



**INDEX OF REPORTS OF THE BLAYNEY SHIRE COUNCIL MEETING  
HELD ON MONDAY 21 NOVEMBER 2016**

**CORPORATE SERVICES REPORTS**

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# Blayney Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*“an innovative, inspirational  
and enjoyable environment...”*



## Blayney Shire Council

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

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#### Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 28 October 2016. Council has the power to amend and reissue these financial statements.

## Blayney Shire Council

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

#### Understanding Council's financial statements

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##### Introduction

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

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

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

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

###### 1. The Income Statement

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

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

###### 2. The Statement of Comprehensive Income

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

###### 3. The Statement of Financial Position

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

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

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

###### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

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

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

##### Who uses the financial statements?

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

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

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

##### More information

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

**Blayney Shire Council**

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

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

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

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

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

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

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

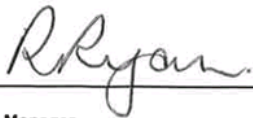
**Signed in accordance with a resolution of Council made on 19 September 2016.**



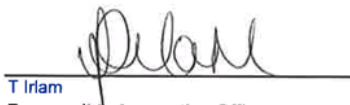
**S J Ferguson**  
Mayor



**A J Ewin**  
Councillor



**R Ryan**  
General Manager



**T Irlam**  
Responsible Accounting Officer

Blayney Shire Council

Income Statement  
for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
10,601	Rates and annual charges	3a	10,444	9,846
1,668	User charges and fees	3b	1,960	2,419
456	Interest and investment revenue	3c	499	473
154	Other revenues	3d	258	280
2,961	Grants and contributions provided for operating purposes	3e,f	4,190	3,439
2,761	Grants and contributions provided for capital purposes	3e,f	3,135	1,660
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	–	128
–	Net share of interests in joint ventures and associates using the equity method	19	203	28
<b>18,602</b>	<b>Total income from continuing operations</b>		<b>20,689</b>	<b>18,273</b>
<b>Expenses from continuing operations</b>				
5,419	Employee benefits and on-costs	4a	6,113	5,276
152	Borrowing costs	4b	165	186
2,690	Materials and contracts	4c	2,486	3,257
4,835	Depreciation and amortisation	4d	5,230	4,827
–	Impairment	4d	–	–
2,366	Other expenses	4e	2,122	2,321
–	Net losses from the disposal of assets	5	50	–
<b>15,461</b>	<b>Total expenses from continuing operations</b>		<b>16,166</b>	<b>15,867</b>
<b>3,141</b>	<b>Operating result from continuing operations</b>		<b>4,523</b>	<b>2,406</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>3,141</b>	<b>Net operating result for the year</b>		<b>4,523</b>	<b>2,406</b>
3,141	Net operating result attributable to Council		4,523	2,406
–	Net operating result attributable to non-controlling interests		–	–
<b>379</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>1,388</b>	<b>746</b>

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

Blayney Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>4,523</b>	<b>2,406</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,010	(64)
Other comprehensive income – joint ventures and associates	19b	283	202
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,293</b>	<b>138</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>2,293</b>	<b>138</b>
<b>Total comprehensive income for the year</b>		<b>6,816</b>	<b>2,544</b>
<b>Total comprehensive income attributable to Council</b>		<b>6,816</b>	<b>2,544</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

Blayney Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015	Actual 2014
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6a	1,075	866	2,181
Investments	6b	16,000	13,500	11,000
Receivables	7	640	808	772
Inventories	8	839	736	768
Other	8	52	20	18
Non-current assets classified as 'held for sale'	22	-	-	-
<b>Total current assets</b>		<b>18,606</b>	<b>15,930</b>	<b>14,738</b>
<b>Non-current assets</b>				
Investments	6b	-	-	-
Receivables	7	208	237	32
Inventories	8	-	-	-
Infrastructure, property, plant and equipment	9	189,789	185,849	184,665
Investments accounted for using the equity method	19	20,545	20,059	19,832
Investment property	14	-	-	-
Intangible assets	25	241	249	281
Non-current assets classified as 'held for sale'	22	-	-	-
Other	8	-	-	-
<b>Total non-current assets</b>		<b>210,783</b>	<b>206,394</b>	<b>204,810</b>
<b>TOTAL ASSETS</b>		<b>229,389</b>	<b>222,324</b>	<b>219,548</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	10	944	897	1,075
Borrowings	10	190	178	183
Provisions	10	1,623	1,445	1,344
<b>Total current liabilities</b>		<b>2,757</b>	<b>2,520</b>	<b>2,602</b>
<b>Non-current liabilities</b>				
Payables	10	1	1	1
Borrowings	10	1,982	2,171	2,506
Provisions	10	717	516	521
<b>Total non-current liabilities</b>		<b>2,700</b>	<b>2,688</b>	<b>3,028</b>
<b>TOTAL LIABILITIES</b>		<b>5,457</b>	<b>5,208</b>	<b>5,630</b>
<b>Net assets</b>		<b>223,932</b>	<b>217,116</b>	<b>213,918</b>
<b>EQUITY</b>				
Retained earnings	20	88,787	83,981	80,719
Revaluation reserves	20	135,145	133,135	133,199
Council equity interest		223,932	217,116	213,918
Non-controlling equity interests		-	-	-
<b>Total equity</b>		<b>223,932</b>	<b>217,116</b>	<b>213,918</b>

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

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Blayney Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		83,327	133,135	216,462	-	216,462
a. Correction of prior period errors	20 (c)	654	-	654	-	654
b. Changes in accounting policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised opening balance</b> (as at 1/7/15)		<b>83,981</b>	<b>133,135</b>	<b>217,116</b>	<b>-</b>	<b>217,116</b>
<b>c. Net operating result for the year</b>		<b>4,523</b>	<b>-</b>	<b>4,523</b>	<b>-</b>	<b>4,523</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	-	2,010	2,010	-	2,010
– Joint ventures and associates	19b	283	-	283	-	283
<b>Other comprehensive income</b>		<b>283</b>	<b>2,010</b>	<b>2,293</b>	<b>-</b>	<b>2,293</b>
<b>Total comprehensive income</b> (c&d)		<b>4,806</b>	<b>2,010</b>	<b>6,816</b>	<b>-</b>	<b>6,816</b>
e. Distributions to/(contributions from) non-controlling Interests		-	-	-	-	-
f. Transfers between equity		-	-	-	-	-
<b>Equity – balance at end of the reporting period</b>		<b>88,787</b>	<b>135,145</b>	<b>223,932</b>	<b>-</b>	<b>223,932</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		61,482	133,199	194,681	-	194,681
a. Correction of prior period errors	20 (c)	654	-	654	-	654
b. Changes in accounting policies (prior year effects)	20 (d)	19,237	-	19,237	-	19,237
<b>Revised opening balance</b> (as at 1/7/14)		<b>81,373</b>	<b>133,199</b>	<b>214,572</b>	<b>-</b>	<b>214,572</b>
<b>c. Net operating result for the year</b>		<b>2,406</b>	<b>-</b>	<b>2,406</b>	<b>-</b>	<b>2,406</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	-	(64)	(64)	-	(64)
– Joint ventures and associates	19b	202	-	202	-	202
<b>Other comprehensive income</b>		<b>202</b>	<b>(64)</b>	<b>138</b>	<b>-</b>	<b>138</b>
<b>Total comprehensive income</b> (c&d)		<b>2,608</b>	<b>(64)</b>	<b>2,544</b>	<b>-</b>	<b>2,544</b>
e. Distributions to/(contributions from) non-controlling Interests		-	-	-	-	-
f. Transfers between equity		-	-	-	-	-
<b>Equity – balance at end of the reporting period</b>		<b>83,981</b>	<b>133,135</b>	<b>217,116</b>	<b>-</b>	<b>217,116</b>

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

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Blayney Shire Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
10,334			10,426	9,974
1,983			2,262	2,333
442			525	459
6,592			7,310	5,160
-			-	51
186			1,179	1,070
<b>Payments:</b>				
(5,423)			(5,893)	(5,246)
(2,689)			(3,424)	(4,242)
(154)			(152)	(178)
-			(4)	-
(2,503)			(2,197)	(2,536)
<b>8,767</b>		<b>11b</b>	<b>10,033</b>	<b>6,846</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
1,755			-	-
-			-	71
-			263	304
22			39	-
<b>Payments:</b>				
-			(2,500)	(2,500)
(10,605)			(7,449)	(5,620)
-			-	(75)
<b>(8,828)</b>			<b>(9,647)</b>	<b>(7,821)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(181)			(177)	(340)
<b>(181)</b>			<b>(177)</b>	<b>(340)</b>
<b>(241)</b>			<b>209</b>	<b>(1,315)</b>
867		11a	866	2,181
<b>626</b>		<b>11a</b>	<b>1,075</b>	<b>866</b>
Additional Information:				
		6b	16,000	13,500
<b>Total cash, cash equivalents and investments</b>			<b>17,075</b>	<b>14,366</b>

Please refer to Note 11 for additional cash flow information

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

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**Blayney Shire Council**

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

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n/a – not applicable

## Blayney Shire Council

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

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

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

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

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

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets. For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

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

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

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

###### (vi) Changes in accounting policies

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

## Blayney Shire Council

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

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

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

##### **(vii) Critical accounting estimates**

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

##### **(b) Revenue recognition**

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

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

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

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

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

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

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

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

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

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents



## Blayney Shire Council

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

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

may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

#### **User charges, fees and other Income**

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

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

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

#### **Sale of infrastructure, property, plant and equipment**

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

#### **Interest and rents**

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

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

#### **Dividend income**

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

#### **Other Income**

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

#### **(c) Principles of consolidation**

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

#### **(i) The Consolidated Fund**

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

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

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

- General Purpose Operations
- Blayney Sewerage Fund
- Millthorpe Sewerage Fund

#### **(ii) The trust fund**

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

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

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

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

## Blayney Shire Council

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

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

##### (iii) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

Council has no interest in any joint arrangements.

###### Associates

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

Such entities are usually termed associates.

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

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

###### County councils

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

###### ▪ Upper Macquarie County Council

UMCC is a noxious weeds Council whose purpose is to control and eradicate noxious weeds in the area. UMCC manages noxious weed control in the following local government areas of:

- Bathurst Regional Council
- Blayney Shire Council
- Lithgow City Council
- Oberon Council

###### ▪ Central Tablelands Water County Council

Central Tablelands Water is the water authority whose purpose is to provide the supply of water services in its area. CTWCC is the water authority in the local government areas of:

- Blayney Shire Council
- Cabonne Council
- Weddin Shire Council

The governing body of each county council is responsible for managing its own affairs.

Council is of the opinion that it has significant influence over the county council/s and has accordingly accounted for it as an associate.

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

###### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

##### (d) Leases

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

###### Finance leases

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

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

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

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

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

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

###### Operating Leases

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

## Blayney Shire Council

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

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

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

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

#### **(e) Cash and Cash Equivalents**

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

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

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

#### **(f) Investments and other financial assets**

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

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

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

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

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

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

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

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

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

#### **(ii) Loans and receivables**

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

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

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

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

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

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

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



## Blayney Shire Council

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

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

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

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

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

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

##### Financial assets – reclassification

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

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

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

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

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

##### General accounting and measurement of financial instruments:

##### (i) Initial recognition

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

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

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

##### (ii) Subsequent measurement

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

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

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

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

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

##### Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if

## Blayney Shire Council

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

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

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.

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

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

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

#### **(iii) Types of investments**

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

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

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

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

#### **(g) Fair value estimation – financial instruments**

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

#### **(h) Receivables**

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

## Blayney Shire Council

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

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

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

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

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

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

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

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

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

#### **(i) Inventories**

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

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated

costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

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

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

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

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

###### **Acquisition of assets**

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

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

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**  
(as approximated by depreciated historical cost)

**Blayney Shire Council**

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

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

- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures**  
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Other open space/recreational assets**  
(internal valuation)
- **Other infrastructure** (internal valuation)
- **Other assets**  
(as approximated by depreciated historical cost)

**Initial recognition**

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

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

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

**Subsequent costs**

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

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

**Asset revaluations (including indexation)**

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

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

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

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

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;

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised





## Blayney Shire Council

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

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

asset) is included in Council's Income Statement in the year the asset is derecognised.

#### **(k) Land**

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

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

#### **(l) Land under roads**

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

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

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

#### **(m) Intangible assets**

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

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

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

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

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

#### **(n) Crown reserves**

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

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

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

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

#### **(o) Rural fire service assets**

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

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

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

#### **(p) Investment property**

Council does not hold any investment property.

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

Close down, restoration and remediation costs include the dismantling and demolition of

## Blayney Shire Council

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

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

infrastructure, the removal of residual materials and the remediation of disturbed areas.

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated

outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

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

These costs are charged to the Income Statement.

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

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

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

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

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

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

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

## Blayney Shire Council

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

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

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

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

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

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

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

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

#### **(s) Impairment of assets**

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

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

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

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

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was

deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

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

#### **(t) Payables**

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

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

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

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

Borrowings are subsequently measured at amortised cost.

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

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

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

#### **(v) Borrowing costs**

Borrowing costs are expensed.



## Blayney Shire Council

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

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

##### **(w) Provisions**

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

##### **(x) Employee benefits**

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

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

employee benefit obligations disclosed under payables.

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

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

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

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

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

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

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

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

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

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

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

All employees of the Council are entitled to benefits on retirement, disability or death.

## Blayney Shire Council

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

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

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### **Defined benefit plans**

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

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

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

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

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

The last valuation of the scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 21/02/2013 and covers the period ended 30/06/2013.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$160,963.

The amount of additional contributions included in the total employer contribution advised above is \$80,420.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$160,840 as at 30 June 2016.

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

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

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

##### **Defined contribution plans**

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

##### **(iv) Employee benefit on-costs**

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

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

##### **(y) Self-insurance**

Council does not self-insure.

## Blayney Shire Council

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

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

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

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

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

##### **Exceptions**

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

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

##### **(aa) Taxes**

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

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

##### **Goods and Services Tax (GST)**

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

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

**AASB 9 – Financial Instruments**

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

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

**AASB16 – Leases**

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

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

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

The full impact of the above standards has yet to be ascertained or quantified but will range from

## Blayney Shire Council

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

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

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additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

##### **(ac) Rounding of amounts**

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

##### **(ad) Comparative figures**

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

##### **(ae) Disclaimer**

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

**Blayney Shire Council**

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations			Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015	2016
Governance	-	4	-	489	412	426	(489)	(408)	(426)	-	-	-	-	-
Administration	208	407	473	3,675	3,311	3,094	(3,467)	(2,904)	(2,621)	-	-	-	10,618	8,487
Public order and safety	74	152	61	530	447	393	(456)	(295)	(332)	65	-	-	1,620	1,152
Health	7	6	13	53	16	78	(46)	(10)	(65)	-	-	-	8	-
Environment	1,078	1,247	1,086	1,178	1,349	1,503	(100)	(102)	(417)	89	53	89	9,132	6,111
Community services and education	2	1	2	20	17	19	(18)	(16)	(17)	1	2	1	19	94
Housing and community amenities	170	310	216	368	631	457	(198)	(321)	(241)	118	47	118	627	24
Sewerage services	1,399	1,508	1,432	1,408	1,547	1,332	(9)	(39)	100	15	98	15	25,417	25,228
Recreation and culture	986	1,126	1,066	2,643	2,791	2,511	(1,657)	(1,665)	(1,445)	389	486	389	22,161	18,429
Mining, manufacturing and construction	248	376	394	302	395	420	(54)	(19)	(26)	-	-	-	1,243	528
Transport and communication	3,506	5,982	4,458	4,524	4,995	5,298	(1,018)	987	(840)	3,402	1,324	3,402	135,107	141,059
Economic affairs	142	120	286	271	255	336	(129)	(135)	(50)	-	-	-	2,893	1,153
<b>Total functions and activities</b>	<b>7,820</b>	<b>11,239</b>	<b>9,487</b>	<b>15,461</b>	<b>16,166</b>	<b>15,867</b>	<b>(7,641)</b>	<b>(4,927)</b>	<b>(6,380)</b>	<b>4,079</b>	<b>2,010</b>	<b>4,079</b>	<b>208,844</b>	<b>202,265</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	-	203	28	-	-	-	-	203	28	-	-	-	20,545	20,059
General purpose income <sup>1</sup>	10,782	9,247	8,758	-	-	-	10,782	9,247	8,758	2,459	2,460	2,459	-	-
<b>Operating result from continuing operations</b>	<b>18,602</b>	<b>20,689</b>	<b>18,273</b>	<b>15,461</b>	<b>16,166</b>	<b>15,867</b>	<b>3,141</b>	<b>4,523</b>	<b>2,406</b>	<b>6,538</b>	<b>4,470</b>	<b>6,538</b>	<b>229,389</b>	<b>222,324</b>

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



## Blayney Shire Council

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

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

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

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

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

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

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

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

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

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

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

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

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

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

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

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

##### **ECONOMIC AFFAIRS**

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

Blayney Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,607	1,463
Farmland		2,064	1,871
Mining		2,479	2,400
Business		332	291
<b>Total ordinary rates</b>		<b>6,482</b>	<b>6,025</b>
<b>Special rates</b>			
Community centre refurbishment		275	275
Mining special rate		1,684	1,643
Other		-	1
<b>Total special rates</b>		<b>1,959</b>	<b>1,919</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,008	939
Sewerage services		995	963
<b>Total annual charges</b>		<b>2,003</b>	<b>1,902</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>		<b><u>10,444</u></b>	<b><u>9,846</u></b>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

Blayney Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Sewerage services		193	174
<b>Total user charges</b>		<b>193</b>	<b>174</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation		228	204
Private works – section 67		165	155
Section 149 certificates (EPA Act)		16	20
Section 603 certificates		15	14
Other		5	6
<b>Total fees and charges – statutory/regulatory</b>		<b>429</b>	<b>399</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Cemeteries		41	33
Lease rentals		223	184
Leaseback fees – Council vehicles		54	49
Multipurpose centre		329	262
Quarry revenues		257	278
RMS (formerly RTA) charges (state roads not controlled by Council)		287	956
Waste disposal tipping fees		141	82
Other		6	2
<b>Total fees and charges – other</b>		<b>1,338</b>	<b>1,846</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>1,960</b>	<b>2,419</b>



Blayney Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		16	19
– Interest earned on investments (interest and coupon payment income)		483	454
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>499</u></b>	<b><u>473</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		16	19
General Council cash and investments		290	254
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		21	21
– Section 64		23	25
Sewerage fund operations		149	154
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>499</u></b>	<b><u>473</u></b>
<b>(d) Other revenues</b>			
Rental income – other council properties		7	8
Legal fees recovery – other		22	31
Diesel rebate		96	57
Insurance claim recoveries		3	–
Insurance rebates		42	87
Paid parental leave		47	47
Recycling income (non-domestic)		1	2
Weight of loads disbursement		–	22
Cemeteries		7	–
Tourism Promotions		7	–
Other		26	26
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>258</u></b>	<b><u>280</u></b>

Blayney Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	1,618	1,617	–	–
Financial assistance – local roads component	788	792	–	–
Pensioners' rates subsidies – general component	53	51	–	–
<b>Total general purpose</b>	<b>2,459</b>	<b>2,460</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Sewerage	15	15	–	–
– Domestic waste management	24	24	–	–
Sewerage services	–	27	–	56
Aged care	–	1	–	–
Bushfire and emergency services	–	–	60	–
Environmental protection	15	37	–	42
Heritage and cultural	6	6	–	–
Library	33	33	–	–
LIRS subsidy	35	38	–	–
Recreation and culture	–	–	356	412
Street lighting	40	16	–	–
Town planning	57	28	–	13
Transport (roads to recovery)	1,067	155	–	–
Transport (other roads and bridges funding)	–	43	2,300	1,063
Youth services	1	1	–	–
Domestic waste	–	–	50	–
Cemeteries	15	–	–	–
Other	5	–	–	–
<b>Total specific purpose</b>	<b>1,313</b>	<b>424</b>	<b>2,766</b>	<b>1,586</b>
<b>Total grants</b>	<b>3,772</b>	<b>2,884</b>	<b>2,766</b>	<b>1,586</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,473	2,564	–	210
– State funding	299	312	2,766	1,376
– Other funding	–	8	–	–
	<b>3,772</b>	<b>2,884</b>	<b>2,766</b>	<b>1,586</b>

Blayney Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	24	57
S 64 – sewerage service contributions	–	–	20	17
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>44</b>	<b>74</b>
<b>Other contributions:</b>				
Bushfire services	74	58	–	–
Other councils – joint works/services	20	20	–	–
Recreation and culture	–	–	88	–
Roads and bridges	6	166	237	–
RMS contributions (regional roads, block grant)	316	311	–	–
Other	2	–	–	–
<b>Total other contributions</b>	<b>418</b>	<b>555</b>	<b>325</b>	<b>–</b>
<b>Total contributions</b>	<b>418</b>	<b>555</b>	<b>369</b>	<b>74</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>4,190</b>	<b>3,439</b>	<b>3,135</b>	<b>1,660</b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	2,906	2,726
Add: grants and contributions recognised in the current period but not yet spent:	203	543
Less: grants and contributions recognised in a previous reporting period now spent:	(312)	(363)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(109)</b>	<b>180</b>
<b>Unexpended and held as restricted assets</b>	<b>2,797</b>	<b>2,906</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,282	1,479
– Developer contributions	1,515	1,427
	<b>2,797</b>	<b>2,906</b>

Blayney Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		4,879	4,191
Travel expenses		21	17
Employee leave entitlements (ELE)		792	634
ELE on-costs		12	–
Superannuation		593	524
Workers' compensation insurance		96	78
Fringe benefit tax (FBT)		71	56
Training costs (other than salaries and wages)		176	103
Sick leave insurance		–	4
Protective clothing		20	21
Other		39	25
<b>Total employee costs</b>		<b>6,699</b>	<b>5,653</b>
Less: capitalised costs		(586)	(377)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>6,113</b>	<b>5,276</b>
Number of 'full-time equivalent' employees (FTE) at year end		84	72
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		151	177
<b>Total interest bearing liability costs expensed</b>		<b>151</b>	<b>177</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	14	9
<b>Total other borrowing costs</b>		<b>14</b>	<b>9</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>165</b>	<b>186</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,110	3,061
Contractor and consultancy costs		229	–
Auditors remuneration <sup>(1)</sup>		39	31
Legal expenses:			
– Legal expenses: planning and development		49	97
– Legal expenses: debt recovery		27	36
– Legal expenses: other		15	15
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		17	17
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>2,486</b>	<b>3,257</b>

Blayney Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
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(c) Materials and contracts (continued)

**1. Auditor remuneration**

During the year, the following fees were incurred for services provided by the Council's Auditor:

**Audit and other assurance services**

Audit and review of financial statements: Council's Auditor	39	31
<b>Remuneration for audit and other assurance services</b>	<b>39</b>	<b>31</b>

**Total Auditor remuneration**

<b>39</b>	<b>31</b>
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**2. Operating lease payments are attributable to:**

Other	17	17
	<b>17</b>	<b>17</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment		-	-	648	675
Office equipment		-	-	61	63
Furniture and fittings		-	-	18	23
Land improvements (depreciable)		-	-	395	383
Infrastructure:					
- Buildings - non-specialised		-	-	120	119
- Buildings - specialised		-	-	586	576
- Roads		-	-	2,294	1,932
- Bridges		-	-	262	282
- Footpaths		-	-	68	52
- Stormwater drainage		-	-	81	60
- Sewerage network		-	-	510	493
- Other open space/recreational assets		-	-	94	85
Asset reinstatement costs	9 & 26	-	-	13	13
Intangible assets	25	-	-	80	71
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>5,230</b>	<b>4,827</b>

Blayney Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Advertising		68	63
Bad and doubtful debts		13	–
Bank charges		24	22
Cleaning		4	5
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		31	28
– NSW fire brigade levy		133	140
Councillor expenses – mayoral fee		23	23
Councillor expenses – councillors' fees		75	73
Councillors' expenses (incl. mayor) – other (excluding fees above)		8	3
Donations, contributions and assistance to other organisations (Section 356)		248	290
– Contributions to Central West Libraries		147	141
– Contribution to Upper Macquarie County Council		68	66
Electricity and heating		236	278
Insurance		393	357
Postage		19	14
Printing and stationery		42	40
Repayment local government organics collection grant		–	238
Street lighting		98	103
Subscriptions and publications		212	206
Telephone and communications		53	50
Valuation fees		30	30
Water charges		114	108
Other		83	43
<b>TOTAL OTHER EXPENSES</b>		<b>2,122</b>	<b>2,321</b>

Note 5. Gains or losses from the disposal of assets

<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		263	304
Less: carrying amount of plant and equipment assets sold/written off		(205)	(230)
<b>Net gain/(loss) on disposal</b>		<b>58</b>	<b>74</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(108)	–
<b>Net gain/(loss) on disposal</b>		<b>(108)</b>	<b>–</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		–	71
Less: carrying amount of real estate assets sold/written off		–	(17)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>54</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(50)</b>	<b>128</b>

Blayney Shire Council

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

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		1,075	–	366	–
Cash-equivalent assets <sup>1</sup>					
– Short-term deposits		–	–	500	–
<b>Total cash and cash equivalents</b>		<b>1,075</b>	<b>–</b>	<b>866</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		16,000	–	13,500	–
<b>Total investments</b>		<b>16,000</b>	<b>–</b>	<b>13,500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>17,075</b>	<b>–</b>	<b>14,366</b>	<b>–</b>

<sup>1</sup> 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:**

<b>Cash and cash equivalents</b>					
a. 'At fair value through the profit and loss'		1,075	–	866	–
<b>Investments</b>					
a. 'Loans and receivables'	6(b-i)	16,000	–	13,500	–
Investments		16,000	–	13,500	–
<b>Note 6(b-i)</b>					
<b>Reconciliation of investments classified as 'loans and receivables'</b>					
Balance at the beginning of the year		13,500	–	11,000	–
Additions		2,500	–	2,500	–
<b>Balance at end of year</b>		<b>16,000</b>	<b>–</b>	<b>13,500</b>	<b>–</b>
<b>Comprising:</b>					
– Long term deposits		16,000	–	13,500	–
<b>Total</b>		<b>16,000</b>	<b>–</b>	<b>13,500</b>	<b>–</b>

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

Blayney Shire Council

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

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	17,075	–	14,366	–
<b>attributable to:</b>				
External restrictions (refer below)	8,706	–	7,412	–
Internal restrictions (refer below)	8,232	–	6,444	–
Unrestricted	137	–	510	–
	<b>17,075</b>	<b>–</b>	<b>14,366</b>	<b>–</b>

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	670	45	–	715
Developer contributions – sewer fund	(D)	757	43	–	800
Specific purpose unexpended grants	(F)	1,480	–	(198)	1,282
Sewerage services	(G)	4,062	295	–	4,357
Domestic waste management	(G)	169	270	–	439
Rates – special variation mining		274	839	–	1,113
<b>External restrictions – other</b>		<b>7,412</b>	<b>1,492</b>	<b>(198)</b>	<b>8,706</b>
<b>Total external restrictions</b>		<b>7,412</b>	<b>1,492</b>	<b>(198)</b>	<b>8,706</b>

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

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

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



Blayney Shire Council

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

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	1,623	13	–	1,636
Employees leave entitlement	564	7	–	571
Asset replacement reserve	2,547		(2,547)	–
Asset Reserve - Transport	–	2,481	(127)	2,354
Asset Reserve - Buildings	–	486	(135)	351
Asset Reserve - Parks & Recreation	–	690	(183)	507
Asset Reserve - Stormwater	–	147	–	147
Blayney Sports Facility Master Plans	–	170		170
Blayney town works	185	–	(50)	135
Cemeteries	6	–	(5)	1
CentrePoint Reserve	282	568	–	850
Election reserve	44	17	–	61
Environmental projects – Belubula river	24	30	–	54
Inala units	84	12	–	96
I.T reserve	51	12	–	63
King George Oval	–	200		200
Land fill remediations and assets	112	–	–	112
Property account	525	–	(20)	505
Quarry	309	–	(14)	295
Village enhancement program	88	36	–	124
<b>Total internal restrictions</b>	<b>6,444</b>	<b>4,869</b>	<b>(3,081)</b>	<b>8,232</b>
<b>TOTAL RESTRICTIONS</b>	<b>13,856</b>	<b>6,361</b>	<b>(3,279)</b>	<b>16,938</b>

Blayney Shire Council

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		163	42	143	44
Interest and extra charges		33	–	46	–
User charges and fees		210	109	420	50
Private works		184	23	111	107
Accrued revenues					
– Interest on investments		147	–	160	–
Deferred debtors		24	34	61	36
Government grants and subsidies		1	–	2	–
Net GST receivable		11	–	2	–
<b>Total</b>		<b>773</b>	<b>208</b>	<b>945</b>	<b>237</b>
<b>Less: provision for impairment</b>					
Other debtors		(133)	–	(137)	–
<b>Total provision for impairment – receivables</b>		<b>(133)</b>	<b>–</b>	<b>(137)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>640</b>	<b>208</b>	<b>808</b>	<b>237</b>
<b>Externally restricted receivables</b>					
<b>Sewerage services</b>					
– Rates and availability charges		36	–	31	–
– Other		–	–	236	–
<b>Total external restrictions</b>		<b>36</b>	<b>–</b>	<b>267</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>604</b>	<b>208</b>	<b>541</b>	<b>237</b>
<b>TOTAL NET RECEIVABLES</b>		<b>640</b>	<b>208</b>	<b>808</b>	<b>237</b>

**Notes on debtors above:**

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

Blayney Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		445	–	445	–
Stores and materials		66	–	60	–
Trading stock		328	–	231	–
<b>Total inventories at cost</b>		<b>839</b>	<b>–</b>	<b>736</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>839</b>	<b>–</b>	<b>736</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		52	–	20	–
<b>TOTAL OTHER ASSETS</b>		<b>52</b>	<b>–</b>	<b>20</b>	<b>–</b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

Blayney Shire Council

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

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
<b>Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Industrial/commercial	445	–	445	–
<b>Total real estate for resale</b>	<b>445</b>	<b>–</b>	<b>445</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	445	–	445	–
<b>Total costs</b>	<b>445</b>	<b>–</b>	<b>445</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>445</b>	<b>–</b>	<b>445</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	445	–	459	–
– Purchases and other costs	–	–	3	–
– WDV of sales (expense)	–	–	(17)	–
<b>Total real estate for resale</b>	<b>445</b>	<b>–</b>	<b>445</b>	<b>–</b>

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

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

	2016	2015
Real estate for resale	445	445
	<b>445</b>	<b>445</b>

**(c) Inventories recognised as an expense for the year included:**

Stores and materials	518	486
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**(d) 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.

**Blayney Shire Council**

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

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

\$ '000	as at 30/6/2015						Asset movements during the reporting period						as at 30/6/2016						
	At cost	At fair value	Accumulated depreciation	Impairment	Carrying value		Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated depreciation	Impairment	Carrying value	
Capital work in progress	-	-	-	-	-	-	85	-	-	-	-	-	-	85	-	-	-	-	85
Plant and equipment	-	10,880	8,206	-	2,674	-	1,022	(204)	(648)	(15)	-	-	-	-	11,393	8,564	-	2,829	
Office equipment	-	652	525	-	127	-	95	-	(81)	-	-	-	-	-	747	586	-	161	
Furniture and fittings	-	468	364	-	104	-	57	-	(18)	-	-	-	-	-	515	372	-	143	
Land:																			
- Operational land	-	1,467	-	-	1,467	-	-	-	-	-	-	-	-	-	1,467	-	-	1,467	
- Community land	-	4,122	-	-	4,122	-	-	-	-	-	(79)	-	-	-	4,043	-	-	4,043	
Land improvements - depreciable	-	7,054	3,578	-	3,476	6	102	(26)	(395)	(173)	-	1,395	-	-	6,516	2,131	-	4,385	
Infrastructure:																			
- Buildings - non-specialised	-	3,741	1,689	-	2,052	28	-	-	(120)	-	-	-	-	-	3,770	1,810	-	1,960	
- Buildings - specialised	-	18,177	8,034	-	10,144	556	-	-	(586)	-	-	-	-	-	18,733	8,619	-	10,114	
- Roads	-	121,152	25,134	-	96,018	3,181	-	-	(2,294)	-	-	-	-	-	124,333	27,428	-	96,905	
- Bridges	-	26,224	3,551	24	22,649	192	-	-	(262)	12	-	-	-	-	26,432	3,817	24	22,591	
- Footpaths	-	4,928	1,790	-	3,138	478	-	-	(68)	173	-	-	-	-	5,675	1,954	-	3,721	
- Bulk earthworks (non-depreciable)	-	11,507	1,790	-	11,507	118	-	-	-	-	-	-	-	-	11,625	-	-	11,625	
- Stormwater drainage	-	8,005	1,178	-	6,827	593	-	-	(81)	-	-	-	-	-	8,598	1,259	-	7,339	
- Sewerage network	-	28,334	8,799	-	19,535	257	5	-	(510)	-	-	289	-	-	29,025	9,448	-	19,577	
- Other open space/recreational assets	-	3,079	1,187	-	1,892	302	150	(82)	(94)	3	-	-	-	-	3,636	1,061	-	2,575	
Reinstatement, rehabilitation and restoration assets (refer Note 26):																			
- Tip assets	-	224	123	-	101	-	-	-	(12)	-	-	-	-	-	224	135	-	89	
- Quarry assets	-	37	21	-	16	-	165	-	(1)	-	-	-	-	-	202	22	-	180	
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	-	<b>250,052</b>	<b>64,179</b>	<b>24</b>	<b>185,849</b>	<b>5,711</b>	<b>1,681</b>	<b>(312)</b>	<b>(5,150)</b>	-	<b>(79)</b>	<b>2,089</b>	-	<b>85</b>	<b>256,934</b>	<b>67,206</b>	<b>24</b>	<b>189,789</b>	

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

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

Blayney Shire Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Sewerage services</b>								
Plant and equipment	-	283	111	172	-	254	134	120
Land								
- Community land	-	229	-	229	-	238	-	238
Buildings	-	338	100	238	-	338	91	247
Infrastructure	-	29,025	9,448	19,577	-	28,334	8,798	19,536
<b>Total sewerage services</b>	<b>-</b>	<b>29,875</b>	<b>9,659</b>	<b>20,216</b>	<b>-</b>	<b>29,164</b>	<b>9,023</b>	<b>20,141</b>
<b>Domestic waste management</b>								
Land								
- Community land	-	160	-	160	-	160	-	160
<b>Total DWM</b>	<b>-</b>	<b>160</b>	<b>-</b>	<b>160</b>	<b>-</b>	<b>160</b>	<b>-</b>	<b>160</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>-</b>	<b>30,035</b>	<b>9,659</b>	<b>20,376</b>	<b>-</b>	<b>29,324</b>	<b>9,023</b>	<b>20,301</b>

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

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



Blayney Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		421	–	443	–
Payments received in advance		196	–	157	–
Accrued expenses:					
– Borrowings		17	–	18	–
– Other expenditure accruals		31	1	26	1
Security bonds, deposits and retentions		231	–	235	–
ATO – net GST payable		48	–	18	–
<b>Total payables</b>		<b>944</b>	<b>1</b>	<b>897</b>	<b>1</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		190	1,982	178	2,171
<b>Total borrowings</b>		<b>190</b>	<b>1,982</b>	<b>178</b>	<b>2,171</b>
<b>Provisions</b>					
Employee benefits:					
Annual leave		447	–	361	–
Long service leave		1,094	58	977	36
ELE on-costs		82	2	77	2
Sub-total – aggregate employee benefits		1,623	60	1,415	38
Asset remediation/restoration (future works)	26	–	657	–	478
Other		–	–	30	–
<b>Total provisions</b>		<b>1,623</b>	<b>717</b>	<b>1,445</b>	<b>516</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>2,757</b>	<b>2,700</b>	<b>2,520</b>	<b>2,688</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Sewer		57	650	83	687
Liabilities relating to externally restricted assets		57	650	83	687
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>57</b>	<b>650</b>	<b>83</b>	<b>687</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>2,700</b>	<b>2,050</b>	<b>2,437</b>	<b>2,001</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>2,757</b>	<b>2,700</b>	<b>2,520</b>	<b>2,688</b>

<sup>1</sup>: Loans are secured over the general rating income of Council  
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Blayney Shire Council

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

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

\$ '000	Actual 2016	Actual 2015
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,204	1,063
Payables – security bonds, deposits and retentions	194	214
	<u>1,398</u>	<u>1,277</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	361	390	(304)	–	–	447
Long service leave	1,013	241	(102)	–	–	1,152
ELE on-costs	79	5	–	–	–	84
Asset remediation	478	165	–	14	–	657
Other	30	(30)	–	–	–	–
<b>TOTAL</b>	<u>1,961</u>	<u>771</u>	<u>(406)</u>	<u>14</u>	<u>–</u>	<u>2,340</u>

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

Blayney Shire Council

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

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	1,075	866
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>1,075</b>	<b>866</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>4,523</b>	<b>2,406</b>
Adjust for non-cash items:			
Depreciation and amortisation		5,230	4,827
Net losses/(gains) on disposal of assets		50	(128)
Non-cash capital grants and contributions		(16)	–
Unwinding of discount rates on reinstatement provisions		14	9
Share of net (profits) or losses of associates/joint ventures		(203)	(28)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		162	(162)
Increase/(decrease) in provision for doubtful debts		(4)	(4)
Decrease/(increase) in inventories		(103)	18
Decrease/(increase) in other assets		(32)	(2)
Increase/(decrease) in payables		(22)	(220)
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		5	(4)
Increase/(decrease) in other liabilities		65	47
Increase/(decrease) in employee leave entitlements		230	59
Increase/(decrease) in other provisions		135	30
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,033</b>	<b>6,846</b>

Blayney Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		16	–
<b>Total non-cash investing and financing activities</b>		<b>16</b>	<b>–</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		50	50
Credit cards/purchase cards		40	20
<b>Total financing arrangements</b>		<b>90</b>	<b>70</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		9	6
<b>Total financing arrangements utilised</b>		<b>9</b>	<b>6</b>

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

**(ii) Secured loan liabilities**

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

**Note 12. Commitments for expenditure**

Nil

Blayney Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 2015    2014	
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>1,235</u>	7.12%	3.59%	-18.42%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>17,351</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>13,161</u>	64.24%	71.86%	70.40%
Total continuing operating revenue <sup>(1)</sup>	<u>20,486</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>9,418</u>	7.23x	6.73x	5.52x
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>	<u>1,302</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>6,630</u>	19.39x	10.65x	8.84x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>342</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>238</u>	2.22%	2.28%	4.50%
Rates, annual and extra charges collectible	<u>10,693</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>17,075</u>	17.30 mths	13.7 mths	15.0 mths
Payments from cash flow of operating and financing activities	<u>987</u>			

Notes

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

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

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

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

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

Blayney Shire Council

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

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

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: ——— Minimum &gt;=0.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2015/16 result</b></p> <p><b>2015/16 ratio 7.12%</b></p> <p>2014/15 saw an increase in rating income through revaluations of the mining category leading to positive operating performance ratios over the last 2 years. Another contributing factor in 2015/16 was a significant increase in Roads to Recovery income.</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: ——— Minimum &gt;=60.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2015/16 result</b></p> <p><b>2015/16 ratio 64.24%</b></p> <p>This ratio has seen a decrease in the 2015/16 financial year due to an increase in grants and contributions received. This ratio continues to exceed the industry benchmark of 60%.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: ——— Minimum &gt;=1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2015/16 result</b></p> <p><b>2015/16 ratio 7.23x</b></p> <p>Council's unrestricted current ratio continues to exceed the industry benchmark of 1.5x indicating Council's strong ability to satisfy its debts as and when they fall due.</p>



**Blayney Shire Council**

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

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

<p><b>4. Debt service cover ratio</b></p> <p>Benchmark: Minimum <math>\geq 2.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of debt service cover ratio</b></p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p><b>Commentary on 2015/16 result</b></p> <p><b>2015/16 ratio 19.39x</b></p> <p>Council's relatively low rate of borrowing continues to ensure its ability to service its debts.</p>
<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <p>Benchmark: Maximum <math>&lt; 5.00\%</math> Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of rates and annual charges outstanding ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2015/16 result</b></p> <p><b>2015/16 ratio 2.22%</b></p> <p>Council staff have maintained their recovery efforts throughout 2015/16 with this ratio sitting well below the industry benchmark of 5%.</p>
<p><b>6. Cash expense cover ratio</b></p> <p>Benchmark: Minimum <math>\geq 3.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of cash expense cover ratio</b></p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p><b>Commentary on 2015/16 result</b></p> <p><b>2015/16 ratio 17.30 mths</b></p> <p>This ratio is well above industry benchmarks indicating that Council has sufficient liquidity to mitigate any unforeseen future events.</p>

Blayney Shire Council

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

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

\$ '000	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>		
<b>1. Operating performance ratio</b>		
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>-3.81%</b>	<b>8.15%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	4.19%	3.53%
	prior period:	
<b>2. Own source operating revenue ratio</b>		
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>97.36%</b>	<b>61.59%</b>
Total continuing operating revenue <sup>(1)</sup>	91.97%	70.13%
	prior period:	
<b>3. Unrestricted current ratio</b>		
Current assets less all external restrictions <sup>(2)</sup>	<b>77.07x</b>	<b>7.23x</b>
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>	52.16x	6.73x
	prior period:	
<b>4. Debt service cover ratio</b>		
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>5.98x</b>	<b>24.25x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2.32x	20.28x
	prior period:	
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>		
Rates, annual and extra charges outstanding	<b>3.50%</b>	<b>2.09%</b>
Rates, annual and extra charges collectible	3.23%	2.18%
	prior period:	
<b>6. Cash expense cover ratio</b>		
Current year's cash and cash equivalents plus all term deposits	<b>0.00</b>	<b>16.97</b>
Payments from cash flow of operating and financing activities	0.00	13.75
	mths	mths
	prior period:	

Notes

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

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

## Blayney Shire Council

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

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	1,075	866	1,075	866
Investments				
– 'Loans and receivables'	16,000	13,500	16,000	13,500
Receivables	848	1,045	848	1,045
<b>Total financial assets</b>	<b>17,923</b>	<b>15,411</b>	<b>17,923</b>	<b>15,411</b>
<b>Financial liabilities</b>				
Payables	749	741	749	741
Loans/advances	2,172	2,349	2,172	2,349
<b>Total financial liabilities</b>	<b>2,921</b>	<b>3,090</b>	<b>2,921</b>	<b>3,090</b>

Fair value is determined as follows:

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

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

**Blayney Shire Council**

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

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

**\$ '000**

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 1% movement in interest rates	11	11	(11)	(11)
<b>2015</b>				
Possible impact of a 1% movement in interest rates	9	9	(9)	(9)

**Blayney Shire Council**

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

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

\$ '000

**(b) Credit risk**

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

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

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

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

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

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	31%	0%	51%
Overdue	100%	69%	100%	49%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>				
Current	–	240	–	742
< 1 year overdue	163	153	143	23
1 – 2 years overdue	42	11	44	7
2 – 5 years overdue	–	44	–	223
> 5 years overdue	–	328	–	–
	<b>205</b>	<b>776</b>	<b>187</b>	<b>995</b>

	2016	2015
<b>(iii) Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	137	141
+ new provisions recognised during the year	13	–
– amounts already provided for and written off this year	(17)	(4)
<b>Balance at the end of the year</b>	<b>133</b>	<b>137</b>

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Blayney Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	231	517	1	–	–	–	–	749	749
Loans and advances	–	330	330	330	330	330	1,295	2,945	2,172
<b>Total financial liabilities</b>	<b>231</b>	<b>847</b>	<b>331</b>	<b>330</b>	<b>330</b>	<b>330</b>	<b>1,295</b>	<b>3,694</b>	<b>2,921</b>
<b>2015</b>									
Trade/other payables	235	506	–	–	–	–	–	741	741
Loans and advances	–	329	329	329	329	329	1,622	3,267	2,349
<b>Total financial liabilities</b>	<b>235</b>	<b>835</b>	<b>329</b>	<b>329</b>	<b>329</b>	<b>329</b>	<b>1,622</b>	<b>4,008</b>	<b>3,090</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	749	0.00%	741	0.00%
Loans and advances – fixed interest rate	2,172	6.63%	2,349	6.60%
	<u>2,921</u>		<u>3,090</u>	



Blayney Shire Council

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

Note 16. Material budget variations

\$ '000

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

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

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

Note that for variations\* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>10,601</b>	<b>10,444</b>	<b>(157)</b>	<b>(1%)</b>	<b>U</b>
<b>User charges and fees</b>	<b>1,668</b>	<b>1,960</b>	<b>293</b>	<b>18%</b>	<b>F</b>
2015 saw the introduction of trade waste charges part way through the financial year. 2016 was the first full year that trade waste charges were levied. Council also saw an increase in quarry sales and a less than anticipated income from State Roads.					
<b>Interest and investment revenue</b>	<b>456</b>	<b>499</b>	<b>43</b>	<b>9%</b>	<b>F</b>
<b>Other revenues</b>	<b>154</b>	<b>258</b>	<b>104</b>	<b>68%</b>	<b>F</b>
Paid parental leave payments were received but not budgetted. Council also received additional Risk and WHS rebates that were unbudgetted.					
<b>Operating grants and contributions</b>	<b>2,961</b>	<b>4,190</b>	<b>1,229</b>	<b>41%</b>	<b>F</b>
Council was awarded various unexpected operating grants throughout the year, in particular Roads to Recovery income.					
<b>Capital grants and contributions</b>	<b>2,761</b>	<b>3,135</b>	<b>374</b>	<b>14%</b>	<b>F</b>
Additional funding was awarded through Fixing Country Roads in the 2016 financial year.					
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0%</b>	<b>F</b>
Council had a high turnover of plant and equipment throughout the financial year.					
<b>Joint ventures and associates - net profits</b>	<b>–</b>	<b>203</b>	<b>203</b>	<b>0%</b>	<b>F</b>
Council did not budget for any share of interests in Joint Ventures.					

Blayney Shire Council

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

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	5,419	6,113	(694)	(13%)	<b>U</b>
Council conducted a review of its organisational structure in late 2015 resulting in the appointment of an additional 12 employees.					
<b>Borrowing costs</b>	152	165	(13)	(9%)	<b>U</b>
<b>Materials and contracts</b>	2,690	2,486	204	8%	<b>F</b>
<b>Depreciation and amortisation</b>	4,835	5,230	(395)	(8%)	<b>U</b>
<b>Other expenses</b>	2,366	2,122	244	10%	<b>F</b>
Recognition of savings made throughout the 2016 financial year.					

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

<b>Cash flows from operating activities</b>	8,767	10,033	1,266	14.4%	<b>F</b>
Council received higher than anticipated operating and capital grants and contributions throughout 2016.					
<b>Cash flows from investing activities</b>	(8,828)	(9,647)	(819)	9.3%	<b>U</b>
<b>Cash flows from financing activities</b>	(181)	(177)	4	(2.0%)	<b>F</b>

**Blayney Shire Council**

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

**Note 17. Statement of developer contributions**

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Local infrastructure fund	670	24	-	21	-	-	715	-
S94 contributions – under a plan	670	24	-	21	-	-	715	-
<b>Total S94 revenue under plans</b>	<b>670</b>	<b>24</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>715</b>	<b>-</b>
S64 contributions	757	20	-	23	-	-	800	-
<b>Total contributions</b>	<b>1,427</b>	<b>44</b>	<b>-</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>1,515</b>	<b>-</b>

**Blayney Shire Council**

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

**Note 17. Statement of developer contributions (continued)**

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN NUMBER – Local infrastructure fund

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					
Local infrastructure fund	670	24	-	21	-	-	715	-
<b>Total</b>	<b>670</b>	<b>24</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>715</b>	<b>-</b>

**S64 contributions**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	757	20	-	23	-	-	800	-
<b>Total</b>	<b>757</b>	<b>20</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>800</b>	<b>-</b>

## Blayney Shire Council

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

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

\$ '000

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

#### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

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

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

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

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

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

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

###### **(ii) Statewide Limited**

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

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

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

###### **(iii) StateCover Limited**

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

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

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

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

###### **(iv) Other guarantees**

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

**Blayney Shire Council**

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

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

**\$ '000**

**LIABILITIES NOT RECOGNISED (continued):**

**2. Other liabilities**

**(i) Third party claims**

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

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

**(ii) S94 plans**

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

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

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

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

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

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

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

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

**ASSETS NOT RECOGNISED:**

**(i) Land under roads**

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

**(ii) Infringement notices/fines**

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

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

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

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



**Blayney Shire Council**

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

**Note 19. Interests in other entities**

**\$ '000**

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

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

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

**Controlled entities (subsidiaries)**

*Note 19(a)*

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

**Joint ventures and associates**

*Note 19(b)*

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

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

**Joint operations**

*Note 19(c)*

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

**Unconsolidated structured entities**

*Note 19(d)*

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

**Subsidiaries, joint arrangements and associates not recognised**

*Note 19(e)*

**Accounting recognition:**

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	-	-	-	-
Associates	203	28	20,545	20,059
<b>Total</b>	<b>203</b>	<b>28</b>	<b>20,545</b>	<b>20,059</b>

**Blayney Shire Council**

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

**Note 19. Interests in other entities (continued)**

**\$ '000**

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

Council has no interest in any controlled entities (subsidiaries).

**(b) Joint ventures and associates**

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

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

Name of entity	Nature of relationship	Measurement method	2016	2015
Central Tablelands Water	Associate	Equity	20,324	19,864
Upper Macquarie County Council	Associate	Equity	221	195
<b>Total carrying amounts – material joint ventures and associates</b>			<b>20,545</b>	<b>20,059</b>

**(b) Details**

Name of entity	Principal activity	Place of business
Central Tablelands Water	Water supply	Blayney
Upper Macquarie County Council	Weeds Council	Bathurst

**(c) Relevant interests and fair values**

Name of entity	Proportion of voting power	
	2016	2015
Central Tablelands Water	33%	33.3%
Upper Macquarie County Council	25%	25.0%

continued on next page

Blayney Shire Council

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

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

Statement of financial position	Central Tablelands Water		Upper Macquarie County Council	
	2016	2015	2016	2015
<b>Current assets</b>				
Cash and cash equivalents	873	404	1,142	1,097
Other current assets	7,738	6,677	78	51
<b>Total current assets</b>	<b>8,611</b>	<b>7,081</b>	<b>1,220</b>	<b>1,148</b>
<b>Non-current assets</b>	<b>56,284</b>	<b>56,722</b>	<b>169</b>	<b>151</b>
<b>Current liabilities</b>				
Financial liabilities (excl. accounts payable)	409	383	–	–
Other current liabilities	1,156	1,064	219	273
<b>Total current liabilities</b>	<b>1,565</b>	<b>1,447</b>	<b>219</b>	<b>273</b>
<b>Non-current liabilities</b>	<b>2,352</b>	<b>2,764</b>	<b>285</b>	<b>246</b>
<b>Net assets</b>	<b>60,978</b>	<b>59,592</b>	<b>885</b>	<b>780</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	59,592	58,910	780	780
Profit/(loss) for the period	532	74	105	–
Dividends received	854	608	–	–
<b>Closing net assets</b>	<b>60,978</b>	<b>59,592</b>	<b>885</b>	<b>780</b>
<b>Council's share of net assets (%)</b>	<b>33.3%</b>	<b>33.3%</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Council's share of net assets (\$)</b>	<b>20,324</b>	<b>19,864</b>	<b>221</b>	<b>195</b>
<b>Statement of comprehensive income</b>				
Income	5,697	5,248	1,834	1,370
Interest income	206	206	25	27
Depreciation and amortisation	(1,822)	(1,808)	(43)	(43)
Interest expense	(198)	(222)	–	–
Other expenses	(3,351)	(3,350)	(1,711)	(1,339)
<b>Profit/(loss) for period</b>	<b>532</b>	<b>74</b>	<b>105</b>	<b>15</b>
Other comprehensive income	854	608	–	–
<b>Total comprehensive income</b>	<b>1,386</b>	<b>682</b>	<b>105</b>	<b>15</b>
<b>Share of income – Council (%)</b>	<b>33.3%</b>	<b>33.3%</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>177</b>	<b>25</b>	<b>26</b>	<b>4</b>
<b>Total comprehensive income – Council (\$)</b>	<b>462</b>	<b>227</b>	<b>26</b>	<b>4</b>

Blayney Shire Council

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

Note 19. Interests in other entities (continued)

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\$ '000

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(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity
<b>Central West Libraries</b>	Library services to member councils
<b>Strategic Alliance; Blayney &amp; Cabonne Councils &amp; Central Tablelands Water</b>	Investigation and provision of economies of scale opportunities for member councils

Blayney Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		83,327	61,482
a. Correction of prior period errors	20 (c)	654	654
a. Changes in accounting policies (prior period effects)	20 (d)	–	19,237
b. Other comprehensive income (excl. direct to reserves transactions)		283	202
c. Net operating result for the year		4,523	2,406
<b>Balance at end of the reporting period</b>		<b><u>88,787</u></b>	<b><u>83,981</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		135,145	133,135
<b>Total</b>		<b><u>135,145</u></b>	<b><u>133,135</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		133,135	133,199
– Revaluations for the year	9(a)	2,010	(64)
– <b>Balance at end of year</b>		<b><u>135,145</u></b>	<b><u>133,135</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>135,145</u></b>	<b><u>133,135</u></b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			

Blayney Shire Council

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

**Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
– Land Improvements Carrying Value		304	–
– Open Space/Recreational Assets Carrying Value		350	–
This adjustment resulted in a net increase/(decrease) in Council's accumulated surplus as at 30/6/14.			
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		654	–
<b>Total prior period adjustments – prior period errors</b>		<b>654</b>	<b>–</b>

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

The recognition of 'significant influence' under AASB 12 of Central Tablelands Water and Upper Macquarie County Council with voting power greater than 20%.	–	19,237
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In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in accounting policy have been recognised retrospectively.

These amounted to the following equity adjustments:

– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)	–	19,237
<b>Total prior period adjustments – accounting policy changes</b>	<b>–</b>	<b>19,237</b>

**(e) Changes in accounting estimates**

Council made no changes in accounting estimates during the year.



Blayney Shire Council

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

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016
	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Continuing operations</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	1,030	9,414
User charges and fees	263	1,697
Interest and investment revenue	172	327
Other revenues	5	253
Grants and contributions provided for operating purposes	20	4,170
Grants and contributions provided for capital purposes	20	3,115
<b>Other income</b>		
Net gains from disposal of assets	8	-
Share of interests in joint ventures and associates using the equity method	-	203
<b>Total income from continuing operations</b>	<b>1,518</b>	<b>19,179</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	260	5,853
Borrowing costs	57	108
Materials and contracts	611	1,875
Depreciation and amortisation	543	4,687
Impairment	-	-
Other expenses	84	2,038
Net losses from the disposal of assets	-	58
<b>Total expenses from continuing operations</b>	<b>1,555</b>	<b>14,619</b>
<b>Operating result from continuing operations</b>	<b>(37)</b>	<b>4,560</b>
<b>Discontinued operations</b>		
Net profit/(loss) from discontinued operations	-	-
<b>Net operating result for the year</b>	<b>(37)</b>	<b>4,560</b>
<b>Net operating result attributable to each council fund</b>	<b>(37)</b>	<b>4,560</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(57)</b>	<b>1,445</b>

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

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

Blayney Shire Council

Notes to the Financial Statements  
as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016
	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	324	751
Investments	4,833	11,167
Receivables	36	604
Inventories	–	839
Other	–	52
Non-current assets classified as 'held for sale'	–	–
<b>Total current assets</b>	<b>5,193</b>	<b>13,413</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	208
Inventories	–	–
Infrastructure, property, plant and equipment	20,216	169,573
Investments accounted for using the equity method	–	20,545
Investment property	–	–
Intangible assets	–	241
<b>Total non-current assets</b>	<b>20,216</b>	<b>190,567</b>
<b>TOTAL ASSETS</b>	<b>25,409</b>	<b>203,980</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	20	924
Borrowings	37	153
Provisions	–	1,623
<b>Total current liabilities</b>	<b>57</b>	<b>2,700</b>
<b>Non-current liabilities</b>		
Payables	–	1
Borrowings	650	1,332
Provisions	–	717
<b>Total non-current liabilities</b>	<b>650</b>	<b>2,050</b>
<b>TOTAL LIABILITIES</b>	<b>707</b>	<b>4,750</b>
<b>Net assets</b>	<b>24,702</b>	<b>199,230</b>
<b>EQUITY</b>		
Retained earnings	9,444	79,343
Revaluation reserves	15,258	119,887
<b>Total equity</b>	<b>24,702</b>	<b>199,230</b>

<sup>1</sup> General Fund refers to all Council's activities other than Sewer.  
NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## Blayney Shire Council

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

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

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\$ '000

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

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

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Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 28/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

#### Note 24. Discontinued operations

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

**Blayney Shire Council**

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

**Note 25. Intangible assets**

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	401	362
Accumulated amortisation (1/7)	(152)	(81)
Accumulated impairment (1/7)	-	-
<b>Net book value – opening balance</b>	<b>249</b>	<b>281</b>
<b>Movements for the year</b>		
– Purchases	71	39
– Amortisation charges	(80)	(71)
<b>Closing values:</b>		
Gross book value (30/6)	472	401
Accumulated amortisation (30/6)	(231)	(152)
Accumulated impairment (30/6)	-	-
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1</u></b>	<b><u>241</u></b>	<b><u>249</u></b>

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

– Software	241	249
	<b>241</b>	<b>249</b>

Blayney Shire Council

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

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

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Blayney tip	2046	419	410
Blayney quarry	2036	238	68
<b>Balance at end of the reporting period</b>	10(a)	<b>657</b>	<b>478</b>

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	478	469
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	165	–
Amortisation of discount (expensed to borrowing costs)	14	9
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>657</b>	<b>478</b>

**Amount of expected reimbursements**

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Blayney Shire Council

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

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Loans and receivables	30/06/16	-	16,000	-	16,000
Cash and short term deposits	30/06/16	-	1,075	-	1,075
<b>Total financial assets</b>		<b>-</b>	<b>17,075</b>	<b>-</b>	<b>17,075</b>
<b>Financial liabilities</b>					
Loans/advances	30/06/16	-	2,172	-	2,172
Payables	30/06/16	-	749	-	749
<b>Total financial liabilities</b>		<b>-</b>	<b>2,921</b>	<b>-</b>	<b>2,921</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/16	-	-	2,829	2,829
Office equipment	30/06/16	-	-	161	161
Furniture and fittings	30/06/16	-	-	143	143
Operational land	30/06/16	-	-	1,467	1,467
Community land	30/06/16	-	-	4,043	4,043
Depreciable land improvements	30/06/16	-	-	4,385	4,385
Buildings – specialised	30/06/16	-	-	10,114	10,114
Buildings – non-specialised	30/06/16	-	-	1,960	1,960
Open space/recreation assets	30/06/16	-	-	2,575	2,575
Roads	30/06/16	-	-	96,905	96,905
Bridges	30/06/16	-	-	22,591	22,591
Footpaths	30/06/16	-	-	3,721	3,721
Bulk earthworks	30/06/16	-	-	11,625	11,625
Stormwater	30/06/16	-	-	7,339	7,339
Sewerage network	30/06/16	-	-	19,577	19,577
Tip assets	30/06/16	-	-	89	89
Quarry assets	30/06/16	-	-	180	180
Capital Work In Progress	30/06/16	-	-	85	85
<b>Total infrastructure, property, plant and equipment</b>		<b>-</b>	<b>-</b>	<b>189,789</b>	<b>189,789</b>

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Blayney Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
Loans and receivables	30/06/15	–	13,500	–	13,500
Cash and short term deposits	30/06/15	–	866	–	866
<b>Total financial assets</b>		<b>–</b>	<b>14,366</b>	<b>–</b>	<b>14,366</b>
<b>Financial liabilities</b>					
Loans/advances	30/06/15	–	2,349	–	2,349
Payables	30/06/15	–	741	–	741
<b>Total financial liabilities</b>		<b>–</b>	<b>3,090</b>	<b>–</b>	<b>3,090</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/15	–	–	2,674	2,674
Office equipment	30/06/15	–	–	127	127
Furniture and fittings	30/06/15	–	–	104	104
Operational land	30/06/15	–	–	1,467	1,467
Community land	30/06/15	–	–	4,122	4,122
Depreciable land improvements	30/06/15	–	–	3,476	3,476
Buildings – specialised	30/06/15	–	–	10,144	10,144
Buildings – non-specialised	30/06/15	–	–	2,052	2,052
Open space/recreation assets	30/06/15	–	–	1,892	1,892
Roads	30/06/15	–	–	96,018	96,018
Bridges	30/06/15	–	–	22,649	22,649
Footpaths	30/06/15	–	–	3,138	3,138
Bullk earthworks	30/06/15	–	–	11,507	11,507
Stormwater	30/06/15	–	–	6,827	6,827
Sewerage network	30/06/15	–	–	19,535	19,535
Tip assets	30/06/15	–	–	101	101
Quarry assets	30/06/15	–	–	16	16
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>185,849</b>	<b>185,849</b>

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

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

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

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

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

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

**Financial Assets**

**Held to Maturity** – Term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

**Cash and Short Term Deposits** – Cash and short term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

**Financial Liabilities**

**Payables** – Outstanding creditor payments, security bonds & deposits

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service.

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

**Loans/Advances** – Outstanding bank loans

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Loan borrowing amount

**Infrastructure, Property, Plant & Equipment**

**Plant and Equipment** – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

**Office Equipment** – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

**Furniture and Fittings** – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

## Blayney Shire Council

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

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

##### **Operational Land** – Industrial land, quarries, residential aged care units

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land

Councils Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Councils Valuer Scott Fullarton Valuations P/L analysed sales of land throughout Blayney Shire and surrounding Council areas and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

##### **Community Land** – Parkland, sporting grounds, reserves, land under public buildings (halls & community centres)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 30 June 2016)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

## Blayney Shire Council

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

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

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

#### **Depreciable Land Improvements** – Gardens/soffall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates

Depreciable Land Improvements were valued as at 30 June 2011. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'. Council officers undertook a rigorous onsite inspection program to establish condition ratings used in calculating the remaining life and replacement cost of each asset. By using a spatial information program and satellite imagery Officers were able to accurately calculate asset lengths and dimensions and apply these to the established condition data.

#### **Buildings (Specialised/Non Specialised)** – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30<sup>th</sup> June 2012 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2013. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

SFV estimated the Total Life and Residual Life of each building/structure and, where the building is considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

asset with a cost that is **significant** in relation to the asset be depreciated separately (structure, internal finishes, electrical services, mechanical services, fire/security and roof).

**Open Space/Recreational Assets** – Fencing, shadesails, other recreational furniture

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council used in-house resources to provide a valuation for each asset applying a rate based on historical cost. Condition data was then considered to provide a valuation taking into account consumption patterns, dimensions and other specifications.

**Roads** – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued in-house on 30 June 2015. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter
- Culverts

Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road terminuses (extent of Council maintenance activities) were taken as the measure of BSC asset length. Seal widths (sealed roads) were taken from full condition assessment (undertaken by Coates Civil Consulting and BSC staff in 2008).



Blayney Shire Council

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

Note 27. Fair value measurement (continued)

The pavement width was assumed to be an additional 1m on each side of the Seal (e.g. Seal of 6 m is assumed to have an 8m wide pavement). This was confirmed by random sampling of a range of roads categories across the Shire.

Unit rates for formation, pavement and sealing were based on the Rawlinson's; Construction Cost Guide 2010, Edition 18. These rates were verified against recent actual rates from BSC road works. Unit rates are assumed to be for an undulating topography, as this represents the majority of road corridors in the Shire. The slightly steeper grades are assumed to be countered by the substantially longer corridors of flat to slightly undulating topography.

Formation widths for sealed roads were established by random sampling in the field and from aerial imagery analysis of a range of road types and were demonstrated to be double the width of the pavement.

Condition Assessment data was substituted for date of construction data to establish remaining lives. This was in part due to BSC not having complete road construction / rehabilitation / initial sealing data.

Culverts

The categories used to group culverts (by size) were determined as part of the development of the 'Wellington, Blayney, Cabonne and Central Tablelands Water Strategic Alliance (WBC Alliance) Joint Transport Asset Management Plan'. Culverts of 450mm or less have not been valued separately due to their cost (purchase price and installation cost) and have been allowed for in the cubic metre rate for road formation.

Major Culverts do not include Bridge size (6m+) culverts, as these were valued in the Bridge Register. Of the remaining major culverts, these were divided into 2 categories; known and estimated. Known culverts were valued at replacement cost (from Rawlinsons) and of the remaining culverts, an estimate based on percentage of Major Culverts as a percentage of all known culverts was applied to the count of culverts (identified in the BSC Rural Addressing exercise from 1995).

An average size (650mm), length (9.6m) and an average condition rating (2) were then applied to these culverts to provide for a valuation, based on Rawlinsons rates. These average sizes were confirmed by inspections of known culverts.

Kerb and Gutter

Asset register was developed using a combination of 10cm Aerial imagery for Blayney and Millthorpe and 50cm Aerial imagery for the other Villages. This data was verified with an inspection program to determine the accuracy and materials used. The bulk of BSC's Kerb and Gutter network is concrete ('high back' or 'roll

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

back'), however some Kerb and Gutter is constructed from Bluestone or River Stone. Condition assessment for Kerb and Gutter was assumed to be an average of 2; as the vast majority of Council's Kerb and Gutter is in satisfactory condition, in that it is still able to function.

Unit Rates were established on 'First Principles' and verified against a tender that BSC had recently submitted for Kerb and Gutter works. While the majority of recently constructed Kerb and Gutter (in Millthorpe) has included an 'oxide' (to better match the existing Bluestone), the rate adopted for all concrete Kerb and Gutter was based on the rate for 'plain' concrete. Unit rates for the Bluestone and River Stone Kerbs and Gutters was also established on 'First Principles', but is substantially higher than for concrete, due to the increasing difficulty in sourcing Bluestone Blocks.

Unit rates for Kerb and Gutter are all based on 'Greenfields' costs and do not include any allowance of the removal of existing failed sections.

**Bridges** – (excluding culverts under 6 metres in length)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Councils bridge infrastructure assets were last valued on 30 June 2015.

Condition assessment for bridges was provided by in-house resources and was at the 'level 1' inspection regime, which is based on observed defects, but does not include core sampling or tensile testing of any components.

Bridge values were determined on the basis of a square metre (of deck) rate, as per the Rawlinson's; *Construction Cost Guide 2010, Edition 18*. This was in part because council does not possess sufficient detail on the individual components of individual bridges, or their respective conditions.

The Rawlinson's rates were used to validate the rates calculated from the last three bridges that council has replaced in recent years. The unit rate calculated for these bridges was CPI adjusted (using the Reserve Bank of Australia Inflation Calculator) to represent 2015 dollars.

**Footpaths** – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

Footpaths assets were valued in-house as at 30 June 2015. Aerial imagery was used to calculate the length of Councils footpath/cycleway network combined with an extensive inspection program. In-house unit rates were developed using recent construction data providing a square metre rate which was then applied across the network. Condition data (captured through the inspection program) was then applied to each individual asset segment to provide a written down value.

**Stormwater Drainage** – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Stormwater Drainage

Register was developed using a combination of field observation and aerial imagery (for Blayney and Millthorpe). The level of capture is estimated to be around 85% to 95%, as by its nature Urban Stormwater drainage is difficult to locate and BSC does not have complete records of drainage installed.

Unit Rates for stormwater pits, pipes etc. were taken from Ministry of Energy and Utilities; *NSW reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. As with Kerb and Gutter, these rates do not take into account any allowance for the removal of existing (failed) stormwater assets.

**Sewerage Network** – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

CPEa conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

Surveys were conducted in Blayney only. The sample size of 4,811m represents 11.1% of the length of sewers within Blayney and the Industrial area, and 9.1% of the entire gravity sewerage network for the Shire. 90 AC sewers were inspected.

Unit rates were then applied across the network. Condition data was then applied to each individual asset to provide a written down value.

**Tip and Quarry Assets –** Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management requirements.

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Operational land	Community land	Depreciable land impro- -vements	Buildings – specialised	Total
<b>Opening balance – 1/7/14</b>	1,467	4,122	3,555	10,195	19,339
Purchases (GBV)	–	–	–	525	525
Depreciation and impairment	–	–	(383)	(576)	(959)
Prior Period Adjustment	–	–	304	–	304
<b>Closing balance – 30/6/15</b>	<b>1,467</b>	<b>4,122</b>	<b>3,476</b>	<b>10,144</b>	<b>19,209</b>
Transfers from/(to) another asset class	–	–	(173)	–	(173)
Purchases (GBV)	–	–	108	556	664
Disposals (WDV)	–	–	(26)	–	(26)
Depreciation and impairment	–	–	(395)	(586)	(981)
FV gains – other comprehensive income	–	(79)	1,395	–	1,316
<b>Closing balance – 30/6/16</b>	<b>1,467</b>	<b>4,043</b>	<b>4,385</b>	<b>10,114</b>	<b>20,009</b>

	Buildings – non- specialised	Open space/ recreation assets	Roads	Bridges	Total
<b>Opening balance – 1/7/14</b>	2,171	1,565	106,529	15,356	125,621
Purchases (GBV)	–	62	2,833	383	3,278
Depreciation and impairment	(119)	(85)	(1,933)	(282)	(2,419)
FV gains – other comprehensive income	–	–	(11,412)	7,192	(4,220)
Prior Period Adjustment	–	350	–	–	350
<b>Closing balance – 30/6/15</b>	<b>2,052</b>	<b>1,892</b>	<b>96,018</b>	<b>22,649</b>	<b>122,611</b>
Transfers from/(to) another asset class	–	3	–	12	15
Purchases (GBV)	28	452	3,181	192	3,853
Disposals (WDV)	–	(82)	–	–	(82)
Depreciation and impairment	(120)	(94)	(2,294)	(262)	(2,770)
FV gains – other comprehensive income	–	405	–	–	405
<b>Closing balance – 30/6/16</b>	<b>1,960</b>	<b>2,576</b>	<b>96,905</b>	<b>22,591</b>	<b>124,032</b>

Blayney Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Footpaths	Bulk earthworks	Stormwater	Sewerage network	Total
<b>Opening balance – 1/7/14</b>	2,488	10,466	4,281	19,404	36,639
Purchases (GBV)	205	–	278	335	818
Depreciation and impairment	(52)	–	(62)	(493)	(606)
FV gains – other comprehensive income	497	1,041	2,329	289	4,155
<b>Closing balance – 30/6/15</b>	<b>3,138</b>	<b>11,507</b>	<b>6,826</b>	<b>19,535</b>	<b>41,006</b>
Transfers from/(to) another asset class	173	–	–	–	173
Purchases (GBV)	478	118	593	262	1,452
Depreciation and impairment	(68)	–	(81)	(510)	(659)
FV gains – other comprehensive income	–	–	–	289	289
<b>Closing balance – 30/6/16</b>	<b>3,721</b>	<b>11,625</b>	<b>7,339</b>	<b>19,577</b>	<b>42,262</b>

	Plant and equipment	Office equipment	Furniture and fittings	Tip and quarry	Total
<b>Opening balance – 1/7/14</b>	2,672	149	115	130	3,066
Purchases (GBV)	907	41	12	(13)	947
Disposals (WDV)	(230)	–	–	–	(230)
Depreciation and impairment	(675)	(63)	(23)	–	(761)
<b>Closing balance – 30/6/15</b>	<b>2,674</b>	<b>127</b>	<b>104</b>	<b>117</b>	<b>3,022</b>
Transfers from/(to) another asset class	(15)	–	–	–	(15)
Purchases (GBV)	1,022	95	57	–	1,174
Disposals (WDV)	(204)	–	–	–	(204)
Depreciation and impairment	(648)	(61)	(18)	(13)	(740)
FV gains – other comprehensive income	–	–	–	165	165
<b>Closing balance – 30/6/16</b>	<b>2,829</b>	<b>161</b>	<b>143</b>	<b>269</b>	<b>3,402</b>



**Blayney Shire Council**

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

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

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

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

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

**I,PP&E**

<b>Class</b>	<b>Fair Value (30/6/16) \$'000</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs (Incl probable)</b>	<b>Relationship of unobservable inputs to Fair Value</b>
Plant & Equipment		Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>5 to 15 years</li> </ul>	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Office Equipment		Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>4 to 10 years</li> </ul>	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Furniture & Fittings		Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>10 to 20 years</li> </ul>	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Operational Land		Market Approach	<ul style="list-style-type: none"> <li>Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>\$1 - \$90 per sq. metre</li> </ul>	Changes in land zoning restrictions can have significant impacts on land values per sq. metre. Changes in comparable land sales and availability of land can also have a significant impact.

**Blayney Shire Council**

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

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

<b>Class</b>	<b>Fair Value (30/6/16) \$'000</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs (incl probable)</b>	<b>Relationship of unobservable inputs to Fair Value</b>
Community Land		Cost Approach	<ul style="list-style-type: none"> <li>NSW Valuer Generals Valuation (Unimproved Capital Value)</li> </ul>	<ul style="list-style-type: none"> <li>Per Valuer General</li> </ul>	Any change in the average unimproved capital value will increase/decrease fair value.
Depreciable Land Improvements		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Condition</li> <li>Useful life</li> </ul>	<ul style="list-style-type: none"> <li>\$2 - \$840 per sq. metre</li> <li>Excellent (1) to Poor (5)</li> <li>10 to 100 years</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Buildings – Specialised		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$170 - \$148,000</li> <li>New (0) to Failed (10)</li> <li>20 to 60 years</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Buildings – Non Specialised		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$220 - \$2,100</li> <li>New (0) to Failed (10)</li> <li>20 to 60 years</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Open Space/Recreation Assets		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$224 - \$25,751</li> <li>Excellent (1) to Poor (5)</li> <li>10 to 100 years</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.

**Blayney Shire Council**

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

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

<b>Class</b>	<b>Fair Value (30/6/16) \$'000</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs (incl probable)</b>	<b>Relationship of unobservable inputs to Fair Value</b>
Roads		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$8 - \$32 per sq. metre (roads)</li> <li>\$88 - \$1,960 (kerb and gutter)</li> <li>\$4,926 - \$12,779 per lineal metre (culverts)</li> <li>Excellent (1) to Poor (5)</li> <li>20 to 200 years (roads)</li> <li>80 to 150 years (kerb &amp; gutter)</li> <li>80 years (culverts)</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Bridges		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$3,250 per sq. metre</li> <li>Excellent (1) to Poor (5)</li> <li>80 years</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Footpaths		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$101 - \$235 per lineal metre</li> <li>Excellent (1) to Poor (5)</li> <li>80 years</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.

**Blayney Shire Council**

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

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

<b>Class</b>	<b>Fair Value (30/6/16) \$'000</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs (incl probable)</b>	<b>Relationship of unobservable inputs to Fair Value</b>
Bulk Earthworks		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> </ul>	<ul style="list-style-type: none"> <li>\$15 - \$72 per cubic metre</li> <li>Excellent (1) to Poor (5)</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Stormwater Drainage		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$134 - \$1,960 per lineal metre</li> <li>Excellent (1) to Poor (5)</li> <li>80 to 100 years</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Sewerage Network		Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Useful Life</li> <li>Residual Life</li> <li>Asset Conditions</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>16 to 100 years (mean)</li> <li>11 to 77 years</li> <li>Very Poor (5) to Very Good (1)</li> <li>6%</li> </ul>	Any change in the component pricing and asset condition will have an impact on fair value.
Tips and Quarries		Cost Approach	<ul style="list-style-type: none"> <li>Discounted Future Cash Flow</li> </ul>	<ul style="list-style-type: none"> <li>6%</li> </ul>	Any changes in the future cost estimates and discount rate will have an impact on fair value.

**c. The Valuation Process for Level 3 Fair Value Measurements - Refer to above.**

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

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

**Blayney Shire Council**

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

**Note 28. Financial review**

\$ '000

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

<b>Financial performance figures</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Inflows:</b>					
Rates and annual charges revenue	<b>10,444</b>	9,846	7,796	7,457	5,640
User charges revenue	<b>1,960</b>	2,419	2,018	1,425	3,232
Interest and investment revenue (losses)	<b>499</b>	473	480	482	513
Grants income – operating and capital	<b>6,538</b>	4,470	2,956	4,932	4,417
Total income from continuing operations	<b>20,689</b>	18,273	15,207	15,042	14,642
Sale proceeds from I,PP&E	<b>263</b>	375	162	283	190
New loan borrowings and advances	<b>–</b>	–	1,000	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>6,113</b>	5,276	4,920	4,951	4,821
Borrowing costs	<b>165</b>	186	172	155	161
Materials and contracts expenses	<b>2,486</b>	3,257	3,026	3,357	3,898
Total expenses from continuing operations	<b>16,166</b>	15,867	14,901	14,957	15,178
Total cash purchases of I,PP&E	<b>7,449</b>	5,620	4,708	2,947	4,046
Total loan repayments (incl. finance leases)	<b>177</b>	340	119	93	85
Operating surplus/(deficit) (excl. capital income)	<b>1,388</b>	746	(1,937)	(1,551)	(1,301)
<b>Financial position figures</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current assets	<b>18,606</b>	15,930	14,739	13,068	11,090
Current liabilities	<b>2,757</b>	2,520	2,601	1,972	2,372
Net current assets	<b>15,849</b>	13,410	12,138	11,096	8,718
Available working capital (Unrestricted net current assets)	<b>275</b>	457	(4)	475	865
Cash and investments – unrestricted	<b>137</b>	510	(0)	3	2
Cash and investments – internal restrictions	<b>8,232</b>	6,444	6,306	6,530	3,623
Cash and investments – total	<b>17,075</b>	14,366	13,181	11,377	7,335
Total borrowings outstanding (Loans, advances and finance leases)	<b>2,172</b>	2,349	2,689	1,808	1,901
Total value of I,PP&E (excl. land and earthworks)	<b>239,884</b>	232,956	246,570	241,427	236,449
Total accumulated depreciation	<b>67,230</b>	64,203	77,960	73,309	68,559
Indicative remaining useful life (as a % of GBV)	<b>72%</b>	72%	68%	70%	71%

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

## Blayney Shire Council

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

#### Note 29. Council information and contact details

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**Principal place of business:**

91 Adelaide Street  
Blayney NSW 2799

**Contact details**

**Mailing address:**

PO Box 62  
Blayney NSW 2799

**Opening hours:**

9am to 4:30pm  
Monday to Friday

**Telephone:** 02 6368 2104

**Facsimile:** 02 6368 3290

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

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

**Officers**

**GENERAL MANAGER**

R Ryan

**RESPONSIBLE ACCOUNTING OFFICER**

T Irlam

**PUBLIC OFFICER**

A Franze

**AUDITORS**

Intentus  
237 Lords Place, Orange NSW 2800

**Elected members**

**MAYOR**

S J Ferguson

**COUNCILLORS**

K Radburn  
D Kingham  
G Braddon  
A Ewin  
S Oates  
D Somerville





**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL  
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF  
BLAYNEY SHIRE COUNCIL**

**Report on the Financial Statements**

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

**Councils' Responsibility for the Financial Statements**

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

**Auditors Responsibility**

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

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

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

**Independence**

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



**Matters Relating to the Electronic Presentation of the Audited Financial Statements**

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

**Audit Opinion**

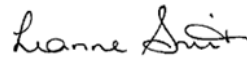
In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
  - (i) have been prepared in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) are in accordance with applicable Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



**intentus**

291 Stewart Street  
Bathurst  
Dated: 28 October 2016



**LR Smith  
Director**



Thorough, Attentive, Earnest

28 October 2016

The Mayor  
Councillor Scott Ferguson  
Blayney Shire Council  
PO Box 156  
BLAYNEY NSW 2850

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT OF  
BLAYNEY SHIRE COUNCIL FOR THE YEAR ENDED 30 JUNE 2016**

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

In accordance with Section 417(3) of the Local Government Act 1993 we submit our report on the conduct of the audit of Blayney Shire Council for the year ended 30 June 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

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

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

**Auditor's Responsibility**

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

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

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



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14 Sale Street, Orange NSW 2800  
Phone: 02 6362 5100

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PO Box 9013, Bathurst West NSW 2795  
291 Stewart Street, Bathurst NSW 2795  
Phone: 02 6333 7611

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**Review of Financial Results****(a) Operating Result**

As disclosed in Council's Income Statement the year's operations resulted in a net operating result of \$4,523,000 (2015 – surplus \$2,406,000). Selected items of note in the operating statement include:

**Revenue**

- The operating result from ordinary activities *before* capital amounts was a surplus of \$1,388,000 (2015 – \$746,000).
- Rates & Annual Charges increased by \$598,000 to \$10,444,000 (2015 - \$9,846,000). Rates increased by a total of \$497,000 or 6.26%, primarily due to the approved special rate variation for 2015-'16 of 5.11%.
- User charges and fees totaled \$1,960,000 compared to \$2,419,000 in 2015 (decrease of \$459,000), due mainly to a reduction in work on State roads on behalf of Roads & Maritime Services (RMS).
- Operating Grants & Contributions rose by \$751,000 to \$4,190,000 (2015 - \$3,439,000). Council received an additional \$912,000 in funding under the RMS Roads to Recovery program which was offset by decreases in other funding sources.
- Capital grants and contributions for the 2015-'16 financial year totaled \$3,135,000 compared to \$1,660,000 for 2014-'15 (increase of \$1,475,000). Capital grants received for work on local roads were \$1,237,000 higher at \$2,300,000 (2015 - \$1,063,000) and was the main contributor to this increase. The 2015-'16 year included \$1,622,000 under the RMS Fixing Country Roads program for works on Errowanbang Road.

**Expenditure**

- Employee Benefits Expense increased by \$837,000 or 15.86%, mostly due to an increase in Council's staffing levels.
- Materials and contracts expenses were lower than the prior year, falling from \$3,257,000 in 2015 to \$2,486,000 (decrease of \$771,000). The increased level of capital works conducted by Council during the 2015-'16 financial year has been the main driver of the decrease in the level of raw materials and consumables expensed.
- At 30 June 2015, Council was required to revalue its infrastructure assets. This has resulted in increased depreciation charges in the current year, with total depreciation and amortisation expense increasing by \$403,000. Of this increase, \$362,000 is directly attributable to Council's road assets.

Council's other major items of income and expenditure were relatively consistent with the prior period.

**(b) Financial Position**

The Statement of Financial Position discloses that for the year ended 30 June 2016 Council's net assets stood at \$223,932,000 (2015 - \$217,116,000), which represents an increase of \$6,816,000. That movement is comprised of the net operating surplus after capital amounts of \$4,523,000 combined with the recognition of council's proportionate interest in joint associates of \$283,000 and the net asset revaluation increment of \$2,010,000 resulting from the current year's infrastructure, property, plant and equipment revaluations and indexation of Council's sewerage assets.

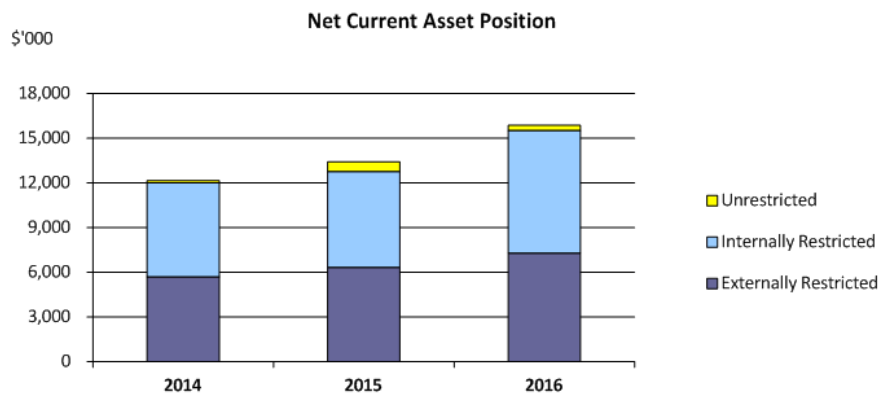
To assess the health of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist, and the effect of the restrictions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

**Unrestricted Net Current Assets**

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Net Current Assets</b>	15,849	13,410
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(8,742)	(7,679)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(8,232)	(6,444)
Add: Applicable current liabilities refer Note 10 - Sewerage	57	83
Add: Employee Leave Entitlements to be paid > 12 months	1,204	1,063
Add: Security bonds, deposits and retentions to be paid > 12 months	194	214
	<hr/>	<hr/>
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>330</b>	<b>647</b>
Unrestricted net current assets comprise: -		
Assets		
Cash	137	510
Receivables	604	541
Inventories	839	736
Other	52	20
Less: General Purpose Liabilities	(2,700)	(2,437)
Add: Employee Leave Entitlements to be paid > 12 months	1,204	1,063
Add: Security bonds, deposits and retentions to be paid > 12 months	194	214
	<hr/>	<hr/>
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>330</b>	<b>647</b>

Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets.

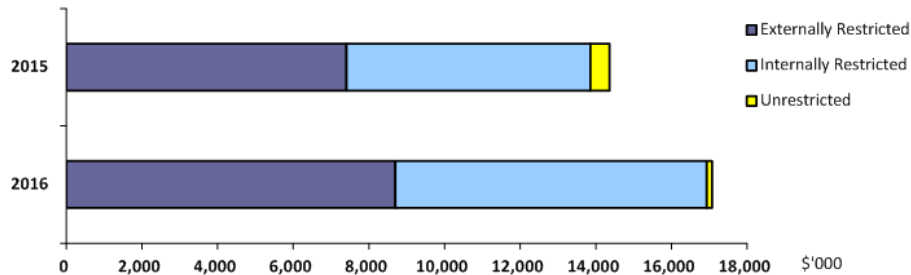
The following table shows the Council's calculated net current asset position over the past three years:



**Cash & Investments**

Note 6 to the accounts discloses total cash and investments of \$17,075,000 (2015 - \$14,366,000). Of this amount \$8,706,000 (2015 - \$7,412,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$8,232,000 (2015 - \$6,444,000) is subject to internal restrictions agreed upon by Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with its management plan.

The unrestricted balance of \$137,000 (2015 - \$510,000) represents liquid assets available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements.



Whilst the consolidated financial statements displays sound levels of cash and investments, we remind the reader that the consolidated data is not necessarily reflective of the position of the individual funds (General & Sewer) and this is equally applicable when reviewing the performance indicators considered below. General information on the financial position and performance by fund is provided in Note 21 to the financial statements.

**(c) Performance Indicators**

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

**Operating Performance Ratio**

This ratio expresses Council's ability to contain operating expenses, including depreciation, within its continuing operating revenue. The outcome of positive 7.12 % (2015 – 3.59 %) represents the buffer between continuing operating revenue and continuing operating expenses.

The improvement in this ratio is the combined result of the increase in revenue generated by Council during the year, combined with a reduction in materials and contracts expense due to a change in the mix of operating and capital works undertaken by Council.

**Own Source Operating Revenue**

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

At 64.24% (2015 – 71.86%) Blayney Shire Council's result indicates a degree of financial flexibility which exceeds the benchmark of greater than 60% determined by the Office of Local Government.

The reduction in this ratio from the prior year is mostly attributable to the increased level of grants and contributions during the 2015-'16 financial year, rather than a reduction in the level of own source revenue generated by Council.