

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER BSC1 - Roads Rural										
PURPOSE	Contributions		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
	Opening Balance	Cash Non Cash					Future Income	Exp still outstanding	Over or (under) Funding	
Roads	90	60	-	6	-	136	37	(193)	-	-
Total	90	60	-	6	-	136	37	(193)	-	-

CONTRIBUTION PLAN NUMBER BSC 2 - Streets Blayney										
PURPOSE	Contributions		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative
	Opening Balance	received during the Year					Future Income	Exp still outstanding	Over or (under) Funding	
Roads	93	9	-	4	-	106	14	(120)	0	-
Total	93	9	-	4	-	106	14	(120)	0	-

CONTRIBUTION PLAN NUMBER BSC 3 - Streets Villages										
PURPOSE	Contributions		interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
	Opening Balance	received during the Year Cash Non Cash					Future Income	Exp still outstanding	Over or (under) Funding	
Roads	111	2	-	5	-	118	2	(120)	0	-
Total	111	2	-	5	-	118	2	(120)	0	-

CONTRIBUTION PLAN NUMBER BSC 7 - Open Space										
PURPOSE	Contributions		interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
	Opening Balance	received during the Year					Future Income	Exp still outstanding	Over or (under) Funding	
Open Space	36	1	-	2	-	39	2	(41)	-	-
Total	36	1	-	2	-	39	2	(41)	-	-

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER BSC 9 - William Street, Milthorpe										
PURPOSE	Opening Balance	Contributions received during the Year	Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future Income	Projections Exp still outstanding	Over or (under) Funding	Cumulative Internal Borrowings due/(payable)
Roads	8	-	-	1	-	9	-	(9)	-	-
Total	8	-	-	1	-	9	-	(9)	-	-

CONTRIBUTION PLAN NUMBER BSC 8 - Bushfire										
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future Income	Exp still outstanding	Over or (under) Funding
Other	10	6	-	1	-	-	17	1	(18)	-
Total	10	6	-	1	-	-	17	1	(18)	-

CONTRIBUTION PLAN NUMBER BSC 10 - Community Facilities										
PURPOSE	Opening Balance	Contributions received during the Year	Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		Cumulative	
Community Facilities	72	13	-	4	-	39	Future Income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
Total	72	13	-	4	-	39	5	(94)	-	-

Blayney Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20 February 2013 and covers the period ended 30 June 2013. However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists. Effective from 1 July 2009, employers were required to contribute additional contributions to assist in extinguishing this deficit. The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$373,901 as at 30 June 2013.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

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

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities**(i) Third Party Claims**

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

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

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

Blayney Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
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(a) Retained Earnings

Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		60,277	60,813
a. Correction of Prior Period Errors	20 (c)	221	221
d. Net Operating Result for the Year		85	(536)
Balance at End of the Reporting Period		60,583	60,498

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		132,671	130,137
Total		132,671	130,137

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		130,137	125,110
- Revaluations for the year	9(a)	2,558	5,027
- Impairment of revalued assets (incl. impairment reversals)	9(a)(c)	(24)	-
- Balance at End of Year		132,671	130,137
TOTAL VALUE OF RESERVES		132,671	130,137

(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.

Blayney Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

		Actual	Actual
		2013	2012
\$ '000	Notes		

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

As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:

- Community Land
- Buildings

As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.

This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/12 (the closing date for the comparative figures in this report).

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/12 to reflect the correct value of accumulated depreciation;

Buildings decrease to accumulated depreciation	221
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This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/12.

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

These amounted to the following Equity Adjustments:

- Adjustments to Opening Equity - 1/7/11 (relating to adjustments for the 30/6/11 reporting year end and prior periods)	221	-
- Adjustments to Closing Equity - 30/6/12 (relating to adjustments for the 30/6/12 year end)	-	-
Total Prior Period Adjustments - Prior Period Errors	221	-

(d) Voluntary Changes in Accounting Policies

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

Blayney Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual 2013	Actual 2013	Actual 2013
\$ '000			
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	-	956	6,501
User Charges & Fees	-	102	1,323
Interest & Investment Revenue	-	168	314
Other Revenues	-	61	166
Grants & Contributions provided for Operating Purposes	-	16	3,799
Grants & Contributions provided for Capital Purposes	-	11	1,625
Total Income from Continuing Operations	-	1,314	13,728
Expenses from Continuing Operations			
Employee Benefits & on-costs	-	114	4,837
Borrowing Costs	-	75	80
Materials & Contracts	-	486	2,871
Depreciation & Amortisation	-	487	4,140
Other Expenses	-	120	1,723
Net Losses from the Disposal of Assets	-	-	24
Total Expenses from Continuing Operations	-	1,282	13,675
Operating Result from Continuing Operations	-	32	53
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	-	32	53
Net Operating Result attributable to each Council Fund	-	32	53
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	21	(1,572)

¹ General Fund refers to all Council's activities other than Water & 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 2013

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

Statement of Financial Position by Fund \$ '000	Actual 2013	Actual 2013	Actual 2013
	Water	Sewer	General ¹
ASSETS			
Current Assets			
Cash & Cash Equivalents	-	2,746	7,398
Investments	-	733	500
Receivables	-	287	564
Inventories	-	-	900
Other	-	-	149
Total Current Assets	-	3,766	9,511
Non-Current Assets			
Receivables	-	458	61
Infrastructure, Property, Plant & Equipment	-	19,862	164,311
Intangible Assets	-	-	263
Total Non-Current Assets	-	20,320	164,635
TOTAL ASSETS	-	24,086	174,146
LIABILITIES			
Current Liabilities			
Payables	-	6	965
Borrowings	-	50	48
Provisions	-	-	1,233
Total Current Liabilities	-	56	2,246
Non-Current Liabilities			
Payables	-	-	460
Borrowings	-	927	783
Provisions	-	-	506
Total Non-Current Liabilities	-	927	1,749
TOTAL LIABILITIES	-	983	3,995
Net Assets	-	23,103	170,151
EQUITY			
Retained Earnings	-	8,943	51,640
Revaluation Reserves	-	14,160	118,511
Council Equity Interest	-	23,103	170,151
Non-controlling Interests	-	-	-
Total Equity	-	23,103	170,151

¹ General Fund refers to all Council's activities other than Water & 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 2013

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 Period

Events that occur between the end of the reporting period (ending 30 June 2013) 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 dd/mm/yy.

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 2013.

(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 2013 and which are only indicative of conditions that arose after 30 June 2013.

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 2013

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows:		
Opening Values:		
Gross Book Value (1/7/12)	-	-
Accumulated Amortisation (1/7/12)	-	-
Accumulated Impairment (1/7/12)	-	-
Net Book Value - Opening Balance	-	-
Movements for the year		
- Purchases	110	-
- Other Capitalised Costs - Transfer from Note 9(a) (11/12)	153	-
- Amortisation charges	(17)	-
Closing Values:		
Gross Book Value (30/6/13)	281	-
Accumulated Amortisation (30/6/13)	(18)	-
Accumulated Impairment (30/6/13)	-	-
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	263	-

¹ The Net Book Value of Intangible Assets represent:

- Software	263	-
	263	-

Blayney Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	
		2013	2012
Blayney Tip	2024	379	357
Blayney Quarry	2024	63	60
Balance at End of the Reporting Period	total	442	417

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	417	393
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	25	24
Total - Reinstatement, rehabilitation and restoration provision	442	417

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 2013

Note 27. Financial Review

\$ '000

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

Financial Performance Figures	2013	2012	2011	2010	2009
Inflows:					
Rates & Annual Charges Revenue	7,457	5,640	5,292	5,012	4,747
User Charges Revenue	1,425	3,232	1,354	1,646	1,774
Interest & Investment Revenue (Losses)	482	513	480	340	301
Grants Income - Operating & Capital	4,932	4,417	3,055	2,724	3,317
Total Income from Continuing Operations	15,042	14,642	11,104	11,063	11,860
Sale Proceeds from I,PP&E	283	190	455	565	701
New Loan Borrowings & Advances	-	-	-	-	-
Outflows:					
Employee Benefits & On-cost Expenses	4,951	4,821	4,460	4,340	4,246
Borrowing Costs	155	161	164	169	179
Materials & Contracts Expenses	3,357	3,898	2,293	2,508	2,497
Total Expenses from Continuing Operations	14,957	15,178	12,370	10,995	10,822
Total Cash purchases of I,PP&E	2,947	4,046	1,524	2,296	2,411
Total Loan Repayments (incl. Finance Leases)	93	85	80	123	162
Operating Surplus/(Deficit) (excl. Capital Income)	(1,551)	(1,301)	(1,699)	(692)	149
Financial Position Figures	2013	2012	2011	2010	2009
Current Assets	13,068	11,090	10,275	8,440	7,754
Current Liabilities	2,093	2,372	2,007	2,107	2,046
Net Current Assets	10,975	8,718	8,268	6,333	5,708
Available Working Capital (Unrestricted Net Current Assets)	354	865	713	787	1,009
Cash & Investments - Unrestricted	3	2	18	2	1
Cash & Investments - Internal Restrictions	6,530	3,623	3,377	2,519	2,253
Cash & Investments - Total	11,377	7,335	8,235	6,895	6,155
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	1,808	1,901	1,986	2,066	2,189
Total Value of I,PP&E (excl. Land & Earthworks)	241,427	236,449	230,585	222,181	101,698
Total Accumulated Depreciation	73,309	68,559	66,936	60,949	31,582
Indicative Remaining Useful Life (as a % of GBV)	70%	71%	71%	73%	69%

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

Blayney Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 28. 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**

G A Wilcox

Elected Members**MAYOR**

S J Ferguson

RESPONSIBLE ACCOUNTING OFFICER

C M Hodge

COUNCILLORS

Kevin Radburn

David Kingham

Geoff Braddon

Allan Ewin

Shane Oates

David Somervaille

PUBLIC OFFICER

Anton Franze

AUDITORS

Intertus Chartered Accountants

Other Information**ABN:** 47 619 651 511



**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 2013. 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 are responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, 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.



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 2013 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
 - (i) have been prepared in accordance with the requirements of this Division;
 - (ii) are consistent with the Council's accounting records;
 - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
 - (iv) are in accordance with applicable Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



intentus

237 Lords Place
Orange
Dated: 16 September, 2013



JD O'Malley
Partner



Thorough, Attentive, Earnest

16 September 2013

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 - Section 417(3)
BLAYNEY SHIRE COUNCIL YEAR ENDED 30 JUNE 2013**

We advise having completed our audit of the financial statements of Blayney Shire Council for the financial year ended 30 June 2013. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Blayney Shire Council for the year ended 30 June 2013. 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.

Chartered
Accountants

PO Box 855, Orange NSW 2800
237 Lords Place, Orange NSW 2800
Ph: 02 6362 5100 Fax: 02 6361 7045

PO Box 19313, Bathurst West NSW 2795
266 Howick Street, Bathurst NSW 2795
Ph: 02 6339 9250 Fax: 02 6331 9068

Liability limited by a scheme approved under Professional Standards Legislation

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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 \$85,000 (2012 – deficit \$536,000). Selected items of note in the operating statement include:

Revenue

- The operating result from ordinary activities *before* capital amounts was a deficit of \$1,551,000 (2012 deficit – \$1,301,000).
- Rates & Annual Charges have increased substantially to \$7,457,000 (2012 - \$5,640,000) following the introduction of a mining special rate.
- Conversely, User charges & Fees decreased \$1,807,000 (56%) to \$1,425,000 (2012 - \$3,232,000). The decrease was driven on several fronts. Firstly, building activity slowed, leading to a reduction in regulatory fees. Private works performed by council fell by \$166,000. Finally, and most significantly, RMS ordered road works decreased \$1,611,000 to \$346,000.
- Operating grants and contributions were \$486,000 down on the prior year. This was mainly due to the first two instalments of the 2012/13 Federal (FAG) grants being paid during the 2011/12 financial year. In the ordinary course of events, only one instalment is paid in advance.
- Capital grants and contributions grew by \$871,000 (114%) to \$1,636,000 (2012 - \$765,000). The biggest contributors to the increase being Roads to Recovery funds received \$470,000 in 2013 (\$267,000 in 2012) and RMS funds received, in particular \$623,000 received for Belubula Way Road construction in 2013.

Expenditure

- Materials and contracts expense have decreased from \$3,898,000 to \$3,357,000. The decrease following a greater level of capital works than in the prior year. This is consistent with the growth in capital funding discussed above.
- Other expenses were marginally higher at \$1,843,000 (2012 - \$1,597,000) with the largest components being contributions to Central West Libraries, Upper Macquarie County Council and s.356 committees.

Council's other major items of income and expenditure were relatively consistent with the prior period.

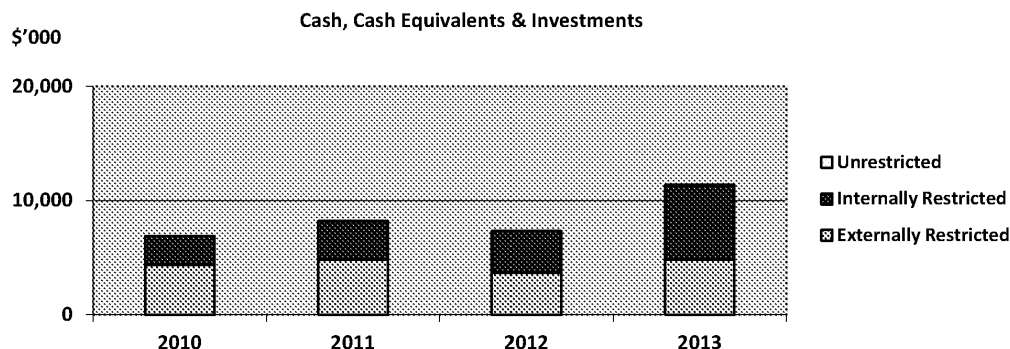
(b) Financial Position

The Statement of Financial Position discloses that for the year ended 30 June 2013 Council's net assets stood at \$193,254,000 (2012 - \$190,635,000), which represents an increase of \$2,619,000. That movement is comprised of the net operating surplus after capital amounts of \$85,000 combined with the net asset revaluation increment of \$2,090,000 relating to the revaluation of Council's buildings and operational land. There was also an indexation revaluation to sewer assets of \$468,000 less an impairment write-down of (\$24,000) to council's road assets following the closure of bridges on Snake Creek Road and Cowriga Creek

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 as follows: -

	2013 \$'000	2012 \$'000
Net Current Assets	10,975	8,718
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(4,922)	(3,590)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(6,530)	(3,623)
Add: Applicable current liabilities refer Note 10 - Sewerage	56	47
Add: Employee Leave Entitlements to be paid > 12 months	943	868
Unrestricted net current asset surplus/(deficit)	522	2,420
Unrestricted net current assets comprise: -		
Assets		
Cash	3	2
Receivables	564	2,861
Inventories	900	854
Other	149	160
Less: General Purpose Liabilities	(2,037)	(2,325)
Plus: Employee Leave Entitlements to be paid > 12 months	943	868
Unrestricted net current asset surplus/(deficit)	522	2,420

Council continues to enjoy an effective surplus of net current assets to cover the restrictions placed on those assets. The reduction in this surplus is due to increased internal restrictions.



Liquidity

Note 6 to the accounts discloses total cash and investments of \$11,377,000 (2012 - \$7,335,000), of this amount \$4,844,000 (2012 - \$3,710,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$6,530,000 (2012 - \$3,623,000) 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 \$3,000 (2012 - \$2,000) represents liquid assets available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements.

Whilst the consolidated financial statements displays sound levels of cash and investments, we remind the reader that the consolidated data is not necessarily reflective of the position of the individual funds (General & Sewer) and this is equally applicable when reviewing the performance indicators considered below. General information on the financial position and performance by fund is provided in Note 21 to the financial statements.

(c) Performance Indicators

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

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 6.94:1 indicates that it is comfortably able to settle its debts as and when they fall due.

Debt Service Ratio

The cost of repaying debt is reflected in the debt service ratio, which expresses that cost as a percentage of revenue from continuing operations, excluding capital items and specific purpose grants and contributions.

Whilst there is no definitive guide on what constitutes an acceptable ratio it is generally accepted that a ratio of up to 20% depending on the level of long-term development (infrastructure) work, is considered manageable. At 1.87% (2012 - 1.78%) Blayney Shire Council's ratio is well below that benchmark and represents manageable debt and latent borrowing capacity.

Rates & Annual Charges Coverage Ratio

The ability of Council to meet community expectations for the delivery of services and facilities is directly influenced by the discretion it can exercise in the allocation of resources.

This ratio indicates the proportion of revenue generated by Council's through rates and annual charges.

Blayney Shire Council's ratio of 49.57% (2012 – 38.52%) is higher than the prior period due to the impact of the special mining rate and reflects a somewhat higher proportion of revenue being generated from this source than is typical of non-metropolitan councils generally.

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 5.57% (2012 – 7.68%) indicates effective rates debtor management. Without seeking to detract from the improvement in the ratio, the reduction appears to have resulted from the increased rates income through the mining special rate significantly increasing the denominator, while the balance outstanding is fractionally lower than last year. Each percentage point movement in this ratio equates to \$80,000.

Building & Infrastructure Renewals Ratio

The purpose of this ratio is to assess the rate at which infrastructure assets are being renewed against the rate at which they are depreciating.

Because the distinction between replacements, renewals and repairs is not well defined, it is difficult to make meaningful analysis from this ratio. The fact that this ratio has varied from 16.21% to 96.84% over the last three years, and stands at 70.85% in the current year simplistically suggests that Council is not spending sufficient funds to effectively maintain its infrastructure assets.

(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 increase in cash assets held of \$3,042,000 (2012 – decrease \$520,000) as follows:

	2013 \$'000	2012 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	6,775	2,809	3,966
Investing activities	(3,640)	(3,244)	(396)
Financing activities	(93)	(85)	(8)
Net increase / (decrease) in cash held	3,042	(520)	3,562

Cash flows from operating activities

The cashflows from operating activities have increased due to the collection of over \$1,800,000 of grants and subsidies that were reported as debtors in 2012. Other positive impacts were higher receipts for rates, again mainly due to the mining special rate.

Cash flows from investing activities

Cash outflows related to acquisitions of infrastructure, property, plant and equipment were down by \$1,099,000 following the construction of the community centre in 2012. This was offset by the net purchase of investments (> 3 months to maturity) which was up by \$1,000,000.

Cash flows from financing activities

The net cash outflow used in financing activities was the principal repayment on councils borrowings.

(e) Comparison of Actual and Budgeted Performance

Council's surplus from ordinary activities after capital amounts of \$85,000 was \$780,000 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 2013. Council has determined that it has one business unit within its operations: Sewerage Services.

The Division 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 2013 has been issued.

Management Letters

Our most recent management letter was issued on 7 June 2013.

(g) 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.

(h) 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 2013 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.

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

237 Lords Place
Orange

Dated: 16 September, 2013

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

JD O'Malley
Partner

Blayney Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013

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



Blayney Shire Council

Special Purpose Financial Statements
for the financial year ended 30 June 2013

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2. Special Purpose Financial Statements:	
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Income Statement - Other Business Activities	n/a
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 2013

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 12 August 2013.**S J Ferguson
MAYORAJ Ewin
COUNCILLORG A Wilcox
GENERAL MANAGERC M Hodge
RESPONSIBLE ACCOUNTING OFFICER

SPFS 2013

Blayney Shire Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2013

\$ '000	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	956	917
User charges	94	78
Liquid Trade Waste charges	-	-
Fees	8	16
Interest	168	205
Grants and contributions provided for non capital purposes	16	16
Profit from the sale of assets	-	-
Other income	61	2
Total income from continuing operations	1,303	1,234
Expenses from continuing operations		
Employee benefits and on-costs	114	96
Borrowing costs	75	78
Materials and contracts	486	529
Depreciation and impairment	487	400
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	120	66
Total expenses from continuing operations	1,282	1,169
Surplus (deficit) from Continuing Operations before capital amounts	21	65
Grants and contributions provided for capital purposes	11	83
Surplus (deficit) from Continuing Operations after capital amounts	32	148
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	32	148
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(6)	(20)
SURPLUS (DEFICIT) AFTER TAX	26	129
plus Opening Retained Profits	8,900	8,752
plus/less: Prior Period Adjustments	11	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	6	20
less:		
- Tax Equivalent Dividend paid	0	-
- Surplus dividend paid	0	-
Closing Retained Profits	8,943	8,900
Return on Capital %	0.5%	0.7%
Subsidy from Council	653	461
Calculation of dividend payable:		
Surplus (deficit) after tax	26	129
less: Capital grants and contributions (excluding developer contributions)	-	(20)
Surplus for dividend calculation purposes	26	109
Potential Dividend calculated from surplus	13	54

SPFS 2013

Blayney Shire Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2013

\$ '000	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	2,746	2,560
Investments	733	-
Receivables	287	310
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,766	2,870
Non-Current Assets		
Investments	-	233
Receivables	458	667
Inventories	-	-
Infrastructure, property, plant and equipment	19,862	19,927
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	20,320	20,827
TOTAL ASSETS	24,086	23,697
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	6	-
Interest bearing liabilities	50	47
Provisions	-	-
Total Current Liabilities	56	47
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	927	970
Provisions	-	-
Total Non-Current Liabilities	927	970
TOTAL LIABILITIES	983	1,017
NET ASSETS	23,103	22,680
EQUITY		
Retained earnings	8,943	8,900
Revaluation reserves	14,160	13,780
Council equity interest	23,103	22,680
Non-controlling equity interest	-	-
TOTAL EQUITY	23,103	22,680

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Blayney Shire Council

Special Purpose Financial Statements
for the financial year ended 30 June 2013

Contents of the Notes accompanying the Financial Statements

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2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	9

Blayney Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Division 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 Division 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 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

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

Blayney Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

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 **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

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 Water Supply and Sewerage Business activities.

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 2013

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 3.77% at 30/6/13.

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

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2013 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 2013Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2013

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	5,781
(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]	12,850
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	57,810
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2013, less the cumulative dividends paid for the 2 years to 30 June 2012 & 30 June 2011	292,700

2013 Surplus	25,700	2012 Surplus	108,500	2011 Surplus	158,500
		2012 Dividend	-	2011 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	12,850
(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]	NO
	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

SPFS 2013

Blayney Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2013

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	1,146
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s40)	\$'000	19,722
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	720
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	-
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 (s40) + Plant & Equipment (s34b)]	%	-0.31%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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	1,146
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.40%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w15 + s17)	\$'000	-
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)]	%	-0.31%
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 2013

Blayney Shire Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2013

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2013

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

NWI F22	Net Debt to Equity (Water & Sewerage)	%	-10.83%
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
NWI F23	Interest Cover (Water & Sewerage)		> 100
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		32
	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:		93
	Interest Expense (w4a + s4a) - interest income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	32
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	16
	Grants for Pensioner Rebates (w11b + s12b)		

- 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.



**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 2013, 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 Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

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



Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Blayney Shire Council (Council) for the year ended 30 June 2013 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion, the special purpose financial statements of 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 Division 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 Division of Local Government or for any purpose other than for which the statements were prepared.

**intentus**

237 Lords Place
Orange

Dated: 16 September, 2013



JD O'Malley
Partner

Blayney Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2013

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



Blayney Shire Council

Special Schedules

for the financial year ended 30 June 2013

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¹ Special Purpose Schedules are not audited.

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,
- * the Department of Environment, Climate Change and Water, and
- * the Division of Local Government (DLG).

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

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

Special Schedules 2013

Blayney Shire Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2013

\$'000				
Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	410	-	-	(410)
Administration	3,287	244	-	(3,043)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	325	57	6	(262)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	93	7	-	(86)
Other	-	-	-	-
Total Public Order & Safety	418	64	6	(348)
Health	188	12	-	(176)
Environment				
Noxious Plants and Insect/Vermin Control	62	869	-	807
Other Environmental Protection	-	-	-	-
Solid Waste Management	811	-	-	(811)
Street Cleaning	135	-	-	(135)
Drainage	31	-	-	(31)
Stormwater Management	-	-	-	-
Total Environment	1,039	869	-	(170)
Community Services and Education				
Administration & Education	-	-	-	-
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	86	37	13	(36)
Children's Services	12	1	-	(11)
Total Community Services & Education	98	38	13	(47)
Housing and Community Amenities				
Public Cemeteries	47	38	-	(9)
Public Conveniences	70	-	-	(70)
Street Lighting	143	16	-	(127)
Town Planning	278	-	-	(278)
Other Community Amenities	1	149	-	148
Total Housing and Community Amenities	539	203	-	(336)
Water Supplies	-	-	-	-
Sewerage Services	1,055	1,234	11	190

Special Schedules 2013

Blayney Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2013

\$'000				
Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	135	35	-	(100)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	178	281	-	103
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	5	-	-	(5)
Sporting Grounds and Venues	204	6	16	(182)
Swimming Pools	877	313	-	(564)
Parks & Gardens (Lakes)	890	7	-	(883)
Other Sport and Recreation	42	2	-	(40)
Total Recreation and Culture	2,331	644	16	(1,671)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1	94	-	93
Other Mining, Manufacturing & Construction	125	72	-	(53)
Total Mining, Manufacturing and Const.	126	166	-	40
Transport and Communication				
Urban Roads (UR) - Local	989	-	-	(989)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	673	1,641	565	1,533
Sealed Rural Roads (SRR) - Regional	113	327	978	1,192
Unsealed Rural Roads (URR) - Local	810	900	-	90
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	1	-	-	(1)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	41	-	47	6
Aerodromes	-	-	-	-
Other Transport & Communication	2,656	347	-	(2,309)
Total Transport and Communication	5,283	3,215	1,590	(478)
Economic Affairs				
Camping Areas & Caravan Parks	41	1	-	(40)
Other Economic Affairs	142	146	-	4
Total Economic Affairs	183	147	-	(36)
Totals – Functions	14,957	6,836	1,636	(6,485)
General Purpose Revenues⁽²⁾		6,570		6,570
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	14,957	13,406	1,636	85

(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

Blayney Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2013

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	92	1,809	1,901	-	93	-	-	130	98	1,710	1,808
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	92	1,809	1,901	-	93	-	-	130	98	1,710	1,808
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	92	1,809	1,901	-	93	-	-	130	98	1,710	1,808

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).

Blayney Shire Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(9) LGA 1993]
for the financial year ended 30 June 2013

\$'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	1,050	245	667
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	1,050	245	667

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	667
Totals							1,050	245	667

Special Schedules 2013

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 2013

	Actuals 2013	Actuals 2012
\$'000		
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	227	186
b. Engineering and Supervision	-	-
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	50	79
b. Maintenance expenses	-	-
- Pumping Stations		
c. Operation expenses (excluding energy costs)	87	31
d. Energy costs	17	17
e. Maintenance expenses	-	-
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	262	251
g. Chemical costs	17	-
h. Energy costs	60	49
i. Effluent Management	-	2
j. Biosolids Management	-	-
k. Maintenance expenses	-	-
- Other		
l. Operation expenses	-	4
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	463	400
b. Plant and equipment	24	-
4. Miscellaneous expenses		
a. Interest expenses	75	78
b. Revaluation Decrements	-	-
c. Other expenses	-	72
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	1,282	1,169

Blayney Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

	Actuals 2013	Actuals 2012
\$'000		
Income		
6. Residential charges (including rates)	956	917
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	94	78
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	168	205
11. Other income	69	18
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	21
b. Grants for pensioner rebates	16	16
c. Other grants	-	-
13. Contributions		
a. Developer charges	11	62
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	1,314	1,317
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	32	148
16a. Operating Result (less grants for acquisition of assets)	32	127

Blayney Shire Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2013

	Actuals 2013	Actuals 2012
\$'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	-	-
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	41	37
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	41	37
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	1,398
b. Residential (unoccupied, ie. vacant lot)	187	181
c. Non-residential (occupied)	245	217
d. Non-residential (unoccupied, ie. vacant lot)	43	43
26. Number of ETs for which developer charges were received	- ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ 15,863	\$ 16,320

Blayney Shire Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2013

\$'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"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?			
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"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (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"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

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.

Special Schedules 2013

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 2013

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	658	-	658
b. Special purpose grants	4	-	4
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	2,817	-	2,817
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	78	-	78
c. User Charges	-	-	-
d. Other	209	458	667
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	19,722	19,722
b. Plant and equipment	-	140	140
35. Other assets	-	-	-
36. Total Assets	<u>3,766</u>	<u>20,320</u>	<u>24,086</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	6	-	6
39. Borrowings			
a. Loans	50	927	977
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	<u>56</u>	<u>927</u>	<u>983</u>
42. NET ASSETS COMMITTED	<u>3,710</u>	<u>19,393</u>	<u>23,103</u>
EQUITY			
42. Accumulated surplus			8,943
44. Asset revaluation reserve			14,160
45. TOTAL EQUITY			<u>23,103</u>
Note to system assets:			
46. Current replacement cost of system assets			27,283
47. Accumulated current cost depreciation of system assets			(7,561)
48. Written down current cost of system assets			<u>19,722</u>

Blayney Shire Council

Notes to Special Schedule No.'s 3 & 5
for the financial year ended 30 June 2013**Administration ⁽¹⁾**

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Blayney Shire Council

Special Schedule No. 7 - Condition of Public Works
as at 30 June 2013

\$'000

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation & Amortisation	Carrying Amount (WDV)	Asset Condition*	Estimated cost to bring up to a satisfactory condition / standard (%)	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
Buildings	Council Offices	var	66	2,284	1,480	804	4	500	25	5	
	Council Works Depot	var	60	2,120	724	1,396	2	200	34	24	
	Council Halls	var	141	3,508	870	2,638	2	150	62	15	
	Library	var	11	377	131	246	2	75	6	1	
	Other Buildings Inc. Amenities/Toilets	var	216	7,782	3,323	4,459	3	100	28	120	
	Centre Point	var	171	5,138	1,847	3,291	3	500	82	20	
	sub total		665	21,209	8,375	12,834		1,525	237	185	
	Other Structures										
	Assets not included in Buildings	Var	81	2,562	915	1,647	2	210	100	100	
	sub total		81	2,562	915	1,647		210	100	100	
Public Roads	Road Surface	5.00%	893	18,737	8,507	10,230	4	4,050	510	490	
	Pavement Structure	1.43%	738	52,441	21,010	31,431	3	8,550	3,240	2,150	
	Road Formation	0.00%	-	55,450	-	55,450	2	1,033	250	100	
	Kerb and Gutter	1.25%	89	8,693	3,077	5,616	3	110	15	-	
	Roadside Furniture	3.33%	65	1,866	651	1,215	3	284	60	50	
	Culverts	1.25%	63	5,048	1,908	3,140	3	190	100	70	
	Bridges	2.00%	262	20,969	7,141	13,828	3	4,540	80	-	
	Footpaths	2.00%	49	4,046	1,631	2,415	3	300	25	23	
	sub total		2,159	167,250	43,925	123,325		19,057	4,280	2,883	

Special Schedule No. 7 - Condition of Public Works (continued)
as at 30 June 2013

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost Valuation	Accum. Depreciation Amortisation \$	Carrying Amount (WDV)	Asset Condition*	Estimated cost to bring up to a satisfactory condition / standard (1)	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
Sewerage	Pump Stations	2.00%	70	2,976	1,132	1,844	2	50	50	105
	Treatment Works	2.00%	86	4,013	1,430	2,583	2	150	127	5
	Reticalation	2.00%	224	14,349	3,944	10,405	3	100	75	11
	Rising Mains	2.00%	74	5,370	985	4,385	3	175	75	-
	sub total		454	26,708	7,491	19,217		475	327	121
Drainage Works	Stormwater	var	57	5,691	1,607	4,084	3	150	40	31
	sub total		57	5,691	1,607	4,084		150	40	31
	TOTAL - ALL ASSETS		3,416	223,420	62,313	161,107		21,417	4,984	3,320

- (1). Satisfactory refers to estimate cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

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. 8 - Financial Projections

as at 30 June 2013

	Actual ⁽¹⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾	Forecast ⁽²⁾
\$'000	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	21/22	22/23
(i) OPERATING BUDGET												
Income from continuing operations	15,042	13,232	13,799	15,694	16,150	17,631	19,075	20,425	21,170	21,863	22,579	
Expenses from continuing operations	14,957	14,484	14,948	15,982	16,560	16,947	17,447	17,930	18,572	18,941	19,441	
Operating Result from Continuing Operations	85	(1,252)	(1,149)	(288)	(410)	684	1,628	2,495	2,598	2,922	3,138	
(ii) CAPITAL BUDGET												
New Capital Works ⁽²⁾	-	224	5,250	-	-	-	-	2,001	-	-	-	-
Replacement/Refurbishment of Existing Assets	3,483	5,443	5,679	5,459	5,506	4,726	5,968	6,174	5,974	5,047	5,586	
Total Capital Budget	3,483	5,667	10,929	5,459	5,506	4,726	5,968	8,175	5,974	5,047	5,586	
Funded by:												
- Loans	1,000	876	4,460	1,498	1,734	-	1,722	1,500	-	-	-	-
- Asset sales	-	-	-	-	-	-	-	-	-	-	-	-
- Reserves	-	1,332	3,220	51	-	-	-	-	-	-	-	-
- Grants/Contributions	875	800	486	900	515	746	787	561	577	594	611	
- Recurrent revenue	1,608	2,659	2,763	3,010	3,257	3,980	3,459	6,114	5,397	4,453	4,975	
- Other	-	-	-	-	-	-	-	-	-	-	-	-
	3,483	5,667	10,929	5,459	5,506	4,726	5,968	8,175	5,974	5,047	5,586	

Notes:

- (1) From 12/13 Income Statement.
 (2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.
 (3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.



Blayney Shire Council

Policy Register

Policy No 3G

Policy Title	Purchases <u>Procurement</u> of Goods & Services Policy
Document/File No	C13-5/11-1
Officer Responsible	Manager Financial Services
Last Review Date	14/10/2013

Objectives

~~The purpose of this policy is to standardise purchasing of goods & services throughout Blayney Shire Council and provide an open, accountable and efficient process to procure goods and services.~~

The purpose of the Procurement of Goods and Services Policy is to document Council's procurement principles and set out the standard by which Council will conduct its procurement activities.

Policy Statement

Blayney Shire Council



~~Purchases~~ Procurement of Goods & Services Policy

Policy

1. ~~Council staff will continue to divide minor maintenance work and minor improvement work between local contractors and suppliers.~~
2. ~~Where it is considered appropriate by the General Manager to obtain quotations for the supply of any goods and services to Council, those quotations shall be recorded on file and be determined by the General Manager.~~
3. ~~Where works and services, not available as a State Government Contract item, exceed the estimated value of \$10,000, and less than \$150,000, not less than two written quotations will be obtained and referred to the General Manager for decision.~~
4. ~~The General Manager shall use his discretion and may refer to the supply of any goods or services for Council determination.~~
5. ~~All purchases of goods and services must comply with Council's 'Purchasing of Goods and Services Procedures.'~~

Scope

This Procurement of Goods and Services Policy applies to all procurement processes and activities undertaken by Council, including purchasing, ordering, tendering, contracting and disposals. It applies to all types of goods and services but does not apply to real property acquisitions and other non-procurement expenditure, such as sponsorships, donations and employment contracts.

The Procurement of Goods and Services Policy applies to anyone who undertakes or is involved in procurement activities. This includes Councillors, staff and delegates.

Compliance

The Procurement of Goods and Services Policy, conditions of tender and conditions of contract must be strictly observed at all times. Procurement activities will be periodically audited.

Procurement Procedures and Supporting Documents

The Corporate Services Directorate will develop and maintain procedures, templates, tools and guidelines necessary to give practical effect to the Procurement of Goods and Services Policy.

Fundamental Procurement Principles

All procurement activities will be conducted in accordance with seven fundamental principles.

1. Ethical behaviour, Integrity, Probity and Fair Dealings

Council values the highest ethical and professional standards in its business dealings. Council will ensure the verifiable integrity of its procurement activities through transparent processes. Council will respect the rights of tenderers and contractors, including confidentiality and the expectation to be treated fairly at all stages of the procurement process.

Council must not engage in any practices that aim to give a potential tenderer, service provider or business an advantage over others, nor engage in any form of collusive practice. A Councillor or Council employee with an actual or perceived conflict of interest must address that interest without delay in accordance with Council's Code of Conduct.

The procurement of services should be conducted in a way that imposes as far as practicable the same level of accountability and responsibility on the service provider as would exist if the Council carried out the services itself. In pursuit of ethical behaviour, staff will, for example:

- Disclose to the General Manager any possible conflict of interest; where a potential conflict relates to the General Manager, it will be disclosed to the Council in accordance with the Local Government Act 1993
- Deal with all suppliers in an honest, fair and equitable manner
- Respect all in-confidence information received and not use it for personal gain, or to prejudice fair and open competition
- Not accept money, goods, loans, credits, purchasing incentives, services or prejudiced discounts
- Not use Council's name or purchasing power to make purchases other than for Council use during the procurement of services. In this regard, Staff will ensure that their close associates also do not receive an advantage in relation to a Council procurement.

A tenderer will be immediately excluded from a procurement process where:

- A conflict arises or
- There is inappropriate lobbying of the Council or
- There is a behaviour that might reasonably be regarded as seeking to solicit favourable treatment for the procurement process including by the offering of gifts or benefits.

2. Value for Money

Council seeks to achieve value for money in all its procurement activities. Council will select goods, services and suppliers that represent the best overall value for Council; not necessarily the lowest priced conforming offer.

Value for the community is the core principle underpinning Council's procurement system. This will involve a comparative analysis of all

relevant costs and benefits of each proposal throughout the whole procurement cycle. Value for money is not restricted to price alone. When assessing value for money, consideration shall also be given to:

- The advancement of Council and Local Government priorities
- The non-cost factors such as fitness for purpose, quality, service and support, and sustainability considerations
- The cost related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.

3. Open and Effective Competition

Council recognises the commercial and economic benefits of open and effective competition. Council will encourage healthy competition in the markets from which it purchases.

4. Cooperation

Council will approach its procurement dealings in good faith and in a spirit of cooperation. Where appropriate, Council will work proactively with tenderers, contractors and third parties (such as other Councils or peak industry bodies) to improve overall outcomes for the community.

5. Ethically and Environmentally Responsible

Council is committed to minimising the impact of its activities on the environment. Council will support the use of environmentally sustainable products, materials, processes and services.

Council will, when evaluating quotations or tenders, take into consideration the anticipated impact on the environment and show such consideration in their evaluation documentation. This may be achieved by procuring goods and services that will minimise their impact on the environment, including goods constructed from recycled or re-used products.

6. Risk Management

Council will implement systems within its procurement process to identify and manage risks, including, but not limited to Health and Safety risks, fraud prevention and legal compliance.

7. Support for Local Industry

Council recognises the importance of employment growth in the Shire. Council will structure its procurement activities to encourage the development of local employment opportunities

POLICY DIRECTIVES

Council shall undertake its procurement of goods and services activities in accordance with the following directives.

Statutory Requirements

The Local Government (General) Regulation 2005 is particularly relevant to the tendering process; however, various Acts and Regulations apply to Council's diverse range of procurement activities. The Procurement of Goods and Services Policy is intended to supplement these instruments. Any inconsistency that may arise between the Procurement of Goods and Services Policy and a relevant Act or Regulation, shall be resolved in favour of the Act or Regulation.

Officers shall maintain a working knowledge of the Acts and Regulations applying to the procurement activities they undertake.

Conduct of Officers

Officers shall conduct themselves with the utmost integrity and professionalism when undertaking procurement activities. Care shall be taken to ensure the proper management of conflicts of interest and other issues that may affect the integrity of procurement activities. Council's Code of Conduct shall be strictly observed at all times.

Delegations

Officers shall not make procurement decisions outside of their delegated authority. Procurement decisions shall not be divided or restricted, nor any other process engaged in, for the purpose of circumventing delegation limits.

General Application of Delegation Limits to Procurement

Most procurement decisions are subject to delegation limits. Such procurement decisions must be made by an officer with a delegation limit sufficient to cover the value of the procurement exercise. A decision with a value in excess of the General Manager's delegation limit must be made by Council resolution.

Delegation limits apply to procurement decisions that create a financial commitment or a commitment to provide ongoing business opportunities. This includes the approval of requisitions, one-off purchases, one-off contracts, discretionary contract variations, the exercising of contract options and orders against existing period contracts. It also includes the approval of period contracts including standing offer arrangements and pre-qualified supplier panels.

Determining the 'Delegations Value' of the Procurement

The relevant value, for delegations purposes, is simply the face value of the purchase or contract (inclusive of GST).

Delegations and Contract Variations

Variations fall into two categories, discretionary and non-discretionary. Discretionary variations involve a decision to increase the scope of a contract (for example, by adding extra requirements or product lines) and consequently increase the level of financial commitment. Discretionary variations must be approved by an officer (or Council) with a delegation limit sufficient to cover the value of the variation.

In some instances a contract price can alter due to the application of pre-agreed terms (for example, a price adjustment formula, a measured quantity clause, a latent condition clause or an expense reimbursement clause). Such alterations are often referred to as variations; however they are non-discretionary in nature. Although they may require some professional skill to calculate or verify, they do not involve a 'decision' to increase the scope of the contract. Nevertheless, to provide for sound administrative governance such non-discretionary variations shall also be subject to delegation limits up to \$150,000 in value. Non-discretionary variations over \$150,000 in value do not need to be approved by Council but must be approved by the General Manager.

For general reporting and accounting purposes non-discretionary variations shall be recorded and tracked in the same way as other variations.

Budget Constraints

All procurement is subject to approved budgets. Procurement of Goods and Services Policy thresholds and delegation limits operate in addition to (not in place of) any budget constraints.

Number of Firms to be invited

Council shall invite sufficient offers to provide a reasonable degree of competition for the level of expenditure involved, without creating undue administrative cost for Council or the invitees.

Intention to Proceed

Council shall generally not invite offers without a firm intention to proceed with the procurement. Where it is necessary to invite offers on a contingency basis this shall be clearly communicated to participants. Where it is necessary to invite the submission of indicative pricing for estimating or planning purposes this shall be clearly communicated to participants. Where Council intends to consider an existing common-use procurement arrangement along with invited tenders this shall be clearly communicated to participants (see also Common-Use Government Procurement Arrangements).

Public Invitations to Tender

All public invitation processes shall be managed in accordance with the relevant elements of the Local Government (General) Regulation 2005, regardless of whether or not the Regulation applies to the contract.

Offers

All offers made in response to a public invitation or for a contract greater than \$150,000 in value must be received via a formal tender box process, regardless of whether or not the Local Government (General) Regulation 2005 applies.

Late Offers

Late offers received via a formal tender box process shall be handled in accordance with the relevant elements of the Local Government (General) Regulation 2005, regardless of whether or not the Regulation applies to the contract.

Late offers for minor procurement exercises (i.e. not closing via the tender box) may be considered if the approving officer is of the opinion that the circumstances of the offer do not compromise the integrity of the process.

General Communications

Wherever practical, communications with suppliers, contractors and tenderers shall be in writing (electronic or hard-copy). Where this is not practical file notes or formal minutes shall be recorded in an appropriate Council system.

Unsuccessful Offers

Council shall generally provide feedback to unsuccessful offerers if requested. Where the contract value exceeds \$150,000 at least two Council officers shall participate in the feedback session. Written records shall be made and recorded in an appropriate system.

Successful Offers

Successful offers shall be notified by the issue of a Council Purchase Order. Other correspondence may also be issued however a supply will not be binding without the issue of a Council Purchase Order.

References

Officers shall not provide written references to suppliers or contractors. Officers may provide verbal references to appropriately identified persons, on issues relating to specific contract performance. File notes shall be made.

Common-Use Government Procurement Arrangements

Where Council does not have its own procurement arrangement for a particular good or service, common-use arrangements (such as WBC, Centroc, Local Government group arrangements, NSW Government arrangements and Commonwealth Government arrangements) may be used. Where a common-use arrangement exists, tenders from other contractors may be sourced, however the invitation documents must state that a common-use Government procurement arrangement exists for this item and will be considered as part of Council's tender process.

Emergency Situations

In some circumstances an urgent purchase may be required to meet Council's obligations in regard to safety, asset protection, environmental protection or critical service provision. If such a situation arises and there is insufficient time to comply with Procurement of Goods and Services Policy or delegations limits then the most senior officer available may approve an emergency procurement exercise.

An emergency procurement exercise should comply, to the maximum extent possible, with the policies and procedures that would normally apply. All emergency procurement exercises (and the circumstances leading to them) shall be documented and reported to the relevant Director.

Reporting to Council

Contracts in excess of \$150,000 in value shall be reported to Council.

Integrity, Dignity and Respect

- Council treats all persons with courtesy and respect.
- Council officials will demonstrate fair and consistent decision-making, ensuring probity at all times.

Appendix 1: Exemptions from Purchase Orders

Council shall develop a list of exemptions from purchase order generation as part of its operational procedures to allow seamless administrative operations. This list may change from time to time based on Council's operational requirements.

End of Policy

Adopted:	20/09/1999	664
Last Reviewed:	14/05/2007	07/094
	12/11/2012	1211/014
	14/10/2013	
Next Review:	14/11/2016	