

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		61,482	60,583
a. Changes in Accounting Policies (prior period effects)	20 (d)	19,237	19,237
b. Other Comprehensive Income (excl. direct to Reserves transactions)		202	495
c. Net Operating Result for the Year		2,406	404
Balance at End of the Reporting Period		83,327	80,719

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	133,135	133,199
Total	133,135	133,199

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		133,199	132,671
- Revaluations for the year	9(a)	(64)	528
- Balance at End of Year		133,135	133,199
TOTAL VALUE OF RESERVES		133,135	133,199

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve
 - The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

(c) Correction of Error/s relating to a Previous Reporting Period

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

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(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	-
Income Statement - Associates using the equity method		-	-
Statement of Financial Position - Investments accounted for using the equity method		-	-
Statement of Financial Position - Retained Earnings		-	-
 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 - 1/7/13 (relating to adjustments for the 30/6/13 reporting year end and prior periods)		19,237	-
- Adjustments to Closing Equity - 30/6/14 (relating to adjustments for the 30/6/14 year end)		-	-
Total Prior Period Adjustments - Accounting Policy Changes		19,237	-

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015
Continuing Operations	Sewer	General¹
Income from Continuing Operations		
Rates & Annual Charges	960	8,886
User Charges & Fees	176	2,243
Interest & Investment Revenue	179	294
Other Revenues	2	278
Grants & Contributions provided for Operating Purposes	42	3,397
Grants & Contributions provided for Capital Purposes	73	1,587
Other Income		
Net Gains from Disposal of Assets	-	128
Share of interests in Joint Ventures & Associates using the Equity Method	-	28
Total Income from Continuing Operations	1,432	16,841
Expenses from Continuing Operations		
Employee Benefits & on-costs	114	5,162
Borrowing Costs	75	111
Materials & Contracts	535	2,722
Depreciation & Amortisation	523	4,304
Impairment	-	-
Other Expenses	55	2,266
Total Expenses from Continuing Operations	1,302	14,565
Operating Result from Continuing Operations	130	2,276
Discontinued Operations		
Net Profit/(Loss) from Discontinued Operations	-	-
Net Operating Result for the Year	130	2,276
Net Operating Result attributable to each Council Fund	130	2,276
Net Operating Result attributable to Non-controlling Interests	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	57	689

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Blayney Shire Council

Notes to the Financial Statements
as at 30 June 2015

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015
ASSETS	Sewer	General¹
Current Assets		
Cash & Cash Equivalents	319	547
Investments	4,500	9,000
Receivables	267	541
Inventories	-	736
Other	-	20
Non-current assets classified as 'held for sale'	-	-
Total Current Assets	5,086	10,844
Non-Current Assets		
Investments	-	-
Receivables	-	237
Inventories	-	-
Infrastructure, Property, Plant & Equipment	20,141	165,054
Investments Accounted for using the equity method	-	20,059
Investment Property	-	-
Intangible Assets	-	249
Total Non-Current Assets	20,141	185,599
TOTAL ASSETS	25,227	196,443
LIABILITIES		
Current Liabilities		
Payables	49	848
Borrowings	34	144
Provisions	-	1,445
Total Current Liabilities	83	2,437
Non-Current Liabilities		
Payables	-	1
Borrowings	687	1,484
Provisions	-	517
Total Non-Current Liabilities	687	2,002
TOTAL LIABILITIES	770	4,439
Net Assets	24,457	192,005
EQUITY		
Retained Earnings	9,480	73,847
Revaluation Reserves	14,977	118,158
Total Equity	24,457	192,005

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

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Blayney Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) 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 08/10/15.

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 2015.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 25. Intangible Assets

\$ '000	Actual 2015	Actual 2014
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	362	281
Accumulated Amortisation (1/7)	(81)	(18)
Accumulated Impairment (1/7)	-	-
Net Book Value - Opening Balance	281	263
Movements for the year		
- Purchases	39	81
- Amortisation charges	(71)	(63)
Closing Values:		
Gross Book Value (30/6)	401	362
Accumulated Amortisation (30/6)	(152)	(81)
Accumulated Impairment (30/6)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹</u>	<u>249</u>	<u>281</u>

¹. The Net Book Value of Intangible Assets represent:

- Software	249	281
	<u>249</u>	<u>281</u>

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & 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	
		2015	2014
Blayney Tip	2024	410	402
Blayney Quarry	2024	68	67
Balance at End of the Reporting Period	10(a)	478	469

Under AASB 116 - Property, Plant & 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	469	442
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	9	27
Total - Reinstatement, rehabilitation and restoration provision	478	469

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & 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 financial year ended 30 June 2015

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 & 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 & recognised at fair values:

		Fair Value Measurement Hierarchy			Total
		Level 1	Level 2	Level 3	
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
2015					
Recurring Fair Value Measurements					
Financial Assets					
Loans and Recievables	30/06/15	-	13,500	-	13,500
Cash and Short Term Deposits	30/06/15	-	865	-	865
Total Financial Assets		-	14,365	-	14,365
Financial Liabilities					
Loans / Advances	30/06/15	-	2,349	-	2,349
Payables	30/06/15	-	741	-	741
Total Financial Liabilities		-	3,090	-	3,090
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/15	-	-	2,675	2,675
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	-	-	3,172	3,172
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	-	-	1,542	1,542
Roads	30/06/15	-	-	96,018	96,018
Bridges	30/06/15	-	-	22,649	22,649
Footpaths	30/06/15	-	-	3,138	3,138
Bulk 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
Total Infrastructure, Property, Plant & Equipment		-	-	185,195	185,195

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Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

Fair Value Measurements (continued)		Fair Value Measurement Hierarchy			Total
	Date of latest Valuation	Level 1 Quoted prices in active mks	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Loans and Recievables	30/06/14	-	11,000	-	11,000
Cash and Short Term Deposits	30/06/14	-	2,181	-	2,181
Total Financial Assets		-	13,181	-	13,181
Financial Liabilities					
Loans / Advances	30/06/14	-	2,689	-	2,689
Payables	30/06/14	-	965	-	965
Total Financial Liabilities		-	3,654	-	3,654
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	2,672	2,672
Office Equipment	30/06/14	-	-	149	149
Furniture and Fittings	30/06/14	-	-	115	115
Operational Land	30/06/13	-	-	1,467	1,467
Community Land	30/06/11	-	-	4,122	4,122
Depreciable Land Improvements	30/06/11	-	-	3,555	3,555
Buildings - Specialised	30/06/13	-	-	10,195	10,195
Buildings - Non Specialised	30/06/13	-	-	2,171	2,171
Open Space/Recreation Assets	30/06/11	-	-	1,565	1,565
Roads	30/06/10	-	-	106,529	106,529
Bridges	30/06/10	-	-	15,356	15,356
Footpaths	30/06/10	-	-	2,488	2,488
Bulk Earthworks	30/06/10	-	-	10,466	10,466
Stormwater	30/06/10	-	-	4,281	4,281
Sewerage Network	30/06/12	-	-	19,404	19,404
Tip Assets	30/06/14	-	-	112	112
Quarry Assets	30/06/14	-	-	18	18
Total Infrastructure, Property, Plant & Equipment		-	-	184,665	184,665

(2) Transfers between Level 1 & 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 financial year ended 30 June 2015

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 financial year ended 30 June 2015

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 financial year ended 30 June 2015

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 2011)

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 financial year ended 30 June 2015

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/softfall 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 30th June 2012 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy pp 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 financial year ended 30 June 2015

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 2010. 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 financial year ended 30 June 2015

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 financial year ended 30 June 2015

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 2010.

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 2010 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 financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Footpaths assets were valued in-house as at 30 June 2010. 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 financial year ended 30 June 2015

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 financial year ended 30 June 2015

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
Adoption of AASB 13	1,467	4,122	3,938	10,732	20,259
Depreciation & Impairment	-	-	(383)	(537)	(920)
Closing Balance - 30/6/14	1,467	4,122	3,555	10,195	19,339
Purchases (GBV)	-	-	-	525	525
Depreciation & Impairment	-	-	(383)	(576)	(959)
Closing Balance - 30/6/15	1,467	4,122	3,172	10,144	18,905

	Buildings - Non Specialised	Open Space / Recreation Assets	Roads	Bridges	Total
Adoption of AASB 13	2,102	1,647	107,081	13,829	124,659
Purchases (GBV)	184	-	1,352	1,787	3,324
Depreciation & Impairment	(115)	(82)	(1,904)	(260)	(2,361)
Closing Balance - 30/6/14	2,171	1,565	106,529	15,356	125,622
Purchases (GBV)	-	62	2,833	383	3,278
Depreciation & Impairment	(119)	(85)	(1,933)	(282)	(2,419)
FV Gains - Other Comprehensive Income	-	-	(11,412)	7,192	(4,220)
Closing Balance - 30/6/15	2,052	1,542	96,018	22,649	122,262

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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
Adoption of AASB 13	2,415	10,466	4,084	19,217	36,182
Purchases (GBV)	124	-	254	122	500
Depreciation & Impairment	(51)	-	(57)	(463)	(571)
FV Gains - Other Comprehensive Income	-	-	-	528	528
Closing Balance - 30/6/14	2,488	10,466	4,281	19,404	36,639
Purchases (GBV)	205	-	278	335	818
Depreciation & Impairment	(52)	-	(62)	(493)	(606)
FV Gains - Other Comprehensive Income	497	1,041	2,329	289	4,155
Closing Balance - 30/6/15	3,138	11,507	6,826	19,535	41,006

	Plant & Equipment	Office Equipment	Furniture & Fittings	Tip & Quarry	Total
Adoption of AASB 13	2,700	173	55	145	3,073
Purchases (GBV)	683	37	83	-	803
Disposals (WDV)	(7)	-	-	-	(7)
Depreciation & Impairment	(704)	(61)	(23)	(15)	(803)
Closing Balance - 30/6/14	2,672	149	115	130	3,066
Purchases (GBV)	907	41	12	(13)	947
Disposals (WDV)	(230)	-	-	-	(230)
Depreciation & Impairment	(675)	(63)	(23)	-	(761)
Closing Balance - 30/6/15	2,674	127	104	117	3,022

(5). Highest and best use

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

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 28. Financial Review

\$ '000

Key Financial Figures of Council over the past 5 years (consolidated)

Financial Performance Figures	2015	2014	2013	2012	2011
Inflows:					
Rates & Annual Charges Revenue	9,846	7,796	7,457	5,640	5,292
User Charges Revenue	2,419	2,018	1,425	3,232	1,354
Interest & Investment Revenue (Losses)	473	480	482	513	480
Grants Income - Operating & Capital	4,470	2,956	4,932	4,417	3,055
Total Income from Continuing Operations	18,273	15,305	15,042	14,642	11,104
Sale Proceeds from I,PP&E	375	162	283	190	455
New Loan Borrowings & Advances	-	1,000	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	5,276	4,920	4,951	4,821	4,460
Borrowing Costs	186	172	155	161	164
Materials & Contracts Expenses	3,257	3,026	3,357	3,898	2,293
Total Expenses from Continuing Operations	15,867	14,901	14,957	15,178	12,370
Total Cash purchases of I,PP&E	5,619	4,708	2,947	4,046	1,524
Total Loan Repayments (incl. Finance Leases)	340	119	93	85	80
Operating Surplus/(Deficit) (excl. Capital Income)	746	(1,937)	(1,551)	(1,301)	(1,699)
Financial Position Figures	2015	2014	2013	2012	2011
Current Assets	15,930	14,738	13,068	11,090	10,275
Current Liabilities	2,520	2,601	1,972	2,372	2,007
Net Current Assets	13,410	12,137	11,096	8,718	8,268
Available Working Capital (Unrestricted Net Current Assets)	458	(4)	475	865	713
Cash & Investments - Unrestricted	511	0	3	2	18
Cash & Investments - Internal Restrictions	6,444	6,306	6,530	3,623	3,377
Cash & Investments - Total	14,366	13,181	11,377	7,335	8,235
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	2,349	2,689	1,808	1,901	1,986
Total Value of I,PP&E (excl. Land & Earthworks)	232,099	246,570	241,427	236,449	230,585
Total Accumulated Depreciation	64,000	77,960	73,309	68,559	66,936
Indicative Remaining Useful Life (as a % of GBV)	72%	68%	70%	71%	71%

Source: Published audited financial statements of Council (current year & prior year)

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Blayney Shire Council**Notes to the Financial Statements**
for the financial year ended 30 June 2015**Note 29. Council Information & Contact Details**

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

Email: council@blayney.nsw.gov.au

Officers**GENERAL MANAGER**

R Ryan

Elected Members**MAYOR**

S J Ferguson

RESPONSIBLE ACCOUNTING OFFICER

D Mead

AUDITORS

Intentus

237 Lords Place, Orange NSW 2800



**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 2015. 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, the original budget disclosures in Notes 2(a) and 16, nor the projected revenue and expenditure of developer contributions reported in Note 17 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.



Liability limited by a scheme approved under Professional Standards Legislation

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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 2015 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.


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14 Sale Street
Orange
Dated: 26 October 2015


John O'Malley
Director



Thorough, Attentive, Earnest

26 October 2015

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 2015**

We advise having completed our audit of the financial statements of Blayney Shire Council for the financial year ended 30 June 2015. 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 2015. 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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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 \$2,406,000 (2014 – surplus \$404,000). Selected items of note in the operating statement include:

Revenue

- The operating result from ordinary activities *before* capital amounts was a surplus of \$746,000 (2014 deficit – \$1,937,000).
- Rates & Annual Charges income has been significantly boosted through an increase in the value of land subject to mining rates. This has seen the rate take from mining increase by \$1,728,000 and the overall Rates and Annual Charges grow to \$9,846,000 (2014 - \$7,796,000) or 54% of total income.
- User Charges & Fees have also increased by 20% to \$2,419,000 (2014 - \$2,018,000) following increased work on State roads on behalf of Roads & Maritime Services (RMS).
- Operating Grants & Contributions returned to usual after a timing difference in the payment of the Financial Assistance Grant for 2014 saw a sharp decline. Operating Grants this year totaled \$3,439,000 (2014 - \$2,076,000)
- Conversely, Capital grants and contributions to \$1,660,000 (2014 - \$2,341,000). The prior year saw a \$1,000,000 voluntary planning agreement contribution received from Newcrest mines. There being no repeat this year, the income fell to more familiar territory.

Expenditure

- Employee Benefits Expense increased by \$356,000 or 7% with a slight increase in staff numbers.
- Materials and contracts expenses were also slightly higher at \$3,257,000 (2014 - \$3,026,000).
- Other expenses were marginally higher at \$2,321,000 (2014 - \$2,065,000) with the largest increases attributable to legal costs and the repayment of a grant for collection of organic waste.

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 2015 Council's net assets stood at \$216,462,000 (2014 - \$213,918,000), which represents an increase of \$2,544,000. That movement is comprised of the net operating surplus after capital amounts of \$2,406,000 combined with the recognition of council's proportionate interest in joint associates of \$202,000 and the net asset revaluation decrement of \$64,000 relating to the revaluation of Council's roads, bridges, footpaths, storm water and sewer assets.

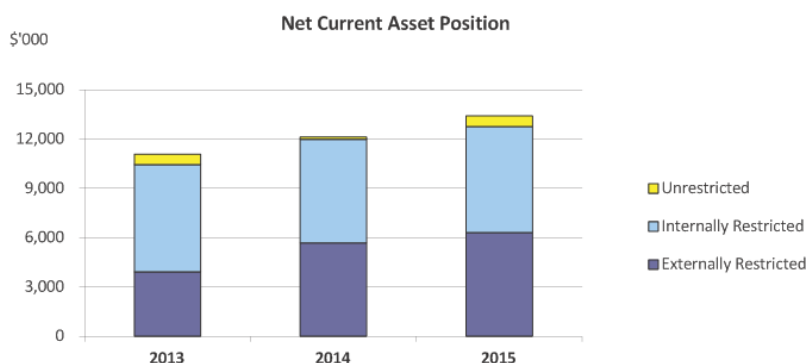
To assess the health of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist, and the effect of the restrictions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

Unrestricted Net Current Assets

	2015 \$'000	2014 \$'000
Net Current Assets	13,410	12,137
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(7,678)	(6,958)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(6,444)	(6,306)
Add: Applicable current liabilities refer Note 10 - Sewerage	83	60
Add: Employee Leave Entitlements to be paid > 12 months	1,277	1,215
Unrestricted net current asset surplus/(deficit)	648	148
Unrestricted net current assets comprise: -		
Assets		
Cash	511	-
Receivables	540	689
Inventories	736	768
Other	20	18
Less: General Purpose Liabilities	(2,436)	(2,542)
Plus: Employee Leave Entitlements to be paid > 12 months	1,277	1,215
Unrestricted net current asset surplus/(deficit)	648	148

Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets.

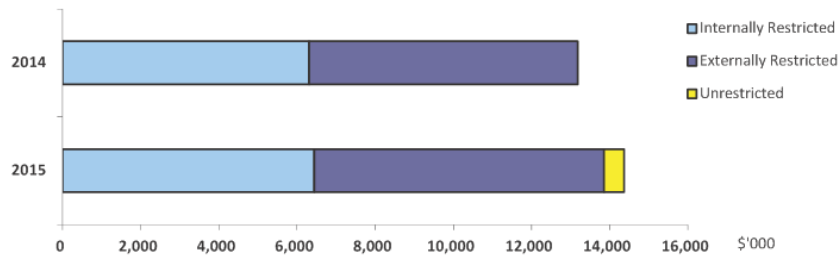
The following table shows the Council's calculated net current asset position over the past three years:



Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$14,366,000 (2014 - \$13,181,000), of this amount \$7,411,000 (2014 - \$6,875,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$6,444,000 (2014 - \$6,306,000) 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 \$511,000 (2014 - \$Nil) 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 3.58 % (2014 – negative 18.42 %) represents the buffer between continuing operating revenue and continuing operating expenses. The improvement in this ratio has several contributors, but in particular the growth in mining rates and the restoration of a full year of the Federal Assistance Grant payments have served to restore the performance measured by this ratio.

Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates its ability to satisfy obligations out of short-term and immediate asset balances. Council's ratio of 6.73:1 indicates that it is comfortably able to settle its debts as and when they fall due.

Debt Service Cover Ratio

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

At 10.65 times (2014 – 8.84 times) Blayney Shire Council's ratio indicates that it can comfortably meet its current levels of debt.

Rates & Annual Charges, Interest & Extra Charges Outstanding Ratio

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

Blayney Shire Council's rates and annual charges outstanding percentage of 2.28% (2014 – 4.5%) indicates effective rates debtor management.

Cash Expense Cover Ratio

The purpose of this ratio is to assess the number of months cash expenses the accumulated cash and investments at 30 June would cover.

We suspect that this is a ratio that may vary considerably from year-to-year, but note that the slight decline in the measure this year to 13.75months (2014 14.99 months) is likely due to the lower level of capital works this year which results in higher wages and materials and contract payments in the operating activities section of the cash flow statement which is the denominator of this measure.

(d) Cash Flow Statement

The Statement of Cash Flows provides information regarding the movement in cash and cash-equivalents, which are highly liquid and have an original term to maturity of less than three months. The current year reports a net decrease in cash assets held of \$1,315,000 (2014 – decrease \$1,963,000) as follows:

	2015 \$'000	2014 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	6,846	5,263	1,583
Investing activities	(7,821)	(8,107)	286
Financing activities	(340)	881	(1,221)
Net increase / (decrease) in cash held	(1,315)	(1,963)	648

Cash flows from operating activities

The cashflows from operating activities have increased due to the growth in rates income and the return to the full year of instalments for the Financial Assistance Grant.

Cash flows from investing activities

Cash outflows related to acquisitions of infrastructure, property, plant and equipment were up by \$912,000 with significant expenditure on the Forest Reefs blackspot road improvements. This was offset by lower levels of net purchases of investments (> 3 months to maturity) which were down by \$1,500,000 resulting in an overall lower net cash outflow.

Cash flows from financing activities

The net cash outflow used in financing activities was the repayment of principal on council's borrowings.

(e) Comparison of Actual and Budgeted Performance

Council's surplus from ordinary activities after capital amounts of \$2,406,000 was \$3,287,000 better than Council's original estimates.

It is beyond the purpose of this report to provide a detailed analysis of individual budget variations. Note 16 to Council's financial statements addresses the contributing factors to these variations in detail.

(f) Other Matters**National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Blayney Shire Council has prepared special purpose financial statements on its business units for the year ended 30 June 2015. Council has determined that it has one business unit within its operations: Sewerage Services.

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

An unqualified audit report on the special purpose statements for the year ended 30 June 2015 has been issued.

Management Letters

Our most recent management letter was issued on 21 July 2015, with a further management letter to follow.

(g) Progress of Asset Revaluation Program

Council's asset revaluation program has kept in accordance with the timetable established by the Office of Local Government.

The 2015 financial year saw the revaluation of roads, bridges, footpaths and storm water drainage infrastructure which yielded a net revaluation increment of just \$66,000.

While the methodology applied was consistent with the council's past practice, we note that the valuation of culverts and storm water drainage assets in particular was largely a "desktop" exercise with very little physical condition assessment. This resulted in highly generic assumptions being applied to both the condition of the infrastructure and its valuation. In our view, this approach is not consistent with industry best practice. We recommend that Council obtains current condition data for these assets in the short-term in order to confirm the appropriateness of the assumptions made in the current year valuations.

(h) Legislative compliance

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

(i) Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Blayney Shire Council (Council) for the year ended 30 June 2015 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.

Conclusion

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

**intentus**

14 Sale Street
Orange
Dated: 26 October 2015


John O'Malley
Director

Blayney Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

*"an innovative, inspirational
and enjoyable environment..."*



Blayney Shire Council

Special Purpose Financial Statements
for the financial year ended 30 June 2015

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2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	3
Statement of Financial Position - Water Supply Business Activity	n/a
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Background

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

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

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

Blayney Shire Council

Special Purpose Financial Statements
for the financial year ended 30 June 2015

Statement by Councillors and Management

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

To the best of our knowledge and belief, these Financial Statements:

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 14 September 2015.



S J Ferguson
MAYOR



A J Ewin
COUNCILLOR



R Ryan
GENERAL MANAGER



D Mead
RESPONSIBLE ACCOUNTING OFFICER

SPFS 2015

Blayney Shire Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	960	1,066
User charges	168	119
Liquid Trade Waste charges	8	7
Fees	-	-
Interest	179	192
Grants and contributions provided for non capital purposes	42	16
Profit from the sale of assets	-	224
Other income	2	8
Total income from continuing operations	1,359	1,632
Expenses from continuing operations		
Employee benefits and on-costs	114	115
Borrowing costs	75	72
Materials and contracts	535	495
Depreciation and impairment	523	493
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	55	100
Total expenses from continuing operations	1,302	1,275
Surplus (deficit) from Continuing Operations before capital amounts	57	357
Grants and contributions provided for capital purposes	73	50
Surplus (deficit) from Continuing Operations after capital amounts	130	407
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	130	407
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(17)	(107)
SURPLUS (DEFICIT) AFTER TAX	113	300
plus Opening Retained Profits	9,350	8,943
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	17	107
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	9,480	9,350
Return on Capital %	0.7%	2.1%
Subsidy from Council	476	284
Calculation of dividend payable:		
Surplus (deficit) after tax	113	300
less: Capital grants and contributions (excluding developer contributions)	(56)	(38)
Surplus for dividend calculation purposes	57	262
Potential Dividend calculated from surplus	29	131

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Blayney Shire Council

Statement of Financial Position - Council's Sewerage Business Activity
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	319	916
Investments	4,500	3,500
Receivables	267	305
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	5,086	4,721
Non-Current Assets		
Investments	-	-
Receivables	-	236
Inventories	-	-
Infrastructure, property, plant and equipment	20,141	20,021
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	20,141	20,257
TOTAL ASSETS	25,227	24,978
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	49	13
Interest bearing liabilities	34	47
Provisions	-	-
Total Current Liabilities	83	60
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	687	880
Provisions	-	-
Total Non-Current Liabilities	687	880
TOTAL LIABILITIES	770	940
NET ASSETS	24,457	24,038
EQUITY		
Retained earnings	9,480	9,350
Revaluation reserves	14,977	14,688
Council equity interest	24,457	24,038
Non-controlling equity interest	-	-
TOTAL EQUITY	24,457	24,038

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Blayney Shire Council**Special Purpose Financial Statements**
for the financial year ended 30 June 2015**Contents of the Notes accompanying the Financial Statements**

Note	Details	Page
1	Summary of Significant Accounting Policies	6
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	9

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Blayney Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

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

Declared Business Activities

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

Category 1

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

Nil

Category 2

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

a. Blayney Sewerage Service

Sewerage reticulation and treatment system servicing the town of Blayney, which has been established as a Special Rate Fund

b. Millthorpe Sewerage Service

Sewerage reticulation and treatment system servicing the town of Millthorpe, which has been established as a Special Rate Fund

Monetary Amounts

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

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

Blayney Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Sewerage Business activity.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Blayney Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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

(iv) Dividends

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

Local Government Sewerage Businesses are permitted to pay an annual dividend from its sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Blayney Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015Note 3. Sewerage Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	5,556
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	28,662
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	55,560
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	344,924

2015 Surplus	57,324	2014 Surplus	261,900	2013 Surplus	25,700
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	28,662
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Blayney Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	1,197
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	20,021
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	704
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	356
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-0.15%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	56

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	1,197
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.09%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	356
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-0.15%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

SPFS 2015

Blayney Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2015

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-16.76%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest:		-
			30
			104
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	74
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	13

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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**INDEPENDENT AUDITOR'S REPORT
ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF
BLAYNEY SHIRE COUNCIL**

Report on the Financial Statements

We have audited the special purpose financial statements of Blayney Shire Council for the year ended 30 June 2015, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Councils' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independence

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



Liability limited by a scheme approved under Professional Standards Legislation

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Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Blayney Shire Council (Council) for the year ended 30 June 2015 included on Council's web site. Council is responsible for the integrity of their web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

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

Basis of Accounting

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



intentus

14 Sale Street
Orange
Dated: 26 October 2015


John O'Malley
Director

Blayney Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2015

*"an innovative, inspirational
and enjoyable environment..."*



Blayney Shire Council

Special Schedules

for the financial year ended 30 June 2015

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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

Blayney Shire Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2015

\$'000				
Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	426	-	-	(426)
Administration	3,094	403	70	(2,621)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	304	58	-	(246)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	89	3	-	(86)
Other	-	-	-	-
Total Public Order & Safety	393	61	-	(332)
Health	78	9	4	(65)
Environment				
Noxious Plants and Insect/Vermin Control	66	10	-	(56)
Other Environmental Protection	-	-	-	-
Solid Waste Management	1,187	1,047	-	(140)
Street Cleaning	150	-	-	(150)
Drainage	100	29	-	(71)
Stormwater Management	-	-	-	-
Total Environment	1,503	1,086	-	(417)
Community Services and Education				
Administration & Education	6	-	-	(6)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	1	1	-	-
Children's Services	12	1	-	(11)
Total Community Services & Education	19	2	-	(17)
Housing and Community Amenities				
Public Cemeteries	50	33	-	(17)
Public Conveniences	88	-	-	(88)
Street Lighting	-	-	-	-
Town Planning	319	170	13	(136)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	457	203	13	(241)
Water Supplies	-	-	-	-
Sewerage Services	1,332	1,359	73	100

Blayney Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2015

\$'000				
Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	167	34	-	(133)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	165	287	-	122
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	21	-	-	(21)
Sporting Grounds and Venues	231	19	208	(4)
Swimming Pools	879	270	154	(455)
Parks & Gardens (Lakes)	959	44	-	(915)
Other Sport and Recreation	89	-	50	(39)
Total Recreation and Culture	2,511	654	412	(1,445)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	105	116	-	11
Other Mining, Manufacturing & Construction	315	278	-	(37)
Total Mining, Manufacturing and Const.	420	394	-	(26)
Transport and Communication				
Urban Roads (UR) - Local	1,867	-	-	(1,867)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	893	2,098	789	1,994
Sealed Rural Roads (SRR) - Regional	241	354	160	273
Unsealed Rural Roads (URR) - Local	678	-	-	(678)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	337	-	38	(299)
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	4	-	-	(4)
Parking Areas	-	-	-	-
Footpaths	78	-	39	(39)
Aerodromes	-	-	-	-
Other Transport & Communication	1,200	972	8	(220)
Total Transport and Communication	5,298	3,424	1,034	(840)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	336	232	54	(50)
Total Economic Affairs	336	232	54	(50)
Totals – Functions	15,867	7,827	1,660	(6,380)
General Purpose Revenues ⁽²⁾		8,758		8,758
Share of interests - joint ventures & associates using the equity method	-	28		28
NET OPERATING RESULT ⁽¹⁾	15,867	16,613	1,660	2,406

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Financial Statements 2015

Blayney Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2015

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Classification of Debt											
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	183	2,506	2,689	-	340	-	-	177	178	2,171	2,349
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	183	2,506	2,689	-	340	-	-	177	178	2,171	2,349
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	183	2,506	2,689	-	340	-	-	177	178	2,171	2,349

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.
This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

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Financial Statements 2015

Blayney Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]
for the financial year ended 30 June 2015

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General Water Sewer Domestic Waste Management Gas Other	1,050	245	236
Totals	1,050	245	236

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
BSC General Fund	BSC Sewer Fund	04/03/11	01/07/11	5	30/06/16	6.00%	1,050	245	236
Totals							1,050	245	236

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Special Schedules 2015

Blayney Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

	Actuals 2015	Actuals 2014
\$'000		
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	324	247
b. Engineering and Supervision	-	-
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	27	83
b. Maintenance expenses	-	-
- Pumping Stations		
c. Operation expenses (excluding energy costs)	3	29
d. Energy costs	19	15
e. Maintenance expenses	-	-
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	259	265
g. Chemical costs	24	22
h. Energy costs	48	51
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	503	473
b. Plant and equipment	20	20
4. Miscellaneous expenses		
a. Interest expenses	75	72
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,302	1,277

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Special Schedules 2015

Blayney Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges (including rates)	1,024	1,066
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	104	119
8. Trade Waste Charges		
a. Annual Fees	8	7
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	179	192
11. Other income	2	231
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	56	38
b. Grants for pensioner rebates	13	16
c. Other grants	29	-
13. Contributions		
a. Developer charges	17	12
b. Developer provided assets	-	-
c. Other contributions	-	3
14. Total income	1,432	1,684
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	130	407
16a. Operating Result (less grants for acquisition of assets)	74	369

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Blayney Shire Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

	Actuals 2015	Actuals 2014
\$'000		
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	314	122
d. Plant and equipment	42	-
18. Repayment of debt		
a. Loans	207	47
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	563	169
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	1,452	1,448
b. Residential (unoccupied, ie. vacant lot)	132	143
c. Non-residential (occupied)	226	244
d. Non-residential (unoccupied, ie. vacant lot)	42	46
26. Number of ETs for which developer charges were received	- ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 14,822	\$ 15,386

Blayney Shire Council

Special Schedule No. 5 - Sewerage Service Cross Subsidies
for the financial year ended 30 June 2015

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2014/15 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>
<p>* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.</p> <p>However, disclosure of cross-subsidies is not required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.</p>			

Blayney Shire Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	757	-	757
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	4,062	-	4,062
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	31	-	31
c. User Charges	-	-	-
d. Other	236	-	236
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	20,021	20,021
b. Plant and equipment	-	120	120
35. Other assets	-	-	-
36. Total Assets	5,086	20,141	25,227
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	49	-	49
39. Borrowings			
a. Loans	34	687	721
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	83	687	770
42. NET ASSETS COMMITTED	5,003	19,454	24,457
EQUITY			
42. Accumulated surplus			9,480
44. Asset revaluation reserve			14,977
45. TOTAL EQUITY			24,457
Note to system assets:			
46. Current replacement cost of system assets			28,910
47. Accumulated current cost depreciation of system assets			(8,889)
48. Written down current cost of system assets			20,021

Blayney Shire Council

Note to Special Schedule No. 5

for the financial year ended 30 June 2015

Administration ⁽¹⁾

(item 1a of Special Schedule 5) comprises the following:

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

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedule 5) comprises the following:

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

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

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

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

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

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

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

Residential charges ⁽²⁾ (item 6 of Special Schedule 5) include all income from residential charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedule 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (item 11 of Special Schedule 5) include all income not recorded elsewhere.

Other contributions (item 13c of Special Schedule 5) incl. capital contributions for sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

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

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

Financial Statements 2015

Blayney Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings	Council Offices / Administration Centres		15	30	743	0%	20%	70%	10%	0%
	Council Works Depot	100	34	55	1,261	0%	45%	30%	20%	5%
	Council Public Halls	120	62	9	2,444	60%	0%	30%	10%	0%
	Libraries	-	6	5	221	0%	90%	10%	0%	0%
	CentrePoint	100	82	36	3,254	0%	45%	45%	10%	0%
	Other Buildings Inc. Amenities/Toilets	125	50	-	4,272	10%	35%	45%	8%	2%
	sub total	445	249	135	12,195	15.5%	31.8%	41.3%	10.2%	1.2%
Roads	Sealed Roads Surface	2,477	510	370	10,036	77%	12%	6%	3%	2%
	Sealed Roads Structure	309	550	210	60,930	32%	63%	4%	0%	1%
	Unsealed Roads	594	500	604	16,431	10%	28%	35%	23%	5%
	Bridges	423	50	45	22,650	97%	1%	1%	0%	0%
	Footpaths & Cycle ways	282	25	27	3,138	28%	39%	29%	3%	0%
	Kerb and Gutter	350	15	235	6,117	24%	56%	17%	3%	0%
	Other Road Assets	2,222	150	504	1,700	59%	29%	11%	1%	1%
	Culverts	-	100	15	803	0%	0%	100%	0%	0%
	sub total	6,658	1,900	2,010	121,805	44.4%	40.9%	9.7%	3.7%	1.3%
	Sewerage Network	Mains	-	50	2	4,391	1%	96%	3%	0%
Pumping Station/s		203	-	40	2,119	0%	99%	0%	1%	0%
Treatment		70	127	127	2,530	0%	100%	0%	0%	0%
Buildings		-	2	-	244	70%	30%	0%	0%	0%
Reticulation		1,307	250	14	10,251	18%	18%	18%	45%	1%
sub total	1,580	429	183	19,535	10.5%	55.1%	10.1%	23.7%	0.5%	

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Blayney Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
Stormwater Drainage	Stormwater	150	15	4	6,767	0%	0%	100%	0%	0%
	Inlet and Junction Pits	-	10	-	60	0%	0%	100%	0%	0%
	sub total	150	25	4	6,827	0.0%	0.0%	100.0%	0.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	-	-	-	-					
	Fences and Parks Furniture	35	40	45	1,542	0%	0%	0%	0%	100%
	sub total	35	40	45	1,542	0.0%	0.0%	0.0%	0.0%	100.0%
	TOTAL - ALL ASSETS	8,868	2,643	2,377	161,905	35.8%	39.8%	15.9%	6.4%	2.1%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements

(5). Infrastructure Asset Condition Assessment "Key"

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

Blayney Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

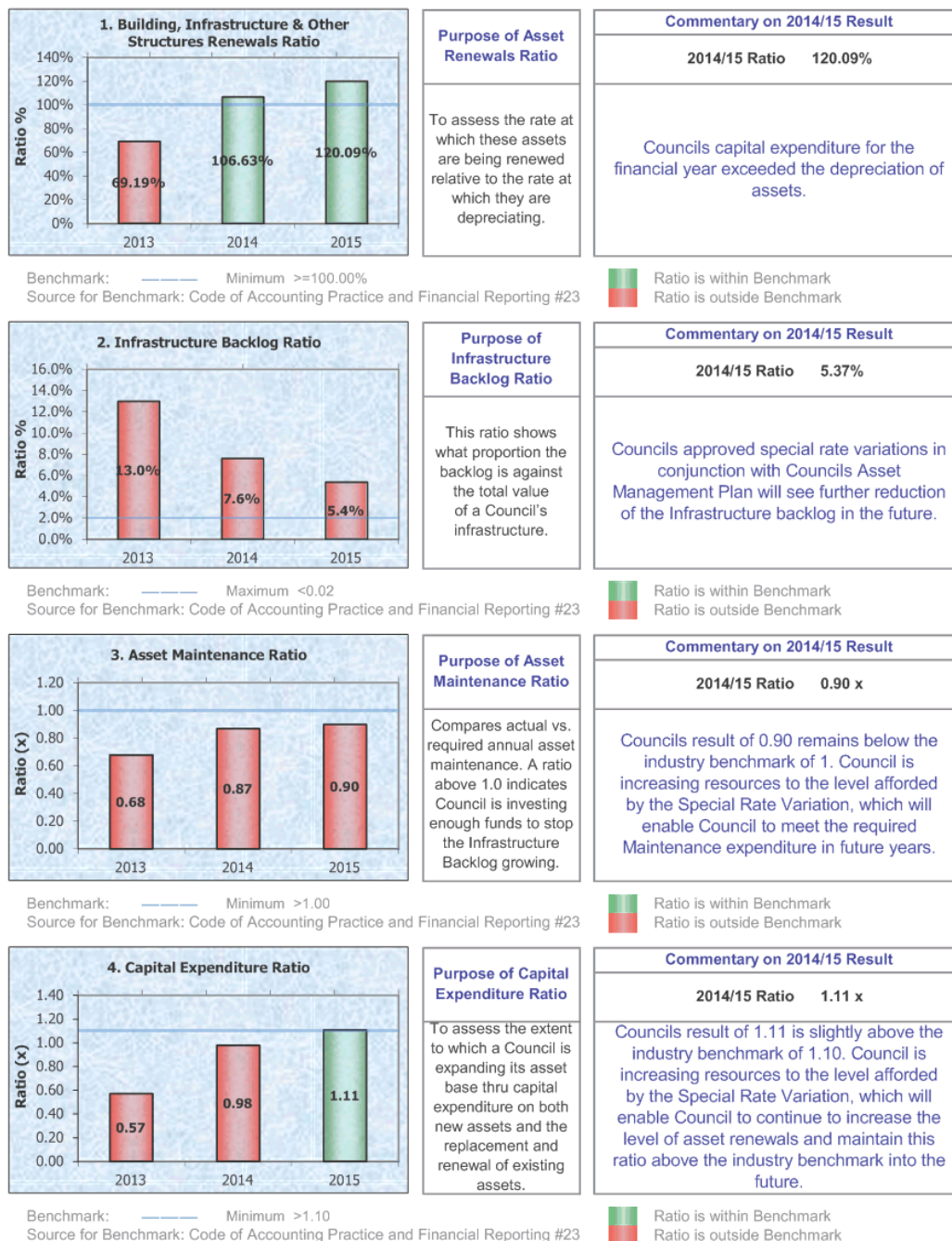
\$ '000	Amounts	Indicator	Prior Periods	
	2015	2015	2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures				
Renewals Ratio				
Asset Renewals				
(Building, Infrastructure & Other Structures) ⁽¹⁾	4,322	120.09%	106.63%	69.19%
Depreciation, Amortisation & Impairment	3,599			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	8,868	5.37%	7.60%	12.98%
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	165,077			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	2,377	0.90	0.87	0.68
Required Asset Maintenance	2,643			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	5,352	1.11	0.98	0.57
Annual Depreciation	4,827			

Notes

⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Blayney Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

Blayney Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Sewer 2015	General ⁽¹⁾ 2015
Infrastructure Asset Performance Indicators By Fund		
1. Building, Infrastructure & Other Structures Renewals Ratio		
Asset Renewals		
(Building, Infrastructure & Other Structures) ⁽²⁾	67.95%	128.36%
Depreciation, Amortisation & Impairment		
prior period:	26.35%	119.00%
2. Infrastructure Backlog Ratio		
Estimated Cost to bring Assets to a Satisfactory Condition		
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	8.09%	5.01%
prior period:	8.14%	7.53%
3. Asset Maintenance Ratio		
Actual Asset Maintenance		
Required Asset Maintenance	0.43	0.99
prior period:	0.43	0.96
4. Capital Expenditure Ratio		
Annual Capital Expenditure		
Annual Depreciation	0.68	1.16
prior period:	0.25	1.06

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Sewer activity which is listed separately.

⁽²⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽³⁾ Written Down Value

Blayney Shire Council

Special Schedule No. 9 - Permissible Income Calculation
for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	6,140	8,130
Plus or minus Adjustments ⁽²⁾	b	1,649	16
Notional General Income	c = (a + b)	7,789	8,146
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	4.69%	5.11%
or Rate peg percentage	e		
or Crown land adjustment (incl. rate peg percentage)	f		
less expiring Special variation amount	g	-	-
plus Special variation amount	h = d x (c-g)	365	416
or plus Rate peg amount	i = c x e	-	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	8,154	8,562
plus (or minus) last year's Carry Forward Total	l	19	20
less Valuation Objections claimed in the previous year	m	(4)	-
sub-total	n = (l + m)	15	20
Total Permissible income	o = k + n	8,169	8,582
less Notional General Income Yield	p	8,130	8,566
Catch-up or (excess) result	q = o - p	39	16
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	(19)	-
Carry forward to next year	t = q + r - s	20	16

Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.



**AUDITOR'S REPORT
PERMISSIBLE GENERAL INCOME (SPECIAL SCHEDULE No.9)
OF BLAYNEY SHIRE COUNCIL**

Scope

We have audited the special purpose financial report comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Blayney Shire Council for the 2015-'16 financial year.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Audit Opinion

In our opinion, the reconciliation of Council's total permissible general income (Special Schedule 9) which shows a carry forward catch-up total for 2015-'16 of **fifteen thousand five hundred and fifty six dollars (\$15,556)** is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.



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Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to the fact that Special Schedule 9 - the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the financial report may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the financial report was prepared.

The logo for intetus, featuring the word "intetus" in a stylized, lowercase, handwritten-style font.

intetus

14 Sale Street
Orange
Dated: 26 October 2015

A handwritten signature in black ink, appearing to read "John O'Malley".
John O'Malley
Director