

Bega Valley Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Your place, Our place, Great place"



Bega Valley Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for 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 guiding principles are detailed in Chapter 3 of the LGA and includes:

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 31 October 2017. 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 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2017

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

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

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

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

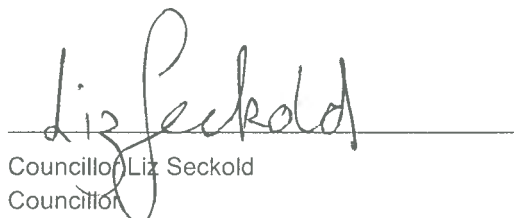
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 20 September 2017.



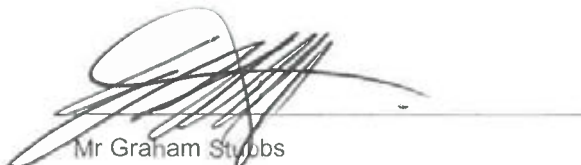
Councillor Kristy McBain
Mayor



Councillor Liz Seckold
Councillor



Ms Leanne Barnes
General Manager



Mr Graham Stubbs
Responsible Accounting Officer

Bega Valley Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017 \$ '000		Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
47,081	Rates and annual charges	3a	47,567	46,531
16,047	User charges and fees	3b	17,573	15,640
1,568	Interest and investment revenue	3c	1,700	1,698
974	Other revenues	3d	1,697	1,298
13,613	Grants and contributions provided for operating purposes	3e,f	21,629	15,780
13,689	Grants and contributions provided for capital purposes	3e,f	5,463	6,380
Other income:				
–	Net gains from the disposal of assets	5	111	46
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
92,972	Total income from continuing operations		95,740	87,373
Expenses from continuing operations				
30,906	Employee benefits and on-costs	4a	30,443	30,337
2,425	Borrowing costs	4b	2,135	2,010
21,910	Materials and contracts	4c	28,029	20,876
23,500	Depreciation and amortisation	4d	25,734	24,474
–	Impairment	4d	–	–
5,444	Other expenses	4e	6,432	5,801
84,185	Total expenses from continuing operations		92,773	83,498
8,787	Operating result from continuing operations		2,967	3,875
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
8,787	Net operating result for the year		2,967	3,875
8,787	Net operating result attributable to Council		2,967	3,875
–	Net operating result attributable to non-controlling interests		–	–
(4,902)	Net operating result for the year before grants and contributions provided for capital purposes		(2,496)	(2,505)

¹ Original budget as approved by Council – refer Note 16

Bega Valley Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		2,967	3,875
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(58,909)	(9,720)
Total items which will not be reclassified subsequently to the operating result		(58,909)	(9,720)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(58,909)	(9,720)
Total comprehensive income for the year		(55,942)	(5,845)
Total comprehensive income attributable to Council		(55,942)	(5,845)
Total comprehensive income attributable to non-controlling interests		—	—

Bega Valley Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	17,209	17,484
Investments	6b	44,900	40,900
Receivables	7	6,913	5,404
Inventories	8	697	687
Other	8	—	—
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		69,719	64,475
Non-current assets			
Investments	6b	—	—
Receivables	7	18	24
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	932,484	1,001,169
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		932,502	1,001,193
TOTAL ASSETS		1,002,221	1,065,668
LIABILITIES			
Current liabilities			
Payables	10	3,884	7,057
Income received in advance	10	722	586
Borrowings	10	3,466	3,629
Provisions	10	8,177	8,991
Total current liabilities		16,249	20,263
Non-current liabilities			
Payables	10	—	—
Borrowings	10	34,595	38,064
Provisions	10	2,568	2,590
Total non-current liabilities		37,163	40,654
TOTAL LIABILITIES		53,412	60,917
Net assets		948,809	1,004,751
EQUITY			
Retained earnings	20	557,608	554,641
Revaluation reserves	20	391,201	450,110
Other reserves	20	—	—
Council equity interest		948,809	1,004,751
Non-controlling equity interests		—	—
Total equity		948,809	1,004,751

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

Bega Valley Shire Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017					2016				
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest
						Total equity					Total equity
Opening balance (as per last year's audited accounts)		554,641	450,110	–	1,004,751	–	550,766	459,830	–	1,010,596	–
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
Revised opening balance		554,641	450,110	–	1,004,751	–	550,766	459,830	–	1,010,596	–
c. Net operating result for the year		2,967	–	–	2,967	–	3,875	–	–	3,875	–
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(58,909)	–	(58,909)	–	–	(9,720)	–	(9,720)	–
Other comprehensive income		–	(58,909)	–	(58,909)	–	–	(9,720)	–	(9,720)	–
Total comprehensive income (c&d)		2,967	(58,909)	–	(55,942)	–	3,875	(9,720)	–	(5,845)	–
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		557,608	391,201	–	948,809	–	554,641	450,110	–	1,004,751	–

Bega Valley Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
47,001	Rates and annual charges		47,628	46,429
15,865	User charges and fees		16,758	15,830
1,568	Investment and interest revenue received		1,651	1,796
25,636	Grants and contributions		26,398	21,782
4,561	Other		1,822	1,902
Payments:				
(31,144)	Employee benefits and on-costs		(31,090)	(30,022)
(21,017)	Materials and contracts		(31,252)	(22,659)
(2,365)	Borrowing costs		(2,140)	(2,015)
–	Bonds, deposits and retention amounts refunded		(144)	(150)
(5,444)	Other		(6,432)	(5,801)
34,661	Net cash provided (or used in) operating activities	11b	23,199	27,092
Cash flows from investing activities				
Receipts:				
2,860	Sale of investment securities		152,800	49,000
1,487	Sale of infrastructure, property, plant and equipment		1,123	783
–	Deferred debtors receipts		5	4
Payments:				
–	Purchase of investment securities		(156,800)	(40,900)
(36,353)	Purchase of infrastructure, property, plant and equipment		(16,970)	(32,303)
(32,006)	Net cash provided (or used in) investing activities		(19,842)	(23,416)
Cash flows from financing activities				
Receipts:				
2,100	Proceeds from borrowings and advances		–	11,420
Payments:				
(2,535)	Repayment of borrowings and advances		(3,578)	(2,692)
–	Repayment of finance lease liabilities		(54)	(47)
(435)	Net cash flow provided (used in) financing activities		(3,632)	8,681
2,220	Net increase/(decrease) in cash and cash equivalents		(275)	12,357
17,484	Plus: cash and cash equivalents – beginning of year	11a	17,484	5,127
19,704	Cash and cash equivalents – end of the year	11a	17,209	17,484
Additional Information:				
plus:	Investments on hand – end of year	6b	44,900	40,900
	Total cash, cash equivalents and investments		62,109	58,384

Please refer to Note 11 for additional cash flow information.

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

During the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

This included the first time application during the year of AASB 124 Related Party Disclosures. As a result Council has disclosed information about related parties and transactions with those related parties. This information is presented in Note 28.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies, financial position, financial performance or cash flows.

(ii) Early adoption of standards

Council did not early adopt any accounting standards.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Council has made a significant judgement 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 the Council and specific criteria have been met for each of the Council's activities as described below.

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(i) Rates, annual charges, grants and contributions

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

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

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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) 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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993* (NSW), 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.

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

- General purpose operations
- Water service
- Sewerage service

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

Twyford Hall Committee

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Total income
from continuing operations \$121,000

Total expenditure
from continuing operations \$88,000

Total net assets held (i.e. equity) \$1,017,355

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint operations

Council has no interest in any joint operations.

Joint ventures/associates

Council has no interest in any joint ventures/associates.

(d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

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

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

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(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.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

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

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

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

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

(ii) Loans and receivables

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

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for

impairment. Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

Recognition and de-recognition

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

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

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

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

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

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

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

Investment Policy

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

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(j) Fair value estimation – financial instruments

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

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

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

Internally valued:

- Community land
- Roads assets including roads, bridges and footpaths

- Bulk earthworks
- Stormwater drainage

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

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

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

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

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

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

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

Other Structures > \$10,000

Water and Sewer Assets

Reticulation extensions > \$10,000
Other > \$10,000

Stormwater Assets

Drains and Culverts > \$10,000
Other > \$10,000

Transport Assets

Road construction and reconstruction > \$10,000
Reseal/Re-sheet and major repairs > \$10,000

Bridge construction and reconstruction > \$10,000

Other Infrastructure Assets

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

Other Infrastructure > \$10,000

Depreciation

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

Land is not depreciated.

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

Plant and Equipment

- Office Equipment	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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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	50 to 100 years
- Other Open Space /Recreational Assets	50 to 100 years
- Other Infrastructure	50 to 100 years

Other Assets

- Library Books	10 years
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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.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(o) Borrowing costs

Borrowing costs are expensed.

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

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

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

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

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

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

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 2017 was \$ 597k.

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.

(r) 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.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council has not classified any assets as intangible.

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(u) 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.

(v) Rural fire service assets

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

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

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(x) New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 *Financial Instruments* (December 2009)

- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* AASB 1057 *Application of Australian Accounting Standards*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 *Leases*

AASB 16 *Leases* (Appendix D)

AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

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

(y) Rounding of amounts

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

(z) 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.

(aa) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	22	26	1,244	1,191	1,573	(1,244)	(1,169)	(1,547)	67	391	–	3,199
Administration	2,400	4,600	2,155	5,498	18,471	6,862	(3,098)	(13,871)	(4,707)	345	106	89,132	72,653
Public order and safety	704	718	1,200	1,947	1,886	2,021	(1,243)	(1,168)	(821)	435	539	1,859	1,839
Health	352	400	117	297	290	359	55	110	(242)	22	–	–	–
Environment	10,228	10,741	10,132	11,286	11,472	10,270	(1,058)	(731)	(138)	379	318	–	–
Community services and education	3,338	4,530	4,053	4,506	5,282	4,735	(1,168)	(752)	(682)	3,669	3,174	6,235	4,657
Housing and community amenities	938	832	758	3,551	3,752	3,903	(2,613)	(2,920)	(3,145)	32	9	39,246	44,157
Water supplies	11,865	11,936	11,137	12,370	11,701	13,241	(505)	235	(2,104)	328	149	163,781	194,469
Sewerage services	19,712	19,516	18,359	17,723	16,969	18,778	1,989	2,547	(419)	626	129	141,406	181,477
Recreation and culture	1,605	1,515	1,694	7,520	5,319	5,444	(5,915)	(3,804)	(3,750)	247	361	115,453	132,773
Mining, manufacturing and construction	1,283	1,421	1,573	892	6,093	7,213	391	(4,672)	(5,640)	987	–	435	435
Transport and communication	11,008	5,874	7,075	16,366	9,084	7,973	(5,358)	(3,210)	(898)	6,606	6,639	436,735	424,787
Economic affairs	230	897	496	985	1,263	1,126	(755)	(366)	(630)	355	–	7,939	5,222
Total functions and activities	63,663	63,002	58,775	84,185	92,773	83,498	(20,522)	(29,771)	(24,723)	14,098	11,815	1,002,221	1,065,668
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	29,309	32,738	28,598	–	–	–	29,309	32,738	28,598	10,419	7,050	–	–
Operating result from continuing operations	92,972	95,740	87,373	84,185	92,773	83,498	8,787	2,967	3,875	24,517	18,865	1,002,221	1,065,668

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 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Bega Valley Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		17,690	17,171
Farmland		1,928	1,913
Business		2,247	2,158
Total ordinary rates		21,865	21,242
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,904	6,828
Stormwater management services		290	288
Water supply services		3,021	2,945
Sewerage services		14,721	14,467
Waste management services (non-domestic)		766	761
Total annual charges		25,702	25,289
TOTAL RATES AND ANNUAL CHARGES		47,567	46,531

Council has used 2016 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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		7,551	6,733
Sewerage services		1,935	1,655
Total user charges		9,486	8,388
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		1,816	1,849
Private works – section 67		500	452
Regulatory fees		43	89
Section 603 certificates		100	95
Tapping fees		141	165
Total fees and charges – statutory/regulatory		2,600	2,650
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		589	–
Cemeteries		337	308
Child care		793	824
Committee funds		34	28
Community centres		118	91
Food shop inspections		–	90
Lease rentals		480	387
Leaseback fees – Council vehicles		321	308
Library and art gallery		31	17
Planning and building – discretionary		166	195
Quarry revenues		195	–
Recycling income (non-domestic)		–	6
Refuse and effluent disposal		39	35
Sundry sales		–	50
Swimming centres		591	731
Tourism		24	–
Waste disposal tipping fees		1,743	1,486
Other		26	46
Total fees and charges – other		5,487	4,602
TOTAL USER CHARGES AND FEES		17,573	15,640

Bega Valley Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		150	160
– Interest earned on investments (interest and coupon payment income)		1,415	1,340
– Interest (other)		131	194
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		4	4
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,700</u>	<u>1,698</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	150	160
General Council cash and investments	304	146

Restricted investments/funds – external:

Development contributions		
– Section 94	26	26
– Section 64	153	149
Water fund operations	285	413
Sewerage fund operations	535	581
Domestic waste management operations	247	223
Total interest and investment revenue recognised	1,700	1,698

(d) Other revenues

Fines	82	66
Legal fees recovery – rates and charges (extra charges)	257	382
Legal fees recovery – other	–	13
Commissions and agency fees	17	5
Diesel rebate	138	131
Fundraising and donations	10	98
Insurance claim recoveries	463	297
Sales – general	730	306
<u>TOTAL OTHER REVENUE</u>	<u>1,697</u>	<u>1,298</u>

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	7,280	4,859	–	–
Financial assistance – local roads component	2,757	1,821	–	–
Pensioners' rates subsidies – general component	382	370	–	–
Total general purpose	10,419	7,050	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	151	149	–	–
– Sewerage	131	129	–	–
– Domestic waste management	160	161	–	–
Water supplies	–	–	177	–
Sewerage services	–	–	495	–
Bushfire and emergency services	386	481	99	14
Child care	1,602	1,720	–	–
Community care	2,038	1,430	–	1
Economic development	355	–	–	–
Employment and training programs	25	106	–	–
Environmental protection	68	88	–	–
Flood restoration	–	12	–	–
Health	22	–	–	–
Heritage and cultural	61	63	–	–
Library	110	199	–	–
LIRS subsidy	218	242	–	–
Noxious weeds	135	127	–	–
Planning	32	8	–	–
Public halls	15	–	–	–
Recreation and culture	–	100	81	–
Regulatory	43	58	–	–
Street lighting	52	51	–	–
Transport (roads to recovery)	–	–	1,330	2,465
Transport (other roads and bridges funding)	5,332	3,029	680	761
Waste	14	35	(10)	16
Wharves and jetties	–	–	198	370
ESPL	98	–	–	–
Total specific purpose	11,048	8,188	3,050	3,627
Total grants	21,467	15,238	3,050	3,627
Grant revenue is attributable to:				
– Commonwealth funding	11,835	8,985	–	–
– State funding	8,126	6,818	2,775	1,162
– Other funding	1,506	(565)	275	2,465
	21,467	15,238	3,050	3,627

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	454	531
S 64 – water supply contributions	–	–	463	569
S 64 – sewerage service contributions	–	–	485	1,224
Total developer contributions	17	–	1,402	2,324
Other contributions:				
Administration	5	61	–	–
Airport	1	120	–	–
Bushfire services	6	80	–	354
Community services	38	31	–	–
Library	46	44	–	–
Recreation and culture	53	146	–	–
Sewerage (excl. section 64 contributions)	–	–	1,011	75
Water supplies (excl. section 64 contributions)	–	7	–	–
Other	13	53	–	–
Total other contributions	162	542	1,011	429
Total contributions	162	542	2,413	2,753
TOTAL GRANTS AND CONTRIBUTIONS	21,629	15,780	5,463	6,380

\$ '000	Actual 2017	Actual 2016
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(g) Unspent 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	10,304	10,588
Add: grants and contributions recognised in the current period but not yet spent:	5,892	1,613
Less: grants and contributions recognised in a previous reporting period now spent:	(1,326)	(1,897)
Net increase (decrease) in restricted assets during the period	4,566	(284)
Unexpended and held as restricted assets	14,870	10,304
Comprising:		
– Specific purpose unexpended grants	5,266	1,848
– Developer contributions	9,604	8,456
	14,870	10,304

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		24,630	23,386
Travel expenses		137	117
Employee leave entitlements (ELE)		3,375	4,458
Superannuation		2,850	2,853
Workers' compensation insurance		546	680
Fringe benefit tax (FBT)		11	48
Payroll tax		285	284
Training costs (other than salaries and wages)		430	571
Protective clothing		73	99
Other		248	2
Total employee costs		32,585	32,498
Less: capitalised costs		(2,142)	(2,161)
TOTAL EMPLOYEE COSTS EXPENSED		30,443	30,337
Number of 'full-time equivalent' employees (FTE) at year end		355	355
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,126	1,999
Charges relating to finance leases		9	11
Total interest bearing liability costs expensed		2,135	2,010
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		2,135	2,010
(c) Materials and contracts			
Raw materials and consumables		6,611	6,162
Contractor and consultancy costs		20,683	14,039
Auditors remuneration ⁽¹⁾		150	66
Legal expenses:			
– Legal expenses: planning and development		37	5
– Legal expenses: debt recovery		238	384
– Legal expenses: other		184	136
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		126	84
TOTAL MATERIALS AND CONTRACTS		28,029	20,876

Bega Valley Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
Nil			
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		82	66
– Other audit and assurance services		68	–
Remuneration for audit and other assurance services		150	66
Total remuneration of other Council's Auditors		150	66
Total Auditor remuneration		150	66
2. Operating lease payments are attributable to:			
Computers		126	84
		126	84
(d) Depreciation, amortisation and impairment			
Plant and equipment		1,436	1,497
Office equipment		61	67
Infrastructure:			
– Buildings – specialised		1,166	991
– Roads		7,326	6,414
– Bridges		1,904	1,786
– Footpaths		194	193
– Stormwater drainage		375	368
– Water supply network		4,363	4,622
– Sewerage network		6,515	7,012
– Swimming pools		229	153
– Other open space/recreational assets		1,390	886
– Other infrastructure		701	414
Other assets			
– Library books		74	71
Total depreciation and amortisation costs		25,734	24,474
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		25,734	24,474

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		166	232
Bad and doubtful debts		11	27
Bank charges		194	198
Computer software charges		757	952
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		–	56
– NSW fire brigade levy		–	67
– NSW rural fire service levy		886	499
Councillor expenses – mayoral fee		41	58
Councillor expenses – councillors' fees		176	156
Councillors' expenses (incl. mayor) – other (excluding fees above)		73	53
Donations, contributions and assistance to other organisations (Section 356)		348	368
Electricity and heating		1,038	1,174
Fair value decrements – I,PP&E	9(a)	–	–
Insurance		974	1,067
Postage		171	134
Printing and stationery		296	–
Street lighting		309	305
Subscriptions and publications		414	–
Telephone and communications		409	340
Valuation fees		169	115
<u>TOTAL OTHER EXPENSES</u>		<u>6,432</u>	<u>5,801</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		1,123	783
Less: carrying amount of plant and equipment assets sold/written off		(1,012)	(737)
Net gain/(loss) on disposal		111	46
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		152,800	49,000
Less: carrying amount of financial assets sold/redeemed/matured		(152,800)	(49,000)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>111</u>	<u>46</u>

Bega Valley Shire Council

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

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

		2017	2017	2016	2016
\$ '000	Notes	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		5,209	–	4,484	–
Cash-equivalent assets ¹					
– Deposits at call		5,000	–	–	–
– Short-term deposits		7,000	–	13,000	–
Total cash and cash equivalents		17,209	–	17,484	–
Investments (Note 6b)					
– Term deposits		44,900	–	40,900	–
Total investments		44,900	–	40,900	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS					
		62,109	–	58,384	–

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

**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'	17,209	–	17,484	–
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Investments

a. 'Held to maturity'	44,900	–	40,900	–
Investments	44,900	–	40,900	–

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 2017

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

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	62,109	–	58,384	–
attributable to:				
External restrictions (refer below)	52,739	–	43,118	–
Internal restrictions (refer below)	8,577	–	12,050	–
Unrestricted	793	–	3,216	–
	62,109	–	58,384	–

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

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	704	–	(661)	43
External restrictions – included in liabilities	704	–	(661)	43

External restrictions – other

Developer contributions – general (B)	1,244	480	(432)	1,292
Developer contributions – water fund (B)	3,333	543	–	3,876
Developer contributions – sewer fund (B)	3,879	557	–	4,436
Specific purpose unexpended grants (C)	1,848	3,418	–	5,266
Water supplies (D)	10,153	535	–	10,688
Sewerage services (D)	16,241	5,181	–	21,422
Domestic waste management (D)	5,675	–	–	5,675
Tathra beach estate	41	–	–	41
External restrictions – other	42,414	10,714	(432)	52,696
Total external restrictions	43,118	10,714	(1,093)	52,739

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** 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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,365	–	(2,319)	46
Infrastructure replacement	1,240	–	(297)	943
Employees leave entitlement	1,651	–	(68)	1,583
Carry over works	2,070	–	(857)	1,213
Brighter futures vehicle reserve	30	–	–	30
Childcare services (excl. ELE shown above)	560	–	(35)	525
Computer reserve	460	–	(172)	288
Election expenses	203	–	(203)	–
Environmental management	90	10	–	100
Former Sec 355 committees	730	–	(28)	702
Gravel pit operations	555	170	–	725
Operational examination contingency	108	–	(80)	28
Other waste management	415	68	–	483
Other airport	254	100	–	354
Park improvements	219	4	–	223
Property development	373	–	(26)	347
Saleyards	50	8	–	58
Sporting facilities	196	–	(47)	149
Sportsground sv reserve	142	–	(45)	97
SV – Armco culvert restoration	124	67	–	191
SV – public domain and buildings	60	242	–	302
Other	155	35	–	190
Total internal restrictions	12,050	704	(4,177)	8,577
TOTAL RESTRICTIONS	55,168	11,418	(5,270)	61,316

Bega Valley Shire Council

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

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		1,624	–	1,685	–
Interest and extra charges		164	–	181	–
User charges and fees		1,284	–	941	–
Private works		1,116	–	683	–
Contributions to works		17	–	15	–
Accrued revenues					
– Interest on investments		213	–	151	–
Deferred debtors		9	(1)	9	–
Government grants and subsidies		2,257	–	1,563	–
Loans to sporting clubs		–	19	–	24
Net GST receivable		304	–	434	–
Children services		169	–	161	–
Total		7,157	18	5,823	24
Less: provision for impairment					
User charges and fees		(244)	–	(419)	–
Total provision for impairment – receivables		(244)	–	(419)	–
TOTAL NET RECEIVABLES		6,913	18	5,404	24
Externally restricted receivables					
Water supply					
– Rates and availability charges		69	–	70	–
– Other		548	–	512	–
Sewerage services					
– Rates and availability charges		269	–	293	–
– Other		137	(1)	151	–
Total external restrictions		1,023	(1)	1,026	–
Internally restricted receivables					
Nil					
Unrestricted receivables		5,890	19	4,378	24
TOTAL NET RECEIVABLES		6,913	18	5,404	24

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% (2016 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 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		69	—	69	—
Stores and materials		578	—	568	—
Loose tools		50	—	50	—
Total inventories at cost		697	—	687	—
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		697	—	687	—

(b) Other assets

Nil

Externally restricted assets

There are no restrictions applicable to the above assets.

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

Residential	69	–	69	–
Total real estate for resale	69	–	69	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	69	–	69	–
Total costs	69	–	69	–
Total real estate for resale	69	–	69	–
Movements:				
Real estate assets at beginning of the year	69	–	69	–
Total real estate for resale	69	–	69	–

(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;

	2017	2016
Real estate for resale	69	69
	69	69

(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 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	33	–	33	–	6,949	–	–	(33)	–	–	6,949	–	6,949
Plant and equipment	19,560	8,984	10,576	–	2,492	(1,012)	(1,436)	–	–	206	20,458	9,632	10,826
Office equipment	3,504	3,098	406	–	25	–	(61)	–	–	–	3,773	3,403	370
Furniture and fittings	243	243	–	–	–	–	–	–	–	–	–	–	–
Land:													
– Operational land	31,672	–	31,672	–	313	–	–	33	–	–	32,018	–	32,018
– Community land	49,258	–	49,258	–	79	–	–	–	–	–	49,337	–	49,337
– Land under roads (post 30/6/08)	540	–	540	–	–	–	–	–	–	–	540	–	540
Infrastructure:													
– Buildings – specialised	54,399	10,994	43,405	242	–	–	(1,166)	–	–	–	54,642	12,161	42,481
– Roads	371,943	195,885	176,058	3,108	–	–	(7,326)	–	–	–	375,057	203,211	171,846
– Bridges	167,527	80,990	86,537	2	–	–	(1,904)	–	–	–	167,529	82,894	84,635
– Footpaths	8,548	4,204	4,344	44	–	–	(194)	–	–	–	8,592	4,398	4,194
– Bulk earthworks (non-depreciable)	135,942	–	135,942	1,042	–	–	–	–	–	–	136,984	–	136,984
– Stormwater drainage	37,229	10,874	26,355	1	–	–	(375)	–	–	–	37,230	11,249	25,981
– Water supply network	316,459	123,527	192,932	1,604	–	–	(4,363)	–	(26,409)	–	275,100	111,336	163,764
– Sewerage network	303,348	123,765	179,583	709	–	–	(6,515)	–	(32,706)	–	239,957	98,885	141,072
– Swimming pools	12,065	7,725	4,340	5	–	–	(229)	–	–	–	12,070	7,954	4,116
– Other open space/recreational assets	61,160	21,407	39,753	205	–	–	(1,390)	–	–	–	61,366	22,798	38,568
– Other infrastructure	22,367	3,373	18,994	143	–	–	(701)	–	–	–	22,507	4,071	18,436
Other assets:													
– Library books	2,046	1,605	441	–	–	–	(74)	–	–	–	2,047	1,680	367
Reinstatement, rehabilitation and restoration assets (refer Note 26):													
– Tip assets	3,809	3,809	–	–	–	–	–	–	–	–	3,809	3,809	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,601,652	600,483	1,001,169	7,105	9,858	(1,012)	(25,734)	–	(59,115)	206	1,509,965	577,481	932,484

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 2017

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,252	–	2,252	–	–	–
Plant and equipment	41	23	18	–	–	–
Infrastructure	275,100	111,336	163,764	316,458	123,527	192,931
Total water supply	277,393	111,359	166,034	316,458	123,527	192,931
Sewerage services						
WIP	1,869	–	1,869	–	–	–
Plant and equipment	1,712	1,208	504	1,162	800	362
Land						
– Operational land	13	–	13	13	–	13
Infrastructure	239,956	98,885	141,071	303,348	123,765	179,583
Total sewerage services	243,550	100,093	143,457	304,523	124,565	179,958
Domestic waste management						
Other assets	3,809	3,809	–	3,809	3,809	–
Total DWM	3,809	3,809	–	3,809	3,809	–
TOTAL RESTRICTED I,PP&E	524,752	215,261	309,491	624,790	251,901	372,889

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 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,152	–	4,365	–
Accrued expenses:					
– Borrowings		276	–	281	–
– Salaries and wages		1,435	–	1,246	–
Security bonds, deposits and retentions		1,021	–	1,165	–
Total payables		3,884	–	7,057	–
Income received in advance					
Payments received in advance		722	–	586	–
Total income received in advance		722	–	586	–
Borrowings					
Loans – secured ¹		3,408	34,503	3,578	37,911
Finance lease liabilities		58	92	51	153
Total borrowings		3,466	34,595	3,629	38,064
Provisions					
Employee benefits:					
Annual leave		2,510	–	2,645	–
Long service leave		3,924	178	4,583	200
Other leave		116	–	136	–
Sub-total – aggregate employee benefits		6,550	178	7,364	200
Asset remediation/restoration (future works)	26	1,627	2,390	1,627	2,390
Total provisions		8,177	2,568	8,991	2,590
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		16,249	37,163	20,263	40,654
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Sewer		1,112	18,606	271	20,377
Liabilities relating to externally restricted assets		1,112	18,606	271	20,377
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		1,112	18,606	271	20,377
Total liabilities relating to unrestricted assets		15,137	18,557	19,992	20,277
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		16,249	37,163	20,263	40,654

¹ Loans are secured over the general rating income of Council

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

	Actual 2017	Actual 2016
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	4,357	4,271
	4,357	4,271

Note 10b. Description of and movements in provisions

Class of provision	2016	2017				
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	2,645	1,828	(1,963)	–	–	2,510
Long service leave	4,783	513	(1,194)	–	–	4,102
Other leave	136	169	(189)	–	–	116
Asset remediation	4,017	–	–	–	–	4,017
TOTAL	11,581	2,510	(3,346)	–	–	10,745

- 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.
- 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,209	17,484
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		17,209	17,484
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,967	3,875
Adjust for non-cash items:			
Depreciation and amortisation		25,734	24,474
Net losses/(gains) on disposal of assets		(111)	(46)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(4)	(4)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,329)	421
Increase/(decrease) in provision for doubtful debts		(175)	–
Decrease/(increase) in inventories		(10)	74
Increase/(decrease) in payables		(3,213)	(1,857)
Increase/(decrease) in accrued interest payable		(5)	(5)
Increase/(decrease) in other accrued expenses payable		189	27
Increase/(decrease) in other liabilities		(8)	(155)
Increase/(decrease) in employee leave entitlements		(836)	288
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		23,199	27,092
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		1,000	1,000
Total financing arrangements		1,000	1,000

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 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Infrastructure		5,681	3,696
Total commitments		5,681	3,696
These expenditures are payable as follows:			
Within the next year		5,681	3,696
Total payable		5,681	3,696
Sources for funding of capital commitments:			
Unrestricted general funds		5,681	3,696
Total sources of funding		5,681	3,696

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) Finance lease commitments			
(i) Commitments under finance leases at the reporting date are payable as follows:			
Within the next year		58	51
Later than one year and not later than 5 years		92	153
Later than 5 years		—	—
Total minimum lease payments		150	204
Less: future finance charges		—	—
Amount recognised as a liability		150	204
(ii) Finance lease liability recognised represent;			
Current liabilities		58	51
Non-current liabilities		92	153
Total finance lease liabilities disclosed		150	204
(iii) General details			
Council leases the following property, plant and equipment under finance leases:			
	Term (years)	Option to purchase	Contingent rent clauses
Other equipment/assets		Y/N	Y/N
Total carrying value at year end		150	204

(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	9	64
Later than one year and not later than 5 years	6	29
Later than 5 years	—	—
Total non-cancellable operating lease commitments	15	93

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 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(2,607)	-2.89%	-3.15%	-0.72%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	90,166				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	68,537	71.67%	74.62%	74.52%	>60.00%
Total continuing operating revenue ⁽¹⁾	95,629				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	15,888	1.47x	1.29x	1.31x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	10,780				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	25,262	4.38x	5.04x	4.58x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,767				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,788	3.59%	3.82%	3.71%	< 5% Metro
Rates, annual and extra charges collectible	49,840				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	62,109	9.98 mths	11.1 mths	11.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	6,224				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Bega Valley Shire Council

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

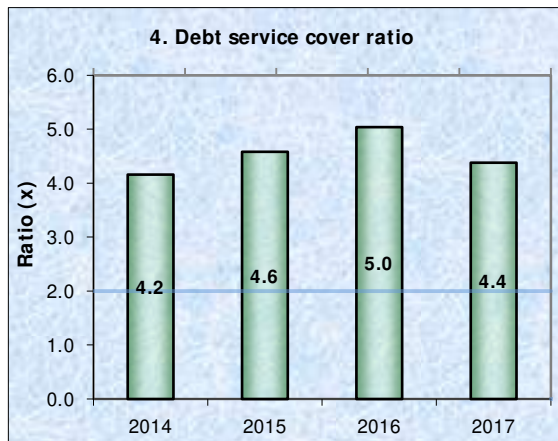
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio -2.89%</p> <p>Council's operating performance ratio is below the benchmark of breakeven.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 71.67%</p> <p>Council's own source revenue is above the benchmark</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 1.47x</p> <p>Council's unrestricted cash ratio is above the benchmark</p>

Bega Valley Shire Council

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

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



Benchmark: — Minimum ≥ 2.00

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



Purpose of debt service cover ratio

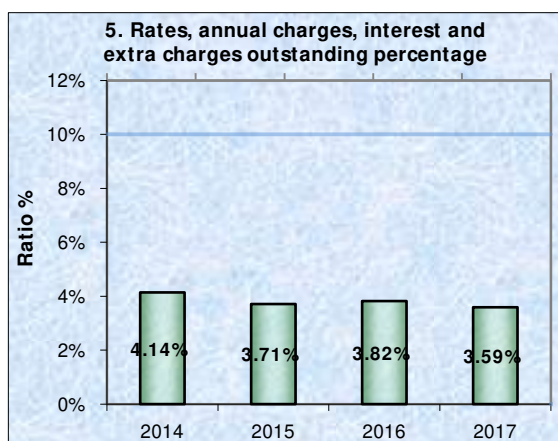
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2016/17 result

2016/17 ratio 4.38x

Council has the capacity to service its borrowings.

 Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

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



Purpose of rates and annual charges outstanding ratio

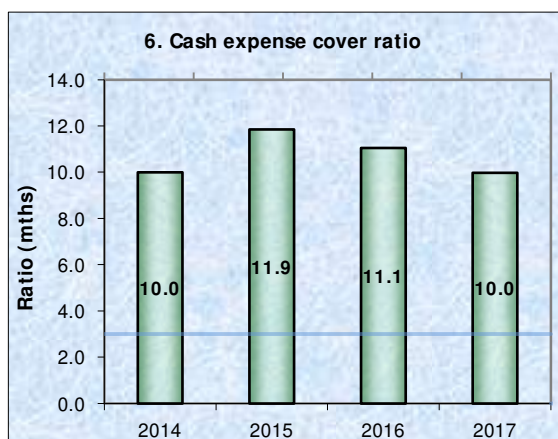
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2016/17 result

2016/17 ratio 3.59%

The ratio is below the industry benchmark, which is a positive result.

 Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

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



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 9.98 mths

Council has sufficient cash and investments to cover its immediate expenses.

 Ratio achieves benchmark
 Ratio is outside benchmark

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-4.41%	2.78%	-11.92%	-22.77%	7.63%	-9.08%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	62.10%	65.24%	93.58%	93.62%	88.78%	92.14%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	1.47x	1.29x	No liabilities	No liabilities	19.63x	13.01x	>1.5x

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 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	3.06x	6.12x	0.00x	0.00x	4.74x	2.97x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.52%	4.79%	2.28%	2.38%	1.83%	2.03%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	9.98	11.05	0.00	0.00	0.00	0.00	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) 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 2017

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	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	17,209	17,484	–	–
Investments				
– 'Held to maturity'	44,900	40,900	–	–
Receivables	6,931	5,428	–	–
Total financial assets	69,040	63,812	–	–
Financial liabilities				
Payables	3,884	7,057	–	–
Loans/advances	37,911	41,489	–	–
Lease liabilities	150	204	–	–
Total financial liabilities	41,945	48,750	–	–

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 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance 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
2017				
Possible impact of a 10% movement in market values	5,190	5,190	5,190	5,190
Possible impact of a 1% movement in interest rates	519	519	519	519
2016				
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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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:

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		0%	71%	0%	59%
Overdue		100%	29%	100%	41%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	–	4,288	–	2,460
< 1 year overdue	0 – 30 days overdue	1,624	588	1,685	1,212
1 – 2 years overdue	31 – 60 days overdue	–	293	–	60
2 – 5 years overdue	61 – 90 days overdue	–	9	–	9
> 5 years overdue	> 91 days overdue	–	373	–	421
		1,624	5,551	1,685	4,162
(iii) Movement in provision for impairment of receivables					
				2017	2016
Balance at the beginning of the year				419	419
– amounts already provided for and written off this year				(175)	–
Balance at the end of the year				244	419

Bega Valley Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	1,021	2,632	—	—	—	—	—	3,653	3,884
Loans and advances	—	3,408	3,371	3,351	3,333	3,314	21,134	37,911	37,911
Lease liabilities	—	64	64	22	—	—	—	150	150
Total financial liabilities	1,021	6,104	3,435	3,373	3,333	3,314	21,134	41,714	41,945
2016									
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
Total financial liabilities	1,165	9,539	3,472	3,435	3,358	3,333	24,448	48,750	48,750

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,884	0.00%	7,057	0.00%
Loans and advances – fixed interest rate	37,911	6.00%	41,489	6.00%
Lease liabilities	150	6.00%	204	6.00%
	41,945		48,750	

Bega Valley Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 29 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
REVENUES				
Rates and annual charges	47,081	47,567	486	1% F
User charges and fees	16,047	17,573	1,526	10% F
Interest and investment revenue	1,568	1,700	132	8% F
Other revenues	974	1,697	723	74% F
The variance relates mainly to unbudgeted income from insurance claim (470K) and sale of waste materials of 250K.				
Operating grants and contributions	13,613	21,629	8,016	59% F
Variance relates mainly due to classification of operating and capital grant. Council received more grant of \$647K than budgeted and this is less than 10% in overall.				
Capital grants and contributions	13,689	5,463	(8,226)	(60%) U
Variance relates mainly due to classification of operating and capital grant. Overall grant income is par with the budget.				
Net gains from disposal of assets	–	111	111	0% F
No gain was identified from the disposal of assets in the budget.				

Bega Valley Shire Council

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

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
EXPENSES				
Employee benefits and on-costs	30,906	30,443	463	1% F
Borrowing costs	2,425	2,135	290	12% F
The borrowing costs were not as anticipated as further borrowings were not undertaken.				
Materials and contracts	21,910	28,029	(6,119)	(28%) U
The variance relates to materials and contracts costs increasing during the year due to additional works and unforeseen events.				
Depreciation and amortisation	23,500	25,734	(2,234)	(10%) U
Depreciation expenses was estimated lesser in the original budget. This was rectified through quarterly budget review in September 2016.				
Other expenses	5,444	6,432	(988)	(18%) U
Variance mainly relates to the recording of an unbudgeted fair value decrement of IPPE assets of \$1.6M and recognising printing and publication costs in other expenses rather than materials and contracts.				

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

Cash flows from operating activities	34,661	23,199	(11,462)	(33.1%) U
The variance is mainly from the increases in materials and contracts costs that were not anticipated in the budget				
Cash flows from investing activities	(32,006)	(19,842)	12,164	(38.0%) F
The variance is a result of the reduced purchases of new Council infrastructure not being forecasted in the original budget.				
Cash flows from financing activities	(435)	(3,632)	(3,197)	734.9% U
The variance is a result of Council not undertaking further borrowings during the year.				

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	–	299	–	–	(299)	–	–	–
Open space	105	60	–	4	(13)	–	156	–
Community facilities	–	38	–	–	(11)	–	27	–
Streetscapes	–	17	–	–	(17)	–	–	–
Land acquisition	9	9	–	–	–	–	18	–
Other	20	4	–	–	(4)	–	20	–
S94 contributions – under a plan	134	427	–	4	(344)	–	221	–
S94A levies – under a plan	12	–	–	–	–	–	12	–
Total S94 revenue under plans	146	427	–	4	(344)	–	233	–
S94 not under plans	1,098	27	–	22	(88)	–	1,059	–
S64 contributions	7,212	947	–	153	–	–	8,312	–
Total contributions	8,456	1,401	–	179	(432)	–	9,604	–

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	–	299	–	–	(299)	–	–	–
Open space	105	60	–	4	(13)	–	156	–
Community facilities	–	38	–	–	(11)	–	27	–
Streetscapes	–	17	–	–	(17)	–	–	–
Land acquisition	9	9	–	–	–	–	18	–
Other	20	4	–	–	(4)	–	20	–
Total	134	427	–	4	(344)	–	221	–

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	–
Total	12	–	–	–	–	–	12	–

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	706	27	–	14	(88)	–	659	–
Public reserve acquisition	392	–	–	8	–	–	400	–
Total	1,098	27	–	22	(88)	–	1,059	–

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) 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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		554,641	550,766
a. Net operating result for the year		2,967	3,875
Balance at end of the reporting period		557,608	554,641

(b) Revaluation reserves**(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve	391,201	450,110
Total	391,201	450,110

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Opening balance	450,110	459,830
– Revaluations for the year	(58,909)	(9,720)
– Balance at end of year	391,201	450,110

TOTAL VALUE OF RESERVES

391,201	450,110
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(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.

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	3,021	14,721	29,825
User charges and fees	8,192	2,137	7,244
Interest and investment revenue	360	613	727
Other revenues	28	86	1,583
Grants and contributions provided for operating purposes	151	131	21,347
Grants and contributions provided for capital purposes	645	1,990	2,828
Other income			
Net gains from disposal of assets	–	–	111
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	12,397	19,678	63,665
Expenses from continuing operations			
Employee benefits and on-costs	2,666	2,426	25,351
Borrowing costs	–	1,020	1,115
Materials and contracts	4,184	6,468	17,377
Depreciation and amortisation	4,366	6,578	14,790
Impairment	–	–	–
Other expenses	1,937	779	3,716
Total expenses from continuing operations	13,153	17,271	62,349
Operating result from continuing operations	(756)	2,407	1,316
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	(756)	2,407	1,316
Net operating result attributable to each council fund	(756)	2,407	1,316
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(1,401)	417	(1,512)

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

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

Bega Valley Shire Council

Notes to the Financial Statements
as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	–	–	17,209
Investments	14,564	25,858	4,478
Receivables	617	406	5,890
Inventories	–	–	697
Other	–	–	–
Total current assets	15,181	26,264	28,274
Non-current assets			
Investments	–	–	–
Receivables	–	–	18
Inventories	–	–	–
Infrastructure, property, plant and equipment	166,033	143,456	622,995
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	166,033	143,456	623,013
TOTAL ASSETS	181,214	169,720	651,287
LIABILITIES			
Current liabilities			
Payables	–	273	3,611
Income received in advance	–	–	722
Borrowings	–	839	2,627
Provisions	–	–	8,177
Total current liabilities	–	1,112	15,137
Non-current liabilities			
Payables	–	–	–
Borrowings	–	18,606	15,989
Provisions	–	–	2,568
Total non-current liabilities	–	18,606	18,557
TOTAL LIABILITIES	–	19,718	33,694
Net assets	181,214	150,002	617,593
EQUITY			
Retained earnings	99,300	83,557	374,751
Revaluation reserves	81,914	66,445	242,842
Total equity	181,214	150,002	617,593

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

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

Bega Valley Shire Council

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

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 31/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	
		2017	2016
Bermagui tip	2019	1,295	1,295
Eden tip	2020	1,095	1,095
Merimbula tip	2018	1,627	1,627
Balance at end of the reporting period	10(a)	<u>4,017</u>	<u>4,017</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	4,017	4,017
Total – reinstatement, rehabilitation and restoration provision	<u>4,017</u>	<u>4,017</u>

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Capital work in progress	–	–	6,949	6,949
Plant and equipment	–	–	11,196	11,196
Land operational	–	–	32,018	32,018
Land community and land improvements	–	–	49,877	49,877
Buildings and other structures	–	–	42,481	42,481
Roads (incl bridges footpaths and bulk earthworks)	–	–	397,659	397,659
Stormwater drainage	–	–	25,981	25,981
Water supply network	–	–	163,764	163,764
Sewer network	–	–	141,071	141,071
Recreational assets	–	–	42,684	42,684
Library books	–	–	367	367
Other infrastructure	–	–	18,436	18,436
Total infrastructure, property, plant and equipment	–	–	932,483	932,483

Bega Valley Shire Council

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

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)

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
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
Total infrastructure, property, plant and equipment	—	—	1,001,169	1,001,169

(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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

Plant 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.

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.

Bega Valley Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

Water supply network and sewer network

The most recent valuation was carried out by APV Valuers for 30 June 2017.

The asset data for valuation was derived mainly from Council's 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 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.

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Receivables	WIP	Plant and equipment	Land operational	Total
Opening balance – 1/7/15	–	6,204	10,814	28,666	45,684
Purchases (GBV)	–	33	2,469	3,006	5,508
Disposals (WDV)	–	(6,204)	(737)	–	(6,941)
Depreciation and impairment	–	–	(1,564)	–	(1,564)
Closing balance – 30/6/16	–	33	10,982	31,672	42,687
Purchases (GBV)	–	6,949	2,517	346	9,812
Disposals (WDV)	–	(33)	(1,012)	–	(1,045)
Depreciation and impairment	–	–	(1,497)	–	(1,497)
FV gains – other comprehensive income	–	–	206	–	206
Closing balance – 30/6/17	–	6,949	11,196	32,018	50,163

	Land community and land Improve.	Buildings and other structures	Roads infra-structure	Stormwater drainage	Total
Opening balance – 1/7/15	74,631	53,217	401,243	26,239	555,330
Purchases (GBV)	650	11,420	10,031	484	22,585
Depreciation and impairment	(25,483)	(21,232)	(8,393)	(368)	(55,476)
Closing balance – 30/6/16	49,798	43,405	402,881	26,355	522,439
Purchases (GBV)	79	242	4,202	1	4,524
Depreciation and impairment	–	(1,166)	(9,424)	(375)	(10,965)
Closing balance – 30/6/17	49,877	42,481	397,659	25,981	515,998

Bega Valley Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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
Opening balance – 1/7/15	190,958	181,991	22,345	419	395,713
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
Closing balance – 30/6/16	192,932	179,583	44,093	441	417,049
Purchases (GBV)	1,604	709	210	–	2,523
Depreciation and impairment	(4,363)	(6,515)	(1,619)	(74)	(12,571)
FV gains – other comprehensive income	(25,035)	(32,484)	–	–	(57,519)
FV gains – Income Statement ¹	(1,374)	(222)	–	–	(1,596)
Closing balance – 30/6/17	163,764	141,071	42,684	367	347,886

	Other infra- -structure	Total
Opening balance – 1/7/15	7,070	7,070
Purchases (GBV)	13,597	13,597
Disposals (WDV)	(414)	(414)
Depreciation and impairment	(1,259)	(1,259)
Closing balance – 30/6/16	18,994	18,994
Purchases (GBV)	143	143
Depreciation and impairment	(701)	(701)
Closing balance – 30/6/17	18,436	18,436

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 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	1,481,801
Termination benefits	229,316
Total	1,711,117

Bega Valley Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Supply of materials	1	3	—	Standard 30-day terms on invoices	—	—

1 Council purchased materials during the year from Eden Gas and Gear, a company which employees a KMB's daughter and son-in-law.

Bega Valley Shire Council

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

Note 29. 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

Officers
GENERAL MANAGER

Ms Leanne Barnes

RESPONSIBLE ACCOUNTING OFFICER

Mr Graham Stubbs

PUBLIC OFFICER

Nina Churchwood

AUDITORS

Auditor General
15/1 Margaret St
Sydney

Elected members
MAYOR

Clr Kristy McBain

COUNCILLORS

Cr. Liz Seckold

Cr. Tony Allen

Cr. Robyn Bain

Cr. Jo Dodds

Cr. Russell Fitzpatrick

Cr. Cathy Griff

Cr. Mitchell Nadin

Cr. Sharon Tapscott

Other information

ABN: 26 987 935 332



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bega Valley Shire Council

To the Councillors of the Bega Valley Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 31 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

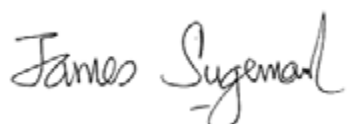
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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



James Sugumar
Director, Financial Audit Services

31 October 2017
SYDNEY

Cr Kristy McBain
Mayor
Bega Valley Shire Council
PO Box 492
BEGA NSW 2550

Contact: James Sugumar
Phone no: 02 9275 7288
Our ref: D1728505/1690

31 October 2017

Dear Cr McBain

Report on the Conduct of the Audit
Audit for the year ended 30 June 2017
Bega Valley Shire Council

I have audited the general purpose financial statements of Bega Valley Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I have expressed an unmodified audit opinion on the Council's financial statements and I have not identified any significant matters to report. The Council complied with the requirements of Chapter 13, Part 3, Division 2 of the Act.

INCOME STATEMENT

Operating result

	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	47,567	46,531	2.2 ↑
Grants and contributions revenue	21,629	15,780	37.1 ↑
Total income	95,470	87,373	9.3 ↑
Total operating expenses	92,773	83,498	11.1 ↑
Operating result for the year	2,967	3,875	(23.4) ↓

Rates and annual charges revenue increased mainly due to:

- rate rise of 1.8 per cent (\$ 838,000)
- increase in the number of rateable properties approximately by 49.

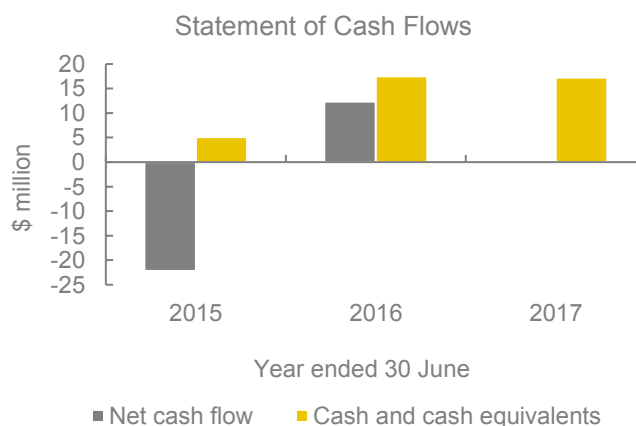
The increase in Grants and Contributions is largely due to early receipt of Commonwealth Financial Assistance Grant of \$3.4 million.

Total operating expenses increased mainly due to a rise in contractor and consultancy expenses relating to increase in number of project management expenses of \$6.4 million.

The drop in operating result for the year by \$908,000 was mainly attributable to increased operating expenses.

STATEMENT OF CASH FLOWS

Net cash flow for the year is significantly lower than previous year largely due to increased payments for material and contracts of \$8.6 million and employee benefits of \$1.0 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	52,739	43,118	Cash and investments increased by \$3.7 million, mainly due to early receipt of the financial assistance grant (FAG) of \$3.4 million.
Internal restrictions	8,577	12,050	
Unrestricted	793	3,216	The ratios of unrestricted to restricted cash and investments decreased mainly due to increased number of project management expenses.
Total Cash and investments	62,109	58,384	
Unrestricted / Restricted Ratio (%)	1.3	5.8	Significant externally restricted funds include unspent specific purpose funds for water and sewer of \$32.1 million.

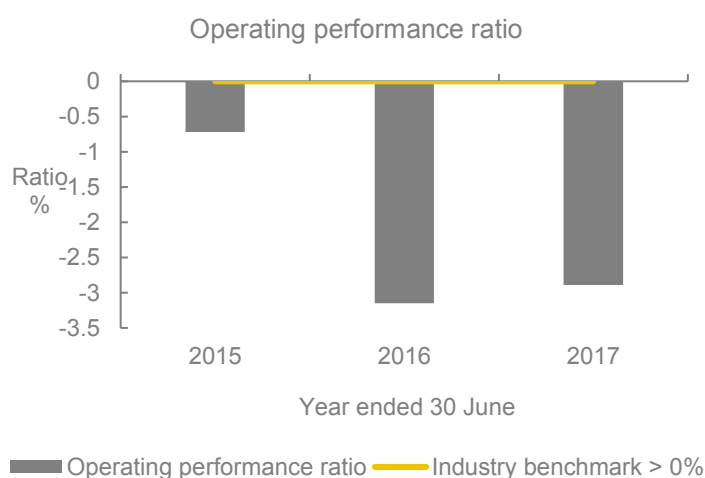
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

- Council did not achieve the benchmark of greater than zero per cent in 2016-17.
- This ratio improved slightly over previous year in line with the increased revenue from user charges.

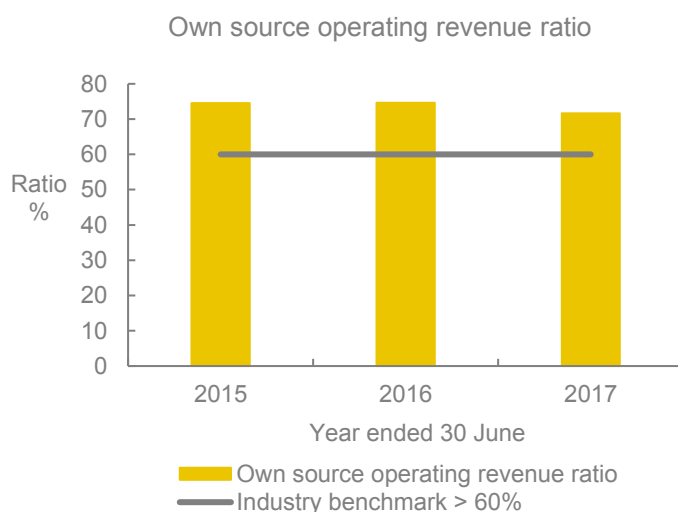
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council exceeded the benchmark of greater than 60 per cent in 2016-17.

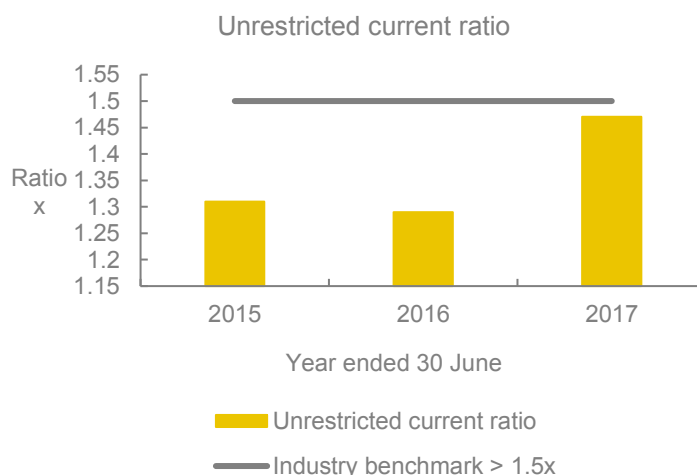
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council did not meet the benchmark of 1.5 times.
- The ratio improved due to an increase in investments and significant decrease in trade payables at 30 June 2017.

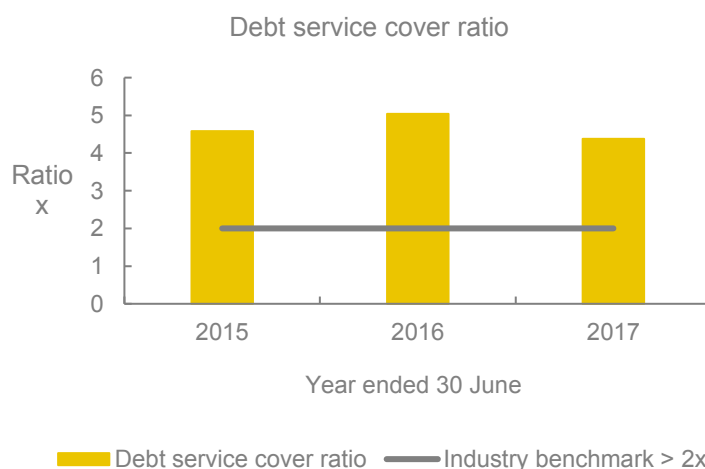
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council exceeded the benchmark of greater than two times consistently across three years.

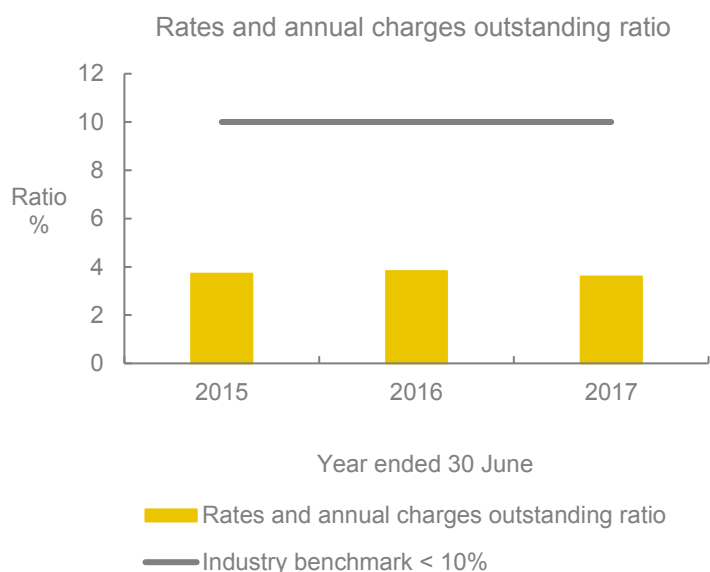
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council continues to achieve the benchmark for outstanding rates and annual charges.

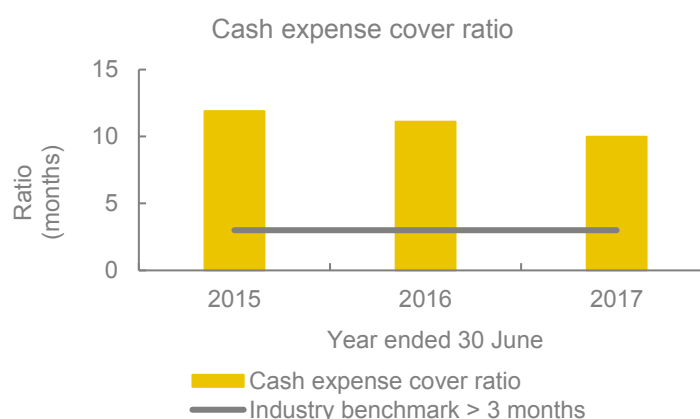
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

- Council exceeded the benchmark of greater than three months.
- This has decreased slightly from prior year due to lower levels of cash from operations.

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

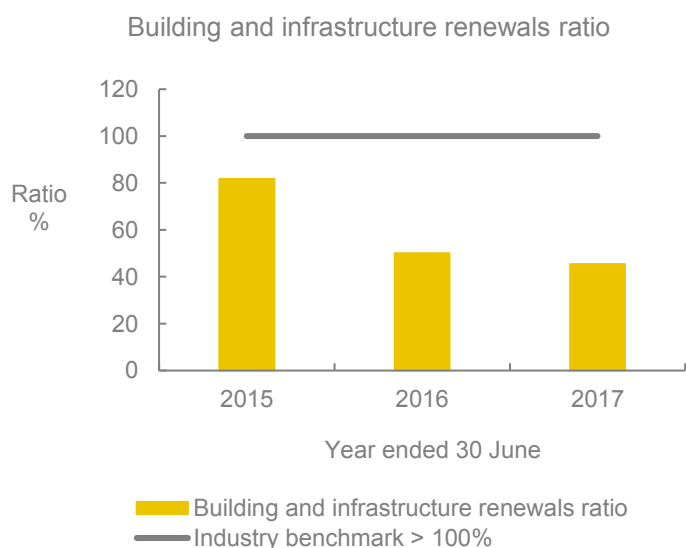


Building and infrastructure renewals ratio

- Council's building and infrastructure renewals ratio was below the benchmark.
- This ratio has decreased from previous year due to \$6.7 million decrease in asset renewals.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

- compensation paid to their key management personnel
- nature of their related party relationships.

Legislative compliance

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

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



James Sugumar
Director, Financial Audit Services

cc: Ms Leanne Barnes, General Manager
Mr Terry Bunn, Chair of the Audit Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Bega Valley Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Your place, Our place, Great place"



Bega Valley Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	16

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Special Purpose Financial Statements

for the year ended 30 June 2017

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

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

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

To the best of our knowledge and belief, these reports:

- 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 20 September 2017.



Councillor Kristy McBain
Mayor



Councillor Liz Seckold
Councillor



Ms Leanne Barnes
General Manager



Mr Graham Stubbs
Responsible Accounting Officer

Bega Valley Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	3,021	2,945
User charges	7,966	6,910
Fees	226	252
Interest	360	488
Grants and contributions provided for non-capital purposes	151	156
Profit from the sale of assets	—	—
Other income	28	36
Total income from continuing operations	11,752	10,787
Expenses from continuing operations		
Employee benefits and on-costs	2,666	2,952
Borrowing costs	—	—
Materials and contracts	4,184	5,048
Depreciation, amortisation and impairment	4,366	4,623
Water purchase charges	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	1,937	620
Total expenses from continuing operations	13,153	13,243
Surplus (deficit) from continuing operations before capital amounts	(1,401)	(2,456)
Grants and contributions provided for capital purposes	645	569
Surplus (deficit) from continuing operations after capital amounts	(756)	(1,887)
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	(756)	(1,887)
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	(756)	(1,887)
Plus opening retained profits	100,056	101,943
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	99,300	100,056
Return on capital %	-0.8%	-1.3%
Subsidy from Council	5,353	6,295
Calculation of dividend payable:		
Surplus (deficit) after tax	(756)	(1,887)
Less: capital grants and contributions (excluding developer contributions)	(183)	—
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Bega Valley Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	14,721	14,467
User charges	2,040	1,734
Liquid trade waste charges	—	—
Fees	97	86
Interest	613	655
Grants and contributions provided for non-capital purposes	131	154
Profit from the sale of assets	—	—
Other income	86	91
Total income from continuing operations	17,688	17,187
Expenses from continuing operations		
Employee benefits and on-costs	2,426	2,390
Borrowing costs	1,020	1,354
Materials and contracts	6,468	7,536
Depreciation, amortisation and impairment	6,578	7,074
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	779	476
Total expenses from continuing operations	17,271	18,830
Surplus (deficit) from continuing operations before capital amounts	417	(1,643)
Grants and contributions provided for capital purposes	1,990	1,299
Surplus (deficit) from continuing operations after capital amounts	2,407	(344)
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	2,407	(344)
Less: corporate taxation equivalent (30%) [based on result before capital]	(125)	—
SURPLUS (DEFICIT) AFTER TAX	2,282	(344)
Plus opening retained profits	81,150	81,494
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	125	—
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	83,557	81,150
Return on capital %	1.0%	-0.2%
Subsidy from Council	1,977	3,870
Calculation of dividend payable:		
Surplus (deficit) after tax	2,282	(344)
Less: capital grants and contributions (excluding developer contributions)	(1,505)	(75)
Surplus for dividend calculation purposes	777	—
Potential dividend calculated from surplus	388	—

Bega Valley Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	14,564	13,486
Receivables	617	582
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	15,181	14,068
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	166,033	192,931
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	166,033	192,931
TOTAL ASSETS	181,214	206,999
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	181,214	206,999
EQUITY		
Retained earnings	99,300	100,056
Revaluation reserves	81,914	106,943
Other reserves	–	–
Council equity interest	181,214	206,999
Non-controlling equity interest	–	–
TOTAL EQUITY	181,214	206,999

Bega Valley Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	25,858	20,120
Receivables	406	444
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	26,264	20,564
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	143,456	179,958
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	143,456	179,958
TOTAL ASSETS	169,720	200,522
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	273	271
Income received in advance	–	–
Borrowings	839	932
Provisions	–	–
Total current liabilities	1,112	1,203
Non-current liabilities		
Payables	–	–
Borrowings	18,606	19,445
Provisions	–	–
Total non-current liabilities	18,606	19,445
TOTAL LIABILITIES	19,718	20,648
NET ASSETS	150,002	179,874
EQUITY		
Retained earnings	83,557	81,150
Revaluation reserves	66,445	98,724
Other reserves	–	–
Council equity interest	150,002	179,874
Non-controlling equity interest	–	–
TOTAL EQUITY	150,002	179,874

Bega Valley Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	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 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

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, except for 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.

(i) Taxation-equivalent charges

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

Bega Valley Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

Bega Valley Shire Council

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

Note 1. Significant accounting policies (continued)

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.

(less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

Bega Valley Shire Council

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

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

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	44,361
(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	443,610
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(3,805,000)

2017 Surplus	(939,000)	2016 Surplus	(1,887,000)	2015 Surplus	(979,000)
		2016 Dividend	–	2015 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? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	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 2017

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

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	11,860
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	72.50%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	–
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	7,355
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,604
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	n/a
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	177

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 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.
- 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 2017

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	39,000
(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]	388,450
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	390,000
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	721,900

2017 Surplus	776,900	2016 Surplus	(419,000)	2015 Surplus	364,000
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	388,450
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	18,570
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	–
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	9,537
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	709
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	492.97%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	495

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	30,430
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.93%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,313
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	520.88%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Bega Valley Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage)	%	-6.33%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		55
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		2,594
	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:		47
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	979
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	282
	Grants for pensioner rebates (w11b + s12b)		

- 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.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Bega Valley Shire Council

To the Councillors of the Bega Valley Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 31 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in black ink, reading "James Sugumar". The signature is written in a cursive style with a large, stylized 'S'.

James Sugumar
Director, Financial Audit Services

31 October 2017
SYDNEY

Bega Valley Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

"Your place, Our place, Great place"



Bega Valley Shire Council

Special Schedules for the year ended 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Bega Valley Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,191	22	–	(1,169)
Administration	18,471	5,162	(562)	(13,871)
Public order and safety				
Fire service levy, fire protection, emergency services	997	392	99	(506)
Beach control	201	12	–	(189)
Enforcement of local government regulations	434	181	–	(253)
Animal control	254	34	–	(220)
Other	–	–	–	–
Total public order and safety	1,886	619	99	(1,168)
Health	290	400	–	110
Environment				
Noxious plants and insect/vermin control	699	157	–	(542)
Other environmental protection	1,064	110	–	(954)
Solid waste management	9,272	10,105	(10)	823
Street cleaning	–	52	–	52
Drainage	339	–	–	(339)
Stormwater management	98	327	–	229
Total environment	11,472	10,751	(10)	(731)
Community services and education				
Administration and education	1,484	907	–	(577)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	702	679	–	(23)
Children's services	3,096	2,944	–	(152)
Total community services and education	5,282	4,530	–	(752)
Housing and community amenities				
Public cemeteries	386	349	–	(37)
Public conveniences	665	–	–	(665)
Street lighting	309	–	–	(309)
Town planning	2,013	463	–	(1,550)
Other community amenities	379	20	–	(359)
Total housing and community amenities	3,752	832	–	(2,920)
Water supplies	11,701	11,291	645	235
Sewerage services	16,969	17,526	1,990	2,547

Bega Valley Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,342	187	—	(1,155)
Museums	—	—	—	—
Art galleries	329	178	—	(151)
Community centres and halls	357	128	15	(214)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	499	86	—	(413)
Swimming pools	1,566	723	—	(843)
Parks and gardens (lakes)	1,113	117	81	(915)
Other sport and recreation	113	—	—	(113)
Total recreation and culture	5,319	1,419	96	(3,804)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	6,191	1,226	—	(4,965)
Other mining, manufacturing and construction	(98)	195	—	293
Total mining, manufacturing and const.	6,093	1,421	—	(4,672)
Transport and communication				
Urban roads (UR) – local	2,082	6	64	(2,012)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	1,172	—	—	(1,172)
Sealed rural roads (SRR) – regional	1,232	198	418	(616)
Unsealed rural roads (URR) – local	3,355	—	1,267	(2,088)
Unsealed rural roads (URR) – regional	355	—	—	(355)
Bridges on UR – local	17	—	—	(17)
Bridges on SRR – local	33	—	120	87
Bridges on URR – local	347	177	—	(170)
Bridges on regional roads	50	—	—	(50)
Parking areas	35	—	—	(35)
Footpaths	—	—	—	—
Aerodromes	358	556	1,068	1,266
Other transport and communication	48	1,732	268	1,952
Total transport and communication	9,084	2,669	3,205	(3,210)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	1,263	897	—	(366)
Total economic affairs	1,263	897	—	(366)
Totals – functions	92,773	57,539	5,463	(29,771)
General purpose revenues ⁽¹⁾		32,738		32,738
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	92,773	90,277	5,463	2,967

(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 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	1,011	10,409	11,420	–	1,011	–	–	296	1,039	9,370	10,409
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	2,555	27,454	30,009	–	2,553	–	–	1,830	2,355	25,101	27,456
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	3,566	37,863	41,429	–	3,564	–	–	2,126	3,394	34,471	37,865
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	12	48	60	–	12	–	–	–	12	36	48
Finance leases	51	153	204	–	56	–	–	9	60	88	148
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	63	201	264	–	68	–	–	9	72	124	196
Total debt	3,629	38,064	41,693	–	3,632	–	–	2,135	3,466	34,595	38,061

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	31	1,301
b. Engineering and supervision	4,140	3,117
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	273	434
b. Maintenance expenses	63	102
– Mains		
c. Operation expenses	833	1,168
d. Maintenance expenses	718	846
– Reservoirs		
e. Operation expenses	79	191
f. Maintenance expenses	141	184
– Pumping stations		
g. Operation expenses (excluding energy costs)	78	89
h. Energy costs	282	340
i. Maintenance expenses	168	190
– Treatment		
j. Operation expenses (excluding chemical costs)	187	205
k. Chemical costs	80	184
l. Maintenance expenses	198	154
– Other		
m. Operation expenses	1	3
n. Maintenance expenses	83	112
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	4,363	4,622
b. Plant and equipment	3	1
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	1,375	–
c. Other expenses	57	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	13,153	13,243

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	3,021	2,945
b. Usage charges	7,966	4,983
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	1,927
8. Extra charges	–	–
9. Interest income	360	488
10. Other income	254	288
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	177	–
b. Grants for pensioner rebates	151	149
c. Other grants	–	–
12. Contributions		
a. Developer charges	468	569
b. Developer provided assets	–	–
c. Other contributions	–	7
13. Total income	12,397	11,356
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	(756)	(1,887)
15a. Operating result (less grants for acquisition of assets)	(933)	(1,887)

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	1,070
c. Renewals	1,604	2,675
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	1,604	3,745
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	12,917	12,822
b. Residential (unoccupied, ie. vacant lot)	690	660
c. Non-residential (occupied)	1,148	1,108
d. Non-residential (unoccupied, ie. vacant lot)	32	32
23. Number of ETs for which developer charges were received	94 ET	69 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 142,598	\$ 149,000

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	3,876	–	3,876
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	10,688	–	10,688
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	69	–	69
c. User charges	538	–	538
d. Other	10	–	10
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	166,033	166,033
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	15,181	166,033	181,214
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	–	–	–
36. NET ASSETS COMMITTED	15,181	166,033	181,214
EQUITY			
37. Accumulated surplus			99,300
38. Asset revaluation reserve			81,914
39. Other reserves			–
40. TOTAL EQUITY			181,214
Note to system assets:			
41. Current replacement cost of system assets			–
42. Accumulated current cost depreciation of system assets			–
43. Written down current cost of system assets			–

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	40	1,209
b. Engineering and supervision	4,103	2,451
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	592	1,177
b. Maintenance expenses	327	535
– Pumping stations		
c. Operation expenses (excluding energy costs)	478	523
d. Energy costs	141	178
e. Maintenance expenses	589	642
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	3,075	2,969
g. Chemical costs	29	–
h. Energy costs	49	–
i. Effluent management	–	–
j. Biosolids management	51	–
k. Maintenance expenses	61	716
– Other		
l. Operation expenses	2	2
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	6,515	7,012
b. Plant and equipment	63	63
4. Miscellaneous expenses		
a. Interest expenses	1,020	1,354
b. Revaluation decrements	222	–
c. Other expenses	(86)	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	17,271	18,831

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	14,721	13,208
7. Non-residential charges		
a. Access (including rates)	–	1,259
b. Usage charges	2,040	1,734
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	613	655
11. Other income	97	178
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	495	–
b. Grants for pensioner rebates	131	129
c. Other grants	–	–
13. Contributions		
a. Developer charges	485	1,224
b. Developer provided assets	–	–
c. Other contributions	1,096	100
14. Total income	19,678	18,487
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	2,407	(344)
16a. Operating result (less grants for acquisition of assets)	1,912	(344)

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	—	—
b. New assets for growth	—	325
c. Renewals	709	1,378
d. Plant and equipment	—	—
18. Repayment of debt	932	958
19. Totals	1,641	2,661
Non-operating funds employed		
20. Proceeds from disposal of assets	—	—
21. Borrowing utilised	—	—
22. Totals	—	—
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	11,601	11,430
b. Residential (unoccupied, ie. vacant lot)	670	680
c. Non-residential (occupied)	701	865
d. Non-residential (unoccupied, ie. vacant lot)	28	26
24. Number of ETs for which developer charges were received	58 ET	100 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 123,303	\$ 129,000

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	4,436	—	4,436
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	21,422	—	21,422
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	269	—	269
c. User charges	85	—	85
d. Other	52	(1)	51
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	142,959	142,959
b. Plant and equipment	—	498	498
30. Other assets	—	—	—
31. Total assets	26,264	143,456	169,720
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	273	—	273
34. Borrowings	839	18,606	19,445
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	1,112	18,606	19,718
37. NET ASSETS COMMITTED	25,152	124,850	150,002
EQUITY			
38. Accumulated surplus			83,557
39. Asset revaluation reserve			66,445
40. Other reserves			—
41. TOTAL EQUITY			150,002
Note to system assets:			
42. Current replacement cost of system assets			—
43. Accumulated current cost depreciation of system assets			—
44. Written down current cost of system assets			—

Bega Valley Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

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

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

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

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

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

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

Bega Valley Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – specialised	1,174	–	1,050	1,167	42,481	54,642	36%	17%	35%	7%	5%
	Sub-total	1,174	–	1,050	1,167	42,481	54,642	36.0%	17.0%	35.0%	7.0%	5.0%
Roads	Sealed roads	–	–	3,458	4,217	163,757	354,683	18%	48%	31%	2%	1%
	Unsealed roads	–	–	3,265	3,561	8,089	20,374	13%	4%	83%	0%	0%
	Bridges	–	–	582	447	84,635	167,529	43%	49%	7%	0%	1%
	Footpaths	31	–	86	134	4,194	8,592	21%	47%	20%	7%	5%
	Other road assets	3,071	–	30	154	–	–					
	Bulk earthworks	–	–	–	–	136,984	136,984	100%				0%
	Sub-total	3,102	–	7,421	8,513	397,659	688,162	40.3%	37.4%	20.4%	1.1%	0.8%
Water supply network	Water supply network	–	–	3,205	3,082	163,764	275,100	38%	28%	15%	19%	0%
	Sub-total	–	–	3,205	3,082	163,764	275,100	38.0%	28.0%	15.0%	19.0%	0.0%
Sewerage network	Sewerage network	–	–	6,160	5,378	141,071	239,956	17%	47%	23%	11%	2%
	Sub-total	–	–	6,160	5,378	141,072	239,956	17.0%	47.0%	23.0%	11.0%	2.0%

Bega Valley Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	251	334	25,981	37,230	33%	59%	4%	0%	4%
	Sub-total	–	–	251	334	25,981	37,230	33.0%	59.0%	3.6%	0.0%	4.4%
Open space/recreational assets	Swimming pools	–	–	1,792	1,688	4,116	12,070	4%	13%	57%	12%	15%
	Other Open Space/Recreation	–	–	2,513	2,605	38,568	61,366	10%	20%	49%	19%	2%
	Sub-total	–	–	4,305	4,293	42,684	73,436	8.9%	18.8%	50.3%	17.8%	4.1%
Other infrastructure assets	Airport	–	–	565	556	9,657	11,220	93%	5%	2%	0%	0%
	Waste Infrastructure	–	–	6,150	4,583	6,437	7,688	84%	5%	3%	8%	0%
	Saleyards	449	–	15	1	2,342	3,599	4%	26%	41%	15%	14%
	Sub-total	449	–	6,730	5,140	18,436	22,507	75.8%	8.2%	8.6%	5.1%	2.3%
	TOTAL – ALL ASSETS	4,725	–	29,122	27,907	832,077	1,391,033	34.4%	35.5%	21.3%	7.5%	1.3%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Bega Valley Shire Council

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

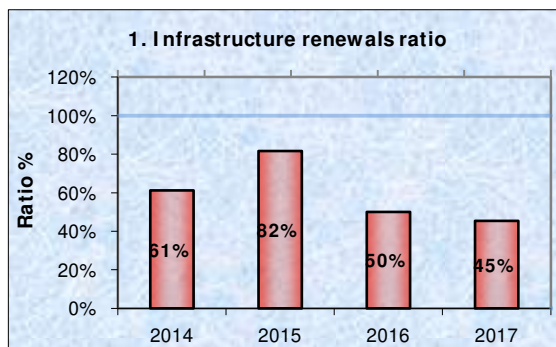
\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	10,971	45.40%	>= 100%	50.04%	81.65%
Depreciation, amortisation and impairment	24,163				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	4,725	0.68%	< 2 %	0.48%	3.26%
Net carrying amount of infrastructure assets	695,093				
3. Asset maintenance ratio					
Actual asset maintenance	27,907	0.96	> 1.00	3.54	0.81
Required asset maintenance	29,122				

Notes

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

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

Bega Valley Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017Benchmark: — Minimum $\geq 100.00\%$

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

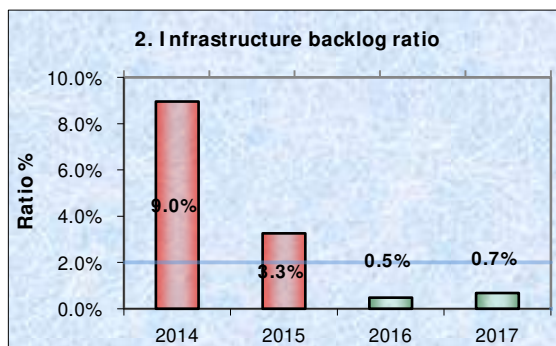
Purpose of asset renewals ratio

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

Commentary on 2016/17 result**2016/17 Ratio 45.40%**

Council's result is below the benchmark and this result is consistent with previous years results

Ratio achieves benchmark
Ratio is outside benchmark

Benchmark: — Maximum $< 2.00\%$

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

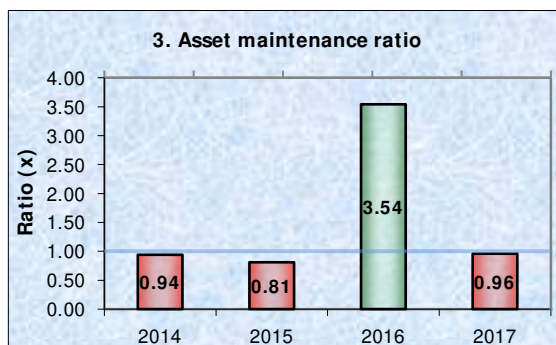
Purpose of infrastructure backlog ratio

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

Commentary on 2016/17 result**2016/17 Ratio 0.68%**

Council is within the benchmark and is addressing its infrastructure backlog

Ratio achieves benchmark
Ratio is outside benchmark

Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

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

Commentary on 2016/17 result**2016/17 Ratio 0.96 x**

Council's maintenance expenditure is close to the benchmark

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 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾				
Depreciation, amortisation and impairment	>= 100%	30.53%	10.44%	67.44%
	prior period:	57.88%	19.47%	65.93%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard				
Net carrying amount of infrastructure assets	< 2%	0.00%	0.00%	1.21%
	prior period:	0.00%	0.00%	0.94%
3. Asset maintenance ratio				
Actual asset maintenance				
Required asset maintenance	> 1.00	0.96	0.87	0.98
	prior period:	0.00	0.00	2.15

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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	22,054	22,612
Plus or minus adjustments ⁽²⁾	b	66	196
Notional general income	c = (a + b)	22,120	22,808
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	—	—
Or plus rate peg amount	i = c x e	398	342
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	22,518	23,150
Plus (or minus) last year's carry forward total	l	75	(18)
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	75	(18)
Total permissible income	o = k + n	22,594	23,132
Less notional general income yield	p	22,612	23,109
Catch-up or (excess) result	q = o – p	(18)	23
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r – s	(18)	23

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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Bega Valley Shire Council

To the Councillors of Bega Valley Shire Council

Opinion

I 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 (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Bega Valley Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 31 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

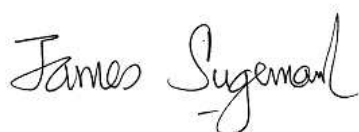
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



James Sugumar
Director, Financial Audit Services

31 October 2017
SYDNEY