x e	–	398
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>22,105</b>	<b>22,518</b>
Plus (or minus) last year's carry forward total	l	37	75
Less valuation objections claimed in the previous year	m	(12)	–
<b>Sub-total</b>	n = (l + m)	<b>25</b>	<b>75</b>
<b>Total permissible income</b>	o = k + n	<b>22,129</b>	<b>22,594</b>
Less notional general income yield	p	22,054	22,612
<b>Catch-up or (excess) result</b>	q = o – p	<b>75</b>	<b>(18)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>75</b>	<b>(18)</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

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**BEGA VALLEY SHIRE COUNCIL**  
**Special Schedule No. 8 - Independent Auditors Report**  
for the financial year ended 30 June 2016

**Scope**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Bega Valley Shire Council for the year ending 30 June 2016.

**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.

**Auditors' Responsibility**

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.

**Independence**

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

**Audit Opinion**

In our opinion, Special Schedule No. 8 of Bega Valley Shire Council for 2015/16 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

**Basis of Accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the NSW 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 schedule may not be suitable for another purpose.

**RSM**

**W. E. Beauman**  
Director

Sydney, 31 October 2016