

Berrigan Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Heart of the Southern Riverina”



Berrigan Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 12 October 2016. Council has the power to amend and reissue these financial statements.
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Berrigan Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

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

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

Signed in accordance with a resolution of Council made on 12 October 2016.



Matthew Hannan
Mayor



Daryl Morris
Councillor



Rowan Perkins
General Manager



Carla von Brockhusen
Responsible Accounting Officer

Berrigan Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
9,068	Rates and annual charges	3a	9,201	8,826
1,392	User charges and fees	3b	2,367	2,214
438	Interest and investment revenue	3c	722	666
513	Other revenues	3d	820	734
6,297	Grants and contributions provided for operating purposes	3e,f	7,993	6,889
3,103	Grants and contributions provided for capital purposes	3e,f	2,586	988
Other income:				
–	Net gains from the disposal of assets	5	198	129
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
20,811	Total income from continuing operations		23,887	20,446
Expenses from continuing operations				
7,166	Employee benefits and on-costs	4a	7,188	7,295
76	Borrowing costs	4b	87	57
2,023	Materials and contracts	4c	3,031	2,860
5,422	Depreciation and amortisation	4d	5,758	5,741
–	Impairment	4d	–	–
2,008	Other expenses	4e	1,941	2,003
9	Net losses from the disposal of assets	5	–	–
16,704	Total expenses from continuing operations		18,005	17,956
4,107	Operating result from continuing operations		5,882	2,490
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
4,107	Net operating result for the year		5,882	2,490
4,107	Net operating result attributable to Council		5,882	2,490
–	Net operating result attributable to non-controlling interests		–	–
1,004	Net operating result for the year before grants and contributions provided for capital purposes		3,296	1,502

¹ Original budget as approved by Council – refer Note 16

Berrigan Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		5,882	2,490
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(1,625)	29,254
Impairment (loss) reversal relating to I,PP&E	20b (ii)	410	(410)
Total items which will not be reclassified subsequently to the operating result		(1,215)	28,844
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(1,215)	28,844
Total comprehensive income for the year		4,667	31,334
Total comprehensive income attributable to Council		4,667	31,334
Total comprehensive income attributable to non-controlling interests		-	-

Berrigan Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	4,125	4,691
Investments	6b	19,630	16,630
Receivables	7	1,230	1,377
Inventories	8	223	331
Other	8	27	28
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		25,235	23,057
Non-current assets			
Investments	6b	–	–
Receivables	7	–	102
Inventories	8	185	257
Infrastructure, property, plant and equipment	9	215,802	213,787
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
Total non-current assets		215,987	214,146
TOTAL ASSETS		241,222	237,203
LIABILITIES			
Current liabilities			
Payables	10	929	1,485
Borrowings	10	253	261
Provisions	10	2,641	2,505
Total current liabilities		3,823	4,251
Non-current liabilities			
Payables	10	–	17
Borrowings	10	1,297	1,551
Provisions	10	354	303
Total non-current liabilities		1,651	1,871
TOTAL LIABILITIES		5,474	6,122
Net assets		235,748	231,081
EQUITY			
Retained earnings	20	100,527	94,642
Revaluation reserves	20	135,221	136,439
Council equity interest		235,748	231,081
Non-controlling equity interests		–	–
Total equity		235,748	231,081

Berrigan Shire Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		94,642	137,583	232,225	–	232,225
a. Correction of prior period errors	20 (c)	–	(1,144)	(1,144)	–	(1,144)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		94,642	136,439	231,081	–	231,081
c. Net operating result for the year		5,882	–	5,882	–	5,882
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(1,625)	(1,625)	–	(1,625)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	410	410	–	410
– Other reserves movements	20b (ii)	–	–	–	–	–
Other comprehensive income		–	(1,215)	(1,215)	–	(1,215)
Total comprehensive income (c&d)		5,882	(1,215)	4,667	–	4,667
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		3	(3)	–	–	–
Equity – balance at end of the reporting period		100,527	135,221	235,748	–	235,748

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		92,451	108,440	200,891	–	200,891
a. Correction of prior period errors	20 (c)	–	(1,144)	(1,144)	–	(1,144)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		92,451	107,296	199,747	–	199,747
c. Net operating result for the year		2,490	–	2,490	–	2,490
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	29,254	29,254	–	29,254
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(410)	(410)	–	(410)
Other comprehensive income		–	28,844	28,844	–	28,844
Total comprehensive income (c&d)		2,490	28,844	31,334	–	31,334
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		(299)	299	–	–	–
Equity – balance at end of the reporting period		94,642	136,439	231,081	–	231,081

Berrigan Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
9,047	Rates and annual charges		9,275	8,873
1,403	User charges and fees		2,937	2,262
465	Investment and interest revenue received		743	633
9,394	Grants and contributions		10,579	7,877
–	Bonds, deposits and retention amounts received		10	40
547	Other		1,666	1,720
Payments:				
(3,486)	Employee benefits and on-costs		(7,279)	(7,027)
(5,831)	Materials and contracts		(4,705)	(3,581)
(76)	Borrowing costs		(29)	(57)
–	Bonds, deposits and retention amounts refunded		(53)	–
(2,023)	Other		(1,943)	(2,034)
9,440	Net cash provided (or used in) operating activities	11b	11,201	8,706
Cash flows from investing activities				
Receipts:				
1,125	Sale of investment securities		–	–
–	Sale of real estate assets		330	302
334	Sale of infrastructure, property, plant and equipment		164	227
–	Deferred debtors receipts		148	–
Payments:				
(625)	Purchase of investment securities		(3,000)	(2,630)
(10,409)	Purchase of infrastructure, property, plant and equipment		(9,068)	(5,557)
–	Purchase of real estate assets		–	(4)
–	Deferred debtors and advances made		(79)	(120)
(9,575)	Net cash provided (or used in) investing activities		(11,505)	(7,782)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		–	1,630
Payments:				
(262)	Repayment of borrowings and advances		(262)	(172)
(262)	Net cash flow provided (used in) financing activities		(262)	1,458
(397)	Net increase/(decrease) in cash and cash equivalents		(566)	2,382
2,884	Plus: cash and cash equivalents – beginning of year	11a	4,691	2,309
2,487	Cash and cash equivalents – end of the year	11a	4,125	4,691
Additional Information:				
	plus: Investments on hand – end of year	6b	19,630	16,630
	Total cash, cash equivalents and investments		23,755	21,321
Please refer to Note 11 for additional cash flow information				

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Revenue from Contributions is recognised when the Council:

- (i) either obtains control of the contribution, or the right to receive it; and
- (ii) it is probable that the economic benefits comprising the contribution will flow to the Council, and
- (iii) the amount of the contribution can be measured reliably

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

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

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

Berrigan Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

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

- *Australia Day Committee*
- *Barooga Advancement Group*
- *Barooga Community Botanical Gardens*
- *Barooga Recreation Reserve*
- *Barooga Cemetery*
- *Berrigan Conservation and Tidy Towns*
- *Berrigan Shire Heritage Committee*
- *Berrigan Shire Youth Development Committee*
- *Berrigan Sports Ground*
- *Berrigan War Memorial Hall*
- *Berrigan War Memorial Swimming Pool*
- *Boomanoomana Landcare Group*
- *Finley Community Help Group*
- *Finley Log Cabin*
- *Finley Pioneer Rail*
- *Finley Railway Park*

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- *Finley Recreation Reserve*
- *Finley Showground and Sporting Complex*
- *Finley Swimming Pool*
- *Finley Tidy Towns*
- *Finley War Memorial Hall and School of Arts*
- *Mary Lawson Wayside Rest*
- *Fullers Road Landcare*
- *Native Dog Landcare Group*
- *Retreat Public Hall*
- *Tocumwal Foreshore*
- *Tocumwal Friends of the Library*
- *Tocumwal Historic Aerodrome Museum*
- *Tocumwal Rail Preservation*
- *Tocumwal Recreation Reserve*
- *Tocumwal Swimming Pool*
- *Tocumwal War Memorial Hall*

(ii) The trust fund

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

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures

Council has no interest in any joint arrangements

Associates

Council has no interest in any associates.

County councils

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

- **Central Murray County Council**
Responsible for noxious weed management

The governing body of the County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above county council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

Council did not have any finance leases in the year ended 30 June 2015 or the year ended 30 June 2016.

Operating Leases

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

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

Berrigan Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

of financial assets that could otherwise be classified in one of the other investment categories.

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

Financial assets – reclassification

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Types of investments

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

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

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

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

Berrigan Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(i) Inventories

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

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

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

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

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

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

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

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

Cost is assigned by specific identification and includes the cost of acquisition and development.

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

Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Water and Sewerage Networks**
(Internal Valuation by Mr Fred Exton - Director Technical Services, Berrigan Shire Council)

- **Operational Land** (External Valuation by Mr Martin Burns – Principal Valuer, Liquid Pacific)
- **Buildings – Specialised/Non Specialised**
(External Valuation by Mr Martin Burns – Principal Valuer, Liquid Pacific)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges and footpaths**
(Internal Valuation by Mr Fred Exton - Director Technical Services, Berrigan Shire Council)
- **Drainage Assets** (Internal Valuation by Mr Fred Exton - Director Technical Services, Berrigan Shire Council)
- **Bulk Earthworks** (Internal Valuation by Mr Fred Exton - Director Technical Services, Berrigan Shire Council)
- **Community Land** (External Valuation by NSW Valuer General)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

Initial recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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

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

Asset revaluations (including indexation)

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

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

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

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

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

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

Plant and Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant and Equipment	> \$1,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
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Building

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

Other Structures	> \$2,000
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Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets

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

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

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

Other Infrastructure	> \$10,000
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Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

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

Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads: Surface	15 to 20 years
- Sealed Roads: Structure	50 years
- Unsealed roads	20 to 50 years
- Bridge: Concrete	80 to 100 years
- Bridge: Other	50 to 80 years
- Road Pavements	50 years
- Kerb, Gutter and Paths	40 years

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

(o) Rural fire service assets

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

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

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

(p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that are not occupied by Council.

Council did not hold any investment property in the year ending 30 June 2015 or the year ending 30 June 2016

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

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

These costs are charged to the Income Statement.

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

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

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

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

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

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

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either:

- (i) their carrying amount. and
- (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis.

Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

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

Council did not have any discontinued operations in the year ended 30 June 2015 and the year ended 30 June 2016.

(s) Impairment of assets

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

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

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

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

Where an asset is not held principally for cash-generating purposes (for example infrastructure

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(x) Employee benefits

(i) Short-term obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

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

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

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

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

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated.

The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Division D 1.64 times employee contributions

Salary inflation 3.5% per annum
Increase in CPI 2.5% per annum

As a pooled employer, Council is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016. The fund continues to operate with a deficit of assets to accrued liabilities as at 30 June 2015.

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

These additional contributions are estimated to remain in place until 30 June 2020 at an estimated amount of \$368,000; however the Trustee of the fund will be reviewing the financial position of the fund on an annual basis.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2016 is:

Employer reserves only*	\$M	Asset Coverage
Assets	1,665.2	
Past Service Liabilities	1,739.3	95.7%
Vested Benefits	1,796.0	92.7%

* excluding member accounts and reserves in both assets and liabilities

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return 6.5% per annum

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum, apportioned according to each employer's share of the accrued liabilities as at 30 June 2009. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2015.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Council additional lump sum contributions per annum as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group. On this basis, Council's participation in the Scheme compared with other participating entities is approximately 0.23%.

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

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

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

The Council's expected contribution to the Fund in the year ending 30 June 2017 is \$172,247.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable.

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee benefit on-costs

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

These amounts include Superannuation and Workers Compensation expenses payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2016

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

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

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (i.e. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard may include:

- an increase in lease assets and financial liabilities recognised on the balance sheet,

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

Council does not consider that the impact of first time adoption will be significant given the small number of low value of the operating leases it holds.

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

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

(ac) Rounding of amounts

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

(ad) Comparative figures

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

(ae) Disclaimer

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	2	2	–	684	419	585	(682)	(417)	(585)	3	–	734	27,141
Administration	520	334	370	120	(359)	9	400	693	361	75	–	15,467	15,139
Public order and safety	70	116	137	377	372	451	(307)	(256)	(314)	94	–	425	480
Health	5	3	4	98	105	119	(93)	(102)	(115)	–	–	174	180
Environment	1,961	1,953	1,440	1,853	2,215	1,851	108	(262)	(411)	–	–	459	459
Community services and education	146	282	494	271	518	753	(125)	(236)	(259)	268	–	72	79
Housing and community amenities	1,552	450	341	1,062	1,027	714	490	(577)	(373)	624	–	22,895	12,314
Water supplies	2,736	3,586	3,235	2,572	2,790	2,423	164	796	812	46	–	33,067	32,951
Sewerage services	1,964	2,058	1,906	1,737	1,788	1,884	227	270	22	45	–	21,573	22,190
Recreation and culture	214	198	715	2,063	2,187	2,095	(1,849)	(1,989)	(1,380)	86	–	20,803	22,689
Mining, manufacturing and construction	95	160	13	307	302	246	(212)	(142)	(233)	–	–	364	489
Transport and communication	2,680	4,996	2,142	4,998	5,828	6,001	(2,318)	(832)	(3,859)	3,145	2,204	121,103	98,700
Economic affairs	86	326	295	562	813	825	(476)	(487)	(530)	–	–	4,086	4,216
Total functions and activities	12,031	14,464	11,092	16,704	18,005	17,956	(4,673)	(3,541)	(6,864)	4,386	2,204	241,222	237,027
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	8,780	9,423	9,354	–	–	–	8,780	9,423	9,354	4,399	4,422	–	176
Operating result from continuing operations	20,811	23,887	20,446	16,704	18,005	17,956	4,107	5,882	2,490	8,785	6,626	241,222	237,203

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Berrigan Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		2,368	2,312
Farmland		1,782	1,720
Business		514	497
Total ordinary rates		4,664	4,529
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		791	755
Stormwater management services		72	72
Water supply services		1,813	1,714
Sewerage services		1,788	1,692
Waste management services (non-domestic)		73	64
Total annual charges		4,537	4,297
TOTAL RATES AND ANNUAL CHARGES		9,201	8,826

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Berrigan Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		150	143
Water supply services		1,060	984
Sewerage services		34	19
Waste management services (non-domestic)		254	191
Total user charges		1,498	1,337
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		201	166
Private works – section 67		201	187
Section 149 certificates (EPA Act)		24	22
Section 603 certificates		25	22
Total fees and charges – statutory/regulatory		451	397
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		22	21
Aged care		13	75
Cemeteries		103	117
Food control fees		3	4
Leaseback fees – Council vehicles		58	64
Library		7	–
Sewerage		25	15
Swimming centres		96	99
Water supply		58	38
Other		33	47
Total fees and charges – other		418	480
TOTAL USER CHARGES AND FEES		2,367	2,214

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		29	29
– Interest earned on investments (interest and coupon payment income)		690	634
– Interest on deferred debtors		3	3
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>722</u>	<u>666</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		29	29
General Council cash and investments		331	374
Restricted investments/funds – external:			
Water fund operations		179	117
Sewerage fund operations		183	146
<u>Total interest and investment revenue recognised</u>		<u>722</u>	<u>666</u>
(d) Other revenues			
Rental income – other council properties		55	80
Fines		2	5
Legal fees recovery – rates and charges (extra charges)		56	47
Diesel rebate		78	61
Insurance rebate		20	57
Paid parental leave scheme		–	17
Recycling income (non-domestic)		–	3
Sales – general		10	10
Sale of gravel		118	6
Sale of high security water		378	334
Sale of scrap metal		–	9
Workers compensation recovery		30	55
Renewable Energy Certificates		40	–
Other		33	50
<u>TOTAL OTHER REVENUE</u>		<u>820</u>	<u>734</u>

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,023	3,039	–	–
Financial assistance – local roads component	1,277	1,283	–	–
Pensioners' rates subsidies – general component	99	100	–	–
Total general purpose	4,399	4,422	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	46	47	–	–
– Sewerage	45	45	–	–
– Domestic waste management	40	40	–	–
Aged care	–	191	–	–
Bushfire and emergency services	94	111	–	–
Clean energy future	–	–	–	36
Community care	268	224	–	–
Employment and training programs	–	10	–	–
Environmental protection	–	151	–	–
Heritage and cultural	1	(1)	–	–
Library	2	2	–	–
Library – per capita	31	25	–	–
Library – special projects	8	13	–	–
LIRS subsidy	46	12	–	–
Public halls	–	5	–	–
Recreation and culture	–	–	15	449
Street lighting	55	38	–	–
Transport (roads to recovery)	1,918	769	–	–
Transport (other roads and bridges funding)	–	32	1,747	–
Other	70	5	–	–
Total specific purpose	2,624	1,719	1,762	485
Total grants	7,023	6,141	1,762	485
Grant revenue is attributable to:				
– Commonwealth funding	6,264	5,433	15	86
– State funding	759	708	1,747	349
– Other funding	–	–	–	50
	7,023	6,141	1,762	485

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	11	–
S 64 – water supply contributions	–	–	–	7
S 64 – sewerage service contributions	–	–	5	–
Other developer contributions (assets)	–	–	27	–
Total developer contributions	–	–	43	7
	17			
Other contributions:				
Kerb and gutter	–	–	10	12
Paving	–	–	28	24
Recreation and culture	–	–	29	94
RMS contributions (regional roads, block grant)	967	745	714	352
Other	3	3	–	14
Total other contributions	970	748	781	496
Total contributions	970	748	824	503
TOTAL GRANTS AND CONTRIBUTIONS	7,993	6,889	2,586	988

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	590	598
Add: grants and contributions recognised in the current period but not yet spent:	36	75
Less: grants and contributions recognised in a previous reporting period now spent:	(505)	(83)
Net increase (decrease) in restricted assets during the period	(469)	(8)
Unexpended and held as restricted assets	121	590
Comprising:		
– Specific purpose unexpended grants	36	85
– Developer contributions	85	505
	121	590

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		6,321	5,702
Travel expenses		214	309
Employee leave entitlements (ELE)		1,010	1,024
ELE on-costs		173	170
Superannuation – defined contribution plans		447	406
Superannuation – defined benefit plans		191	203
Workers' compensation insurance		133	133
Fringe benefit tax (FBT)		37	10
Training costs (other than salaries and wages)		82	117
Protective clothing		25	27
Other		11	12
Total employee costs		8,644	8,113
Less: capitalised costs		(1,456)	(818)
TOTAL EMPLOYEE COSTS EXPENSED		7,188	7,295
Number of 'full-time equivalent' employees (FTE) at year end		85	84
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		77	49
Total interest bearing liability costs expensed		77	49
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	10	8
Total other borrowing costs		10	8
TOTAL BORROWING COSTS EXPENSED		87	57
(c) Materials and contracts			
Raw materials and consumables		2,506	2,383
Contractor and consultancy costs		24	4
– Domestic waste and recycling collection contract		400	388
Auditors remuneration ⁽¹⁾		21	20
Legal expenses:			
– Legal expenses: planning and development		7	6
– Legal expenses: debt recovery		73	55
Other		–	4
TOTAL MATERIALS AND CONTRACTS		3,031	2,860

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: RSD Chartered Accountants		21	20
Remuneration for audit and other assurance services		21	20
Total Auditor remuneration		21	20

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		–	–	702	769
Office equipment		–	–	67	71
Land improvements (depreciable)		–	–	23	23
Infrastructure:					
– Buildings – non-specialised		–	–	15	15
– Buildings – specialised		(410)	410	677	708
– Roads		–	–	2,382	2,275
– Bridges		–	–	107	107
– Footpaths		–	–	64	63
– Stormwater drainage		–	–	215	203
– Water supply network		–	–	602	598
– Sewerage network		–	–	555	574
– Swimming pools		–	–	66	66
– Other open space/recreational assets		–	–	170	161
Other assets					
– Heritage collections		–	–	1	1
– Library books		–	–	17	19
– Other		–	–	88	80
Asset reinstatement costs	9 & 26	–	–	7	8
Total depreciation and impairment costs		(410)	410	5,758	5,741
Less: IPP&E impairments (to)/from equity	9a	410	(410)	–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	5,758	5,741

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		44	50
Bad and doubtful debts		–	(8)
Bank charges		21	21
Cleaning		4	4
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		15	12
– NSW Fire Brigade levy		48	47
– NSW Rural Fire service levy		80	135
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		88	86
Councillors' expenses (incl. mayor) – other (excluding fees above)		65	62
Donations, contributions and assistance to other organisations (Section 356)			
– Central Murray County Council		120	117
– Heritage and cultural programs		25	12
– Public halls and community facilities		25	22
– RAMROC		14	14
– Sporting grounds		61	61
– Swimming pools		98	108
– Tourism and area promotion		20	80
– Other		5	6
Electricity and heating		361	349
Insurance		367	326
Street lighting		133	186
Subscriptions and publications		41	34
Telephone and communications		51	58
Valuation fees		39	40
Other		192	158
<u>TOTAL OTHER EXPENSES</u>		<u>1,941</u>	<u>2,003</u>

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		52	–
Less: carrying amount of property assets sold/written off		(43)	(5)
Net gain/(loss) on disposal		9	(5)
Plant and equipment			
Proceeds from disposal – plant and equipment		49	227
Less: carrying amount of plant and equipment assets sold/written off		–	(250)
Net gain/(loss) on disposal		49	(23)
Infrastructure			
Proceeds from disposal – infrastructure		36	–
Less: carrying amount of infrastructure assets sold/written off		(36)	–
Net gain/(loss) on disposal		–	–
Real estate assets held for sale			
Proceeds from disposal – real estate assets		330	302
Less: carrying amount of real estate assets sold/written off		(190)	(145)
Net gain/(loss) on disposal		140	157
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		198	129

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		2,125	–	4,691	–
Cash-equivalent assets ¹					
– Deposits at call		2,000	–	–	–
Total cash and cash equivalents		4,125	–	4,691	–
Investments (Note 6b)					
– Long term deposits		19,630	–	16,630	–
Total investments		19,630	–	16,630	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		23,755	–	21,321	–

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

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

Cash and cash equivalents

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

	4,125	–	4,691	–
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Investments

b. 'Held to maturity'

6(b-i)

Investments

	19,630	–	16,630	–
	19,630	–	16,630	–

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

Balance at the beginning of the year	16,630	–	14,000	–
Additions	3,000	–	2,630	–
Balance at end of year	19,630	–	16,630	–

Comprising:

– Long term deposits	19,630	–	16,630	–
Total	19,630	–	16,630	–

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	23,755	–	21,321	–
attributable to:				
External restrictions (refer below)	14,018	–	12,504	–
Internal restrictions (refer below)	4,526	–	3,112	–
Unrestricted	5,211	–	5,706	–
	23,755	–	21,321	–

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

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	505	16	(436)	85
Specific purpose unexpended grants	(F)	85	–	–	36
Water supplies	(G)	5,471	945	–	6,415
Sewerage services	(G)	5,022	794	–	5,816
Domestic waste management	(G)	1,259	284	–	1,543
Other		162	–	(39)	123
External restrictions – other		12,504	2,039	(475)	14,018
Total external restrictions		12,504	2,039	(475)	14,018

Internal restrictions

Plant and vehicle replacement		727	540	–	1,267
Employees leave entitlement		389	–	–	389
Aerodrome		191	–	–	191
Capital works reserve		1,474	287	–	1,761
Finley saleyard		99	–	–	99
Levee bank construction		172	100	–	272
Tourism events		60	–	–	60
Information Technology		–	300	–	300
Risk Management		–	187	–	187
Total internal restrictions		3,112	1,414	–	4,526
TOTAL RESTRICTIONS		15,616	3,453	(475)	18,544

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

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

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		342	–	416	–
User charges and fees		332	–	678	–
Accrued revenues					
– Interest on investments		153	–	174	–
– Other income accruals		315	–	–	–
Deferred debtors		79	–	46	102
Net GST receivable		27	–	81	–
Total		1,248	–	1,395	102
Less: provision for impairment					
User charges and fees		(18)	–	(18)	–
Total provision for impairment – receivables		(18)	–	(18)	–
TOTAL NET RECEIVABLES		1,230	–	1,377	102
Externally restricted receivables					
Water supply					
– Rates and availability charges		35	–	104	–
– Other		217	–	212	–
Sewerage services					
– Other		129	–	205	–
Total external restrictions		381	–	521	–
Internally restricted receivables					
Nil					
Unrestricted receivables		849	–	856	102
TOTAL NET RECEIVABLES		1,230	–	1,377	102

Notes on debtors above:

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

Berrigan Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		–	185	145	257
Stores and materials		223	–	186	–
Total inventories at cost		223	185	331	257
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		223	185	331	257
(b) Other assets					
Prepayments		27	–	28	–
TOTAL OTHER ASSETS		27	–	28	–
Externally restricted assets					
Water					
Stores and materials		91	–	37	–
Total water		91	–	37	–
Sewerage					
Stores and materials		4	–	5	–
Total sewerage		4	–	5	–
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		95	–	42	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		155	185	317	257
TOTAL INVENTORIES AND OTHER ASSETS		250	185	359	257

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	–	185	145	257
Total real estate for resale	–	185	145	257
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	–	185	145	257
Total costs	–	185	145	257
Total real estate for resale	–	185	145	257
Movements:				
Real estate assets at beginning of the year	145	257	314	–
– Purchases and other costs	45	(72)	–	–
– Transfers in from (out to) Note 9	–	–	229	–
– WDV of sales (expense) 5	(190)	–	(145)	–
– Transfer between current/non-current	–	–	(257)	257
– Other	–	–	4	–
Total real estate for resale	–	185	145	257

(b) Inventory write downs

\$7,694 was recognised as an expense relating to the write down of inventory balances held during the year.

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

Berrigan Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016						
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (via equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value	
			depreciation	impairment													depreciation	impairment		
Capital work in progress	408	–	–	–	408	–	–	–	–	–	2,852	–	–	–	–	–	–	–	–	3,260
Plant and equipment	–	7,730	5,173	–	2,557	652	–	(43)	(702)	–	–	–	(41)	–	–	7,157	4,734	–	2,423	
Office equipment	–	966	744	–	222	4	3	–	(67)	–	–	10	–	–	–	984	813	–	171	
Land:																				
– Operational land	–	6,685	–	–	6,685	–	–	(36)	–	–	–	178	–	43	–	6,869	–	–	6,869	
– Community land	–	359	–	–	359	–	–	–	–	–	–	(178)	–	139	–	320	–	–	320	
– Land under roads (post 30/6/08)	–	21	–	–	21	–	–	–	–	–	–	–	–	–	–	21	–	–	21	
Land improvements – depreciable	–	605	114	–	491	–	30	–	(23)	–	–	–	–	–	–	635	137	–	498	
Infrastructure:																				
– Buildings – non-specialised	–	774	231	–	543	–	–	–	(15)	–	–	–	–	–	–	774	246	–	528	
– Buildings – specialised	–	35,152	16,972	–	18,180	151	–	–	(677)	410	–	–	(410)	417	–	37,170	19,099	–	18,071	
– Roads	–	144,901	36,288	–	108,613	5,959	27	–	(2,382)	–	(2,593)	–	(847)	–	–	149,769	40,992	–	108,777	
– Bridges	–	7,975	4,073	–	3,902	–	–	–	(107)	–	–	–	(68)	–	–	7,975	4,247	–	3,728	
– Footpaths	–	4,122	950	–	3,172	–	38	–	(64)	–	(2)	–	(50)	–	–	4,141	1,046	–	3,095	
– Bulk earthworks (non-depreciable)	–	2,976	–	–	2,976	–	–	–	–	–	–	–	–	–	–	2,976	–	–	2,976	
– Stormwater drainage	–	19,277	3,850	–	15,427	–	1,347	–	(215)	–	(231)	–	–	(63)	–	20,477	4,212	–	16,265	
– Water supply network	–	42,627	16,488	–	26,139	201	–	–	(602)	–	(4)	–	(132)	–	–	43,324	17,722	–	25,602	
– Sewerage network	–	37,131	21,712	–	15,419	171	4	–	(555)	–	–	–	(209)	–	–	37,737	22,908	–	14,829	
– Swimming pools	–	2,838	1,130	–	1,708	31	–	–	(66)	–	–	–	–	2	–	2,901	1,226	–	1,675	
– Other open space/recreational assets	–	7,497	3,560	–	3,937	169	–	–	(170)	–	–	–	(310)	–	–	7,629	4,003	–	3,626	
Other assets:																				
– Heritage collections	–	70	19	–	51	–	–	–	(1)	–	–	–	–	20	–	70	–	–	70	
– Library books	–	878	686	–	192	–	31	–	(17)	–	–	(10)	–	–	–	871	675	–	196	
– Other	–	7,348	4,663	–	2,685	45	205	–	(88)	–	(22)	–	(166)	–	–	8,387	5,727	–	2,660	
Reinstatement, rehabilitation and restoration assets (refer Note 26):																				
– Tip assets	–	134	52	–	82	–	–	–	(4)	–	–	–	–	42	–	176	56	–	120	
– Quarry assets	–	35	17	–	18	–	–	–	(3)	–	–	–	–	7	–	42	20	–	22	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	408	330,101	116,722	–	213,787	7,383	1,684	(79)	(5,758)	410	–	–	(2,232)	607	3,260	340,405	127,863	–	215,802	

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

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual				Actual			
	2016				2015			
Class of asset	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	–	5	–	5	–	–	–	–
Plant and equipment	–	7	7	–	–	7	6	1
Land								
– Operational land	–	545	–	545	–	545	–	545
– Community land	–	–	–	–	–	20	–	20
Buildings	–	180	159	21	–	180	156	24
Infrastructure	–	43,324	17,722	25,602	–	42,627	16,486	26,141
Other assets	–	169	6	163	–	19	3	16
Total water supply	–	44,230	17,894	26,336	–	43,398	16,651	26,747
Sewerage services								
Plant and equipment	–	207	155	52	–	164	98	66
Office equipment	–	57	45	12	–	57	40	17
Land								
– Operational land	–	1,174	–	1,174	–	1,174	–	1,174
Buildings	–	2	1	1	–	2	1	1
Infrastructure	–	37,192	22,827	14,365	–	36,819	21,815	15,004
Other assets	–	72	12	60	–	57	40	17
Total sewerage services	–	38,704	23,040	15,664	–	38,273	21,994	16,279
Domestic waste management								
Plant and equipment	–	17	17	–	–	–	–	–
Land								
– Operational land	–	24	–	24	–	24	–	24
– Improvements - depreciable	–	276	113	163	–	246	100	146
Buildings	–	143	94	49	–	143	92	51
Other assets	–	341	167	174	–	353	112	241
Total DWM	–	801	391	410	–	766	304	462
TOTAL RESTRICTED I,PP&E	–	83,735	41,325	42,410	–	82,437	38,949	43,488

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

\$ '000	Notes	Actual 2016	Actual 2015
(i) Impairment losses recognised direct to equity (ARR):			
Finley War Memorial Hall is set to be demolished – initially recognised via ARR		–	(410)
Total impairment losses		–	(410)
(ii) Reversals of impairment losses previously recognised direct to equity (ARR):			
Finley War Memorial Hall re-instated		410	–
Total impairment reversals		410	–
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	410	(410)

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		635	–	964	–
Payments received in advance		158	–	140	–
Accrued expenses:					
– Salaries and wages		99	–	314	–
– Other expenditure accruals		(3)	–	1	–
Security bonds, deposits and retentions		40	–	66	17
Total payables		929	–	1,485	17
Borrowings					
Loans – secured ¹		253	1,297	261	1,551
Total borrowings		253	1,297	261	1,551
Provisions					
Employee benefits:					
Annual leave		973	–	943	–
Long service leave		1,593	72	1,490	79
Other leave		75	–	72	–
Sub-total – aggregate employee benefits		2,641	72	2,505	79
Asset remediation/restoration (future works)	26	–	282	–	224
Total provisions		2,641	354	2,505	303
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		3,823	1,651	4,251	1,871
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		116	–	126	111
Liabilities relating to externally restricted assets		116	–	126	111
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		116	–	126	111
Total liabilities relating to unrestricted assets		3,707	1,651	4,125	1,760
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		3,823	1,651	4,251	1,871

¹. Loans are secured over the general rating income of Council

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

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

Provisions – employees benefits	2,183	1,860
	<u>2,183</u>	<u>1,860</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	943	457	(427)	–	–	973
Long service leave	1,569	366	(270)	–	–	1,665
Other leave (enter detai	72	6	(3)	–	–	75
Asset remediation	224	58	–	–	–	282
TOTAL	2,808	887	(700)	–	–	2,995

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,125	4,691
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,125	4,691
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,882	2,490
Adjust for non-cash items:			
Depreciation and amortisation		5,758	5,741
Net losses/(gains) on disposal of assets		(198)	(129)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other		1	–
Unwinding of discount rates on reinstatement provisions		58	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		180	14
Increase/(decrease) in provision for doubtful debts		–	(15)
Decrease/(increase) in inventories		(37)	(38)
Decrease/(increase) in other assets		1	39
Increase/(decrease) in payables		(329)	281
Increase/(decrease) in other accrued expenses payable		(219)	(74)
Increase/(decrease) in other liabilities		(25)	25
Increase/(decrease) in employee leave entitlements		129	372
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		11,201	8,706

(c) Non-cash investing and financing activities

Nil

(d) Financing arrangements

Nil

(e) Bank guarantees

Nil

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		–	108
Plant and equipment		67	144
Water infrastructure		20	79
Roadworks		946	121
Sewer Infrastructure		9	–
Levee		11	–
Drainage		308	–
Total commitments		1,361	452
These expenditures are payable as follows:			
Within the next year		1,361	452
Total payable		1,361	452
Sources for funding of capital commitments:			
Unrestricted general funds		104	107
Future grants and contributions		863	122
Externally restricted reserves		28	79
Internally restricted reserves		78	144
Unexpended loans		288	–
Total sources of funding		1,361	452

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>3,098</u>	14.68%	7.10%	-9.78%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>21,103</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>13,110</u>	55.34%	61.23%	63.99%
Total continuing operating revenue ⁽¹⁾	<u>23,689</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>10,741</u>	7.05x	4.19x	4.05x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>1,524</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,943</u>	25.63x	31.31x	26.03x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>349</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>342</u>	3.53%	4.44%	5.05%
Rates, annual and extra charges collectible	<u>9,702</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>23,755</u>	19.97 mths	19.9 mths	13.6 mths
Payments from cash flow of operating and financing activities	<u>1,189</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Berrigan Shire Council

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

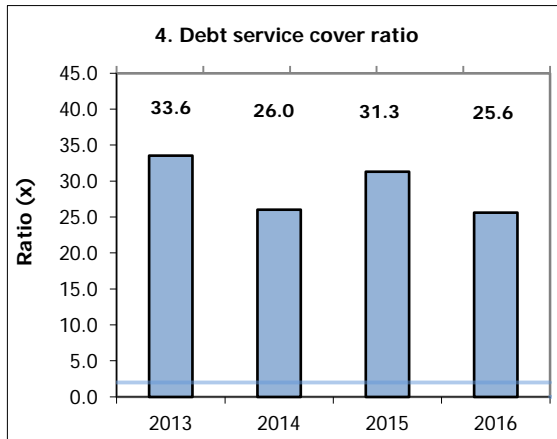
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>-3%</td> </tr> <tr> <td>2014</td> <td>-10%</td> </tr> <tr> <td>2015</td> <td>7%</td> </tr> <tr> <td>2016</td> <td>15%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	-3%	2014	-10%	2015	7%	2016	15%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 14.68%</p> <p>The last two years have seen the Council meet the set benchmark for this ratio. The 2014 result is anomalous because of a issue relating to the timing receipt of the Council's annual Federal Financial Assistance Grant.</p>
Year	Ratio %											
2013	-3%											
2014	-10%											
2015	7%											
2016	15%											
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>60%</td> </tr> <tr> <td>2014</td> <td>64%</td> </tr> <tr> <td>2015</td> <td>61%</td> </tr> <tr> <td>2016</td> <td>55%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	60%	2014	64%	2015	61%	2016	55%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 55.34%</p> <p>The Council has met this benchmark over the previous three years. Somewhat ironically this year, as a result of the Council's success in attracting grant funding for the upgrade of its infrastructure, the Council's own source funding falls below the benchmark.</p>
Year	Ratio %											
2013	60%											
2014	64%											
2015	61%											
2016	55%											
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>3.5</td> </tr> <tr> <td>2014</td> <td>4.0</td> </tr> <tr> <td>2015</td> <td>4.2</td> </tr> <tr> <td>2016</td> <td>7.0</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (x)	2013	3.5	2014	4.0	2015	4.2	2016	7.0	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 7.05x</p> <p>The Council continues to meet benchmarks for this ratio indicating it has adequate liquidity and working capital. The growth this year is partly the result of deferring some capital works funded from its own resources to complete grant-funded projects.</p>
Year	Ratio (x)											
2013	3.5											
2014	4.0											
2015	4.2											
2016	7.0											

Berrigan Shire Council

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

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



Purpose of debt service cover ratio

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

Commentary on 2015/16 result

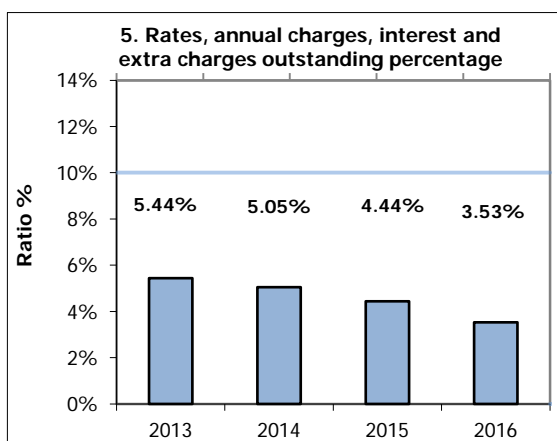
2015/16 ratio 25.63x

Council continues to comfortably meet this benchmark. The low level of indebtedness allowed the Council to take on additional debt in 2014/15 to accelerate some of its stormwater drainage program.

Benchmark: Minimum ≥ 2.00

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

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2015/16 result

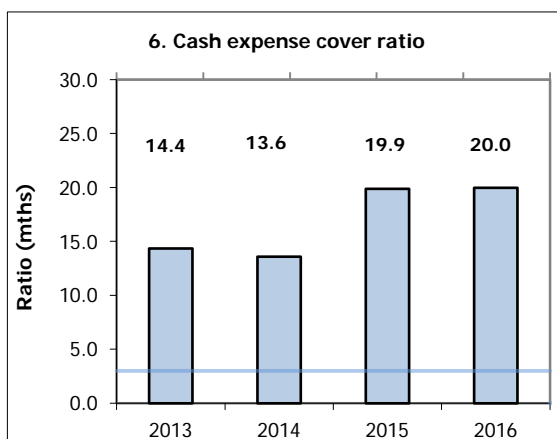
2015/16 ratio 3.53%

The Council continues to improve in this area from an already excellent result. Efficient collection of rates and charges owing assists with Council's liquidity and maintains equity across ratepayers.

Benchmark: Maximum $< 10.00\%$

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

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 19.97 mths

Council continues to maintain more than adequate cash reserves.

Benchmark: Minimum ≥ 3.00

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

Ratio achieves benchmark
Ratio is outside benchmark

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	21.22%	11.95%	13.53%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 24.98%	1.15%	3.84%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	98.72%	97.60%	41.84%
Total continuing operating revenue ⁽¹⁾	prior period: 98.30%	97.65%	48.73%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	58.26x	No liabilities	7.05x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 46.22x	No liabilities	4.19x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	114.83x	0.00	20.02x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 71.25x	0.00x	24.55x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	1.93%	0.00%	5.03%
Rates, annual and extra charges collectible	prior period: 6.10%	0.00%	5.23%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	13.33 mths	17.72 mths	21.56 mths
Payments from cash flow of operating and financing activities	prior period: 9.45 mths	9.55 mths	23.19 mths

Notes

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

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

Berrigan Shire Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	4,125	4,691	4,125	4,691
Investments				
– 'Held to maturity'	19,630	16,630	19,630	16,630
Receivables	1,230	1,479	1,230	1,489
Total financial assets	24,985	22,800	24,985	22,810
Financial liabilities				
Payables	771	1,362	771	1,362
Loans/advances	1,550	1,812	1,550	1,811
Total financial liabilities	2,321	3,174	2,321	3,173

Fair value is determined as follows:

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

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

The risks associated with the investments held are:

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	237	(237)	(237)	237
2015				
Possible impact of a 1% movement in interest rates	213	(213)	(213)	213

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		69%	63%	50%	78%
Overdue		31%	37%	50%	22%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	261	362	221	663
< 1 year overdue	0 – 30 days overdue	38	349	98	300
1 – 2 years overdue	30 – 60 days overdue	19	51	73	15
2 – 5 years overdue	60 – 90 days overdue	20	26	20	47
> 5 years overdue	> 90 days overdue	4	118	4	56
		342	906	416	1,081
(iii) Movement in provision for impairment of receivables					
				2016	2015
Balance at the beginning of the year				18	33
– amounts provided for but recovered during the year				–	(13)
– previous impairment losses reversed				–	(2)
Balance at the end of the year				18	18

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	40	731	–	–	–	–	–	771	771
Loans and advances	200	200	200	200	200	200	550	1,750	1,550
Total financial liabilities	240	931	200	200	200	200	550	2,521	2,321
2015									
Trade/other payables	83	1,279	–	–	–	–	–	1,362	1,362
Loans and advances	–	464	357	200	200	200	719	2,140	1,812
Total financial liabilities	83	1,743	357	200	200	200	719	3,502	3,174

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	771	0.00%	1,362	0.00%
Loans and advances – fixed interest rate	1,550	4.26%	1,812	4.80%
	<u>2,321</u>		<u>3,174</u>	

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 15 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES				
Rates and annual charges	9,068	9,201	133	1% F
User charges and fees	1,392	2,367	975	70% F
Water consumption was greater than expected, as was non-domestic waste collection. Building, planning and rates certificates all exceeded budgeted expectations, as did water connection revenue - a result of increased development in Berrigan Shire.				
Interest and investment revenue	438	722	284	65% F
The Council is traditionally conservative when budgeting for interest investment revenue. The Council cash holdings have increased over the financial year.				
Other revenues	513	820	307	60% F
Sales of high security water are conservatively included in the council original budget.				
Operating grants and contributions	6,297	7,993	1,696	27% F
Additional Roads to Recovery funding was allocated to Berrigan Shire Council in 2015/16, which the Council was required to spend this financial year.				
Capital grants and contributions	3,103	2,586	(517)	(17%) U
The Council has not completed the Silo Rd project funded under Fixing Country Roads, this is expected to be completed in late 2016, when the balance of the grant will be claimed.				
Net gains from disposal of assets	–	198	198	0% F
The Council made an additional \$140,000 profit on the sale of developed land over and above cost of development at Tocumwal Aerodrome and Finley St subdivisions.				

Berrigan Shire Council

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

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	7,166	7,188	(22)	(0%)	U
Borrowing costs	76	87	(11)	(14%)	U
Costs on remediation are included in borrowing cost but not budgeted.					
Materials and contracts	2,023	3,031	(1,008)	(50%)	U
Council received extra Roads to Recovery funding for the year which needed to be spent in the financial year, hence the extra expenditure.					
Depreciation and amortisation	5,422	5,758	(336)	(6%)	U
Other expenses	2,008	1,941	67	3%	F
Net losses from disposal of assets	9	-	9	100%	F
Council did not make a loss on the disposal of plant, contrary to expectations.					

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

Cash flows from operating activities	9,440	11,201	1,761	18.7%	F
Council always estimates income conservatively, income from all sources was greater than anticipated.					
Cash flows from investing activities	(9,575)	(11,505)	(1,930)	20.2%	U
Stronger than anticipated performance resulted in a stronger cash position.					
Cash flows from financing activities	(262)	(262)	-	0.0%	F

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94 not under plans	69	16	27	–	–	–	85	–
S64 contributions	436	–	–	–	(436)	–	–	–
Total contributions	505	16	27	–	(436)	–	85	–

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	5	-	-	-	-	5	-
Roads	-	-	27	-	-	-	-	-
Parking	3	-	-	-	-	-	3	-
Open space	66	6	-	-	-	-	72	-
Sewer	-	5	-	-	-	-	5	-
Total	69	16	27	-	-	-	85	-

S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water	7,099	-	-	-	(7,099)	-	-	-
Total	7,099	-	-	-	(7,099)	-	-	-

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119.

Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2016 was \$160,748.23

The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on the 24th February 2016 and covers the period ended 30 June 2015. However the position is monitored annually and the actuary has estimated that as at 30 June 2015 a deficit still exists.

(i) Defined Benefit Superannuation Contribution Plans (continued)

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

Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$80,374.11. The share of this deficit that can be broadly attributed to the Council was estimated to be in the order of \$172,247.48 as at 30 June 2016 (0.23%).

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.

(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.

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(ii) Statewide Limited (continued)

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

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) Other Guarantees

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to and including 30th June 2008.

Note 19. Interests in other entities

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		94,642	92,451
a. Net operating result for the year		5,882	2,490
b. Transfers between equity		3	(299)
Balance at end of the reporting period		100,527	94,642

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

– Infrastructure, property, plant and equipment revaluation reserve		135,221	137,583
Total		135,221	137,583

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

– Opening balance		137,583	108,440
– Revaluations for the year	9(a)	(1,625)	29,254
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	410	(410)
– Transfer to retained earnings for asset disposals		(3)	299
– Correction of prior period errors	20(c)	(1,144)	–
– Balance at end of year		135,221	137,583

TOTAL VALUE OF RESERVES

135,221	137,583
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(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
During the revaluation of community land assets Council identified 21 parcels of land classified as community and 1 parcel classified as operating land which are in fact Crown Land. These parcels had all been initially brought to Council accounts via Asset Revaluation Reserve.			
The following balances were affected:			
Community Land opening balance		(20)	–
Operational Land opening balance		(1,124)	–
Asset Revaluation Reserve - Land		(1,144)	–
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 – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		(1,144)	–
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		–	–
Total prior period adjustments – prior period errors		(1,144)	–

(d) Voluntary changes in accounting policies

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,813	1,788	5,600
User charges and fees	1,118	59	1,190
Interest and investment revenue	179	183	360
Other revenues	476	45	299
Grants and contributions provided for operating purposes	–	–	7,993
Grants and contributions provided for capital purposes	–	5	2,581
Other income			
Net gains from disposal of assets	–	–	198
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	3,586	2,080	18,221
Expenses from continuing operations			
Employee benefits and on-costs	365	308	6,515
Borrowing costs	12	–	75
Materials and contracts	1,431	735	865
Depreciation and amortisation	615	580	4,563
Impairment	–	–	–
Other expenses	401	190	1,350
Total expenses from continuing operations	2,824	1,813	13,368
Operating result from continuing operations	762	267	4,853
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	762	267	4,853
Net operating result attributable to each council fund	762	267	4,853
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	762	262	2,272

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

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

Berrigan Shire Council

Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,416	1,816	1,523
Investments	4,000	4,000	10,000
Receivables	253	129	964
Inventories	89	4	130
Other	–	–	27
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	6,758	5,949	12,644
Non-current assets			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	185
Infrastructure, property, plant and equipment	26,336	15,664	173,802
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	26,336	15,664	173,987
TOTAL ASSETS	33,094	21,613	186,631
LIABILITIES			
Current liabilities			
Payables	5	–	929
Borrowings	111	–	253
Provisions	–	–	2,641
Total current liabilities	116	–	3,823
Non-current liabilities			
Payables	–	–	–
Borrowings	–	–	1,297
Provisions	–	–	354
Total non-current liabilities	–	–	1,651
TOTAL LIABILITIES	116	–	5,474
Net assets	32,978	21,613	181,157
EQUITY			
Retained earnings	21,860	10,319	68,348
Revaluation reserves	11,118	11,294	112,809
Total equity	32,978	21,613	181,157

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

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Assets 'held for sale'	
	2016	2015
(i) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance	–	229
Balance still unsold after 12 months:	–	229
Plus new transfers in:		
– Assets 'held for sale'	–	(229)
Closing balance of 'held for sale' non-current assets and operations	<u>–</u>	<u>–</u>

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 12/10/2016.

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

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

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

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

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

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

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

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Finley Recycle Centre	2059	14	11
Tocumwal Inert Hard Waste Depot	2017	34	34
Berrigan Landfill	2059	173	126
Pine Lodge Gravel Pit	2038	61	53
Balance at end of the reporting period	10(a)	282	224

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	224	224
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	48	(8)
Amortisation of discount (expensed to borrowing costs)	10	8
Total – reinstatement, rehabilitation and restoration provision	282	224

Amount of expected reimbursements

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	2,423	2,423
Office equipment	30/06/14	–	–	171	171
Operational land	30/06/13	–	–	6,869	6,869
Community land	30/06/16	–	–	320	320
Land under roads (post 30/06/08)	30/06/14	–	–	21	21
Land improvements – depreciable	30/06/13	–	–	498	498
Buildings – non-specialised	30/06/13	–	–	528	528
Buildings – specialised	30/06/13	–	–	18,071	18,071
Roads	30/06/15	–	–	108,777	108,777
Bridges	30/06/15	–	–	3,728	3,728
Footpaths	30/06/15	–	–	3,095	3,095
Bulk earthworks	30/06/15	–	–	2,976	2,976
Stormwater drainage	30/06/15	–	–	16,265	16,265
Water supply network	30/06/15	–	–	25,602	25,602
Sewer network	30/06/15	–	–	14,829	14,829
Swimming pools	30/06/16	–	–	1,675	1,675
Heritage collections	30/06/16	–	–	70	70
Library books	30/06/14	–	–	196	196
Other assets	30/06/16	–	–	2,660	2,660
Tip assets	30/06/16	–	–	120	120
Quarry assets	30/06/16	–	–	22	22
Open Space	30/06/13	–	–	3,626	3,626
Total infrastructure, property, plant and equipment		–	–	212,542	212,542

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	2,556	2,556
Office equipment	30/06/14	–	–	222	222
Operational land	30/06/13	–	–	6,706	6,706
Community land	30/06/13	–	–	1,482	1,482
Land under roads (post 30/06/08)	30/06/14	–	–	21	21
Land improvements – depreciable	30/06/13	–	–	491	491
Buildings – non-specialised	30/06/13	–	–	543	543
Buildings – specialised	30/06/13	–	–	18,180	18,180
Roads	30/06/15	–	–	108,613	108,613
Bridges	30/06/15	–	–	3,902	3,902
Footpaths	30/06/15	–	–	3,172	3,172
Bulk earthworks	30/06/15	–	–	2,976	2,976
Stormwater drainage	30/06/15	–	–	15,427	15,427
Water supply network	30/06/15	–	–	26,139	26,139
Sewer network	30/06/15	–	–	15,419	15,419
Swimming pools	30/06/13	–	–	1,708	1,708
Heritage collections	30/06/13	–	–	51	51
Library books	30/06/14	–	–	191	191
Other assets	30/06/15	–	–	6,623	6,623
Tip assets	30/06/15	–	–	83	83
Quarry assets	30/06/13	–	–	18	18
Total infrastructure, property, plant and equipment		–	–	214,523	214,523

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

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

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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

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

Financial Liabilities

Payables: Outstanding creditor payments, security bonds and deposits

Valuation technique – “Cost approach”
Inputs used (Level 2) – Cost of product or service

Loans/Advances: Outstanding loan from bank

Valuation technique – “Cost approach”
Inputs used (Level 2) – Amount of loan outstanding as advised by lender.

Infrastructure, Property, Plant & Equipment

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

Valuation technique – “Cost approach”
Inputs used (Level 3) – Fair value is approximated by depreciated historical cost.

Office Equipment: Computers, office furniture

Valuation technique – “Cost approach”
Inputs used (Level 3) – Fair value is approximated by depreciated historical cost.

Operational land: Land under Council offices, depots, libraries, water and sewer treatment plants etc.

Valuation technique – “Market approach”
Inputs used (Level 3) – Land area, rate per square metre, zoning, geographical location, sales of comparable land.

Council’s operational land has been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject property with adjustment for differences between key attributes of the properties.

Council’s operational land was valued by Mr Martin Burns of Liquid Pacific Pty Ltd, a registered valuer

Community land: Land under parks, recreation reserves, public halls etc.

Valuation technique – “Market approach”
Inputs used (Level 3) – Land area, rate per square metre, zoning, geographical location, sales of comparable land

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Council's operational land has been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject property with adjustment for differences between key attributes of the properties.

Council's community land was valued using the unimproved land value provided by the NSW Valuer General in accordance with Office of Local Government guidance for infrastructure assets.

Land under roads: Land under roads acquired since 1 July 2008

Valuation technique – "Market approach"

Inputs used (Level 3) – Land area, rate per square metre, zoning, geographical location, sales of comparable land.

Council's operational land has been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject property with adjustment for differences between key attributes of the properties. As the Council's land under roads assets have no feasible alternate use, significant adjustments to the rate per square meter have been applied to the unobservable inputs and are based on a rate per square metre.

Council's Land under roads was valued by Ms Kelly Wickham of AssetVal Pty Ltd, a registered valuer.

Land Improvements - depreciable: Car parks, netball and tennis courts, fences etc.

Valuation technique – "Cost approach"

Inputs used (Level 3) –, dimensions, specifications. (Level 3) – Unit rates, Condition, Remaining life, Residual value

These assets were valued at depreciated replacement cost. Available market data for recent projects and published cost guides are used to determine the estimated replacement cost of the asset, including preliminaries. A condition assessment is then applied based on factors such as the age of the asset, overall condition and remaining life. In some cases, residual values are factored into the calculation, which is the value at the time the asset is considered to no longer be available.

Council's Land Improvements were valued at depreciated historical cost as a representation of fair value in accordance with Office of Local Government guidance for infrastructure assets.

Buildings (Non-specialised): Residences

Valuation technique – "Market approach"

Inputs used (Level 3) – Sales evidence

Council's non-specialised buildings have been valued at a market value, involving the inspection and analysis of sales evidence and comparisons with the subject building with adjustment for differences between key attributes of the properties. The land value is then subtracted from the market value of the property to measure the building asset fair value.

Council's Buildings (non-specialised) was valued by Mr Martin Burns of Liquid Pacific Pty Ltd, a registered valuer.

Buildings (Specialised): Community halls, toilet blocks, Council office, libraries, depot buildings, sheds etc.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, dimensions, specifications. (Level 3) – Condition, Remaining life, Residual value

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

These assets were valued at depreciated replacement cost. Available market data for recent projects and published cost guides are used to determine the estimated replacement cost of the asset, including preliminaries. A condition assessment is then applied based on factors such as the age of the asset, overall condition and remaining life. In some cases, residual values are factored into the calculation, which is the value at the time the asset is considered no longer to be available.

Council's Buildings (specialised) was valued by Mr Martin Burns of Liquid Pacific Pty Ltd, a registered valuer.

Roads, Bridges, Footpaths: Road surface, pavement, formation, road furniture, bridges, culverts.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, useful life, asset condition, specifications.

These assets were valued at depreciated replacement cost. Council's road infrastructure assets are segmented and componentised into the following categories:

- Seal
- Pavement
- Formation and earthworks
- Culverts
- Road furniture (signs, guideposts, guardrails)

Council has surveyed its entire road network to measure both length and width of pavement and seal.

Unit rates were based on Council's own cost data based on its average cost across its entire road network, benchmarked against rates provided in relevant construction cost guides. Unit rates are applied consistently across the road network regardless of topography, soil type and geographical location.

Condition assessments have been applied across the entire road network to establish remaining useful lives.

Bridges were valued on the basis of deck area, with composite deck being \$1,900 per square metre, and concrete \$2,200 per square metre.

Culverts were valued on their replacement cost from a relevant construction cost guide.

Council's roads, bridges and footpath assets were valued in-house by Mr Fred Exton – Director Technical Services.

Bulk earthworks: Levee banks.

Valuation technique – "Cost approach"

Inputs used (Level 3) – Unit rates, dimensions, condition

The unit rates were determined by current replacement cost.

Council's bulk earthworks were valued in-house by Mr Fred Exton – Director Technical Services.

Stormwater drainage: Kerb and gutter, drainage network, pumps and pump well, retention basins etc.

Valuation technique – "Cost approach"

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Inputs used (Level 3) – Unit rates, useful life, asset condition, dimensions and specification

Council has surveyed its entire stormwater drainage network to measure both length and width of pipes and location and depth of pits.

Unit rates were based on Council's own cost data based on its average cost across its entire stormwater drainage network, benchmarked against rates provided in relevant construction cost guides. Values for pumps are based on depreciated replacement cost.

Condition assessments have been applied across the entire drainage network to establish remaining useful lives.

Council's stormwater drainage assets were valued in-house by Mr Fred Exton – Director Technical Services.

Water Supply Network: Treatment plants, mains, reservoirs etc.

Valuation technique – “Cost approach”

Inputs used (Level 3) – Unit rates, useful life, asset condition, dimensions and specification

The Council has surveyed its entire sewerage network to measure both length and width of pipes and their location.

Unit rates are based on the *NSW References Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*, including annual indexation.

Condition assessments were applied to individual assets based on inspection programs, including the use of cameras. Where inspections have not been, or are unable to be, made the life of the asset has been used to estimate condition.

Council's water network assets were valued in-house by Mr Fred Exton – Director Technical Services

Sewerage Network: Sewer pipes, pump stations, treatment plants etc.

Valuation technique – “Cost approach”

Inputs used (Level 3) – Unit rates, useful life, asset condition, dimensions and specification

The Council has surveyed its entire sewerage network to measure both length and width of pipes and location and depth of pits.

Unit rates are based on the *NSW References Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*, including annual indexation.

Condition assessments were applied to individual assets based on inspection programs, including the use of cameras. Where inspections have not been, or are unable to be, made the life of the asset has been used to estimate condition.

Council's sewerage network assets were valued in-house by Mr Fred Exton – Director Technical Services

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Other Assets

Heritage collections:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Library books: Books and other collection items.

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Library books are valued as bulk annual purchases and depreciated using a standard useful life.

Other Assets:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Councils other assets were valued at depreciated historical cost as a representation of fair value in accordance with Office of Local Government guidance for infrastructure assets.

Tip & Quarry Assets:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Councils tip and quarry assets were valued at depreciated historical cost, and remediation costs are estimated in House by Mr Fred Exton, Director of Technical Services, and are factored to account for inflation.

Open Space Assets:

Valuation technique – “Cost approach”

Inputs used (Level 3) – Fair value is approximated by depreciated historical cost

Councils tip and quarry assets were valued at depreciated historical cost as a representation of fair value in accordance with Office of Local Government guidance for infrastructure assets.

Non Current Assets classified as "Held for Sale"

Assets previously classified as “held for Sale” are actively being marketed however as they may not sell within 12 months, or indeed for some considerable time they have been transferred to Inventory assets along with all other land being marketed.

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Operational land	Community land	Depreciable land impro- vements	Land under roads	Total
Opening balance – 1/7/14	6,716	1,482	514	21	8,733
Purchases (GBV)	7	–	–	–	7
Depreciation and impairment	–	–	(23)	–	(23)
Other movement	(18)	–	–	–	(18)
Closing balance – 30/6/15	6,705	1,482	491	21	8,699
Purchases (GBV)	–	–	–	–	–
Depreciation and impairment	–	–	–	–	–
Other movement	–	–	–	–	–
Closing balance – 30/6/16	6,705	1,482	491	21	8,699

	Buildings non specialised	Buildings specialised	Plant and equipment	Office equipment	Total
Opening balance – 1/7/14	558	17,555	2,766	272	21,151
Purchases (GBV)	–	180	808	24	1,012
Disposals (WDV)	–	–	(247)	(3)	(250)
Depreciation	(15)	(708)	(771)	(71)	(1,565)
Impairment	–	(412)	–	–	(412)
WIP transfers	–	1,565	–	–	1,565
Closing balance – 30/6/15	543	18,180	2,556	222	21,501
Purchases (GBV)	–	–	–	–	–
Disposals (WDV)	–	–	–	–	–
Depreciation	–	–	–	–	–
Impairment	–	–	–	–	–
WIP transfers	–	–	–	–	–
Closing balance – 30/6/16	543	18,180	2,556	222	21,501

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Roads	Bridges	Footpaths	Bulk earthworks	Total
Opening balance – 1/7/14	87,284	3,359	2,853	2,976	96,472
Purchases (GBV)	3,398	–	129	–	3,527
Depreciation	(2,275)	(107)	(63)	–	(2,445)
FV gains – other comprehensive income	20,598	336	253	–	21,187
Transfers to/from WIP	(78)	–	–	–	(78)
Transfer to another asset class	(314)	314	–	–	–
Closing balance – 30/6/15	108,613	3,902	3,172	2,976	118,663
Purchases (GBV)	–	–	–	–	–
Depreciation	–	–	–	–	–
FV gains – other comprehensive income	–	–	–	–	–
Transfers to/from WIP	–	–	–	–	–
Transfer to another asset class	–	–	–	–	–
Closing balance – 30/6/16	108,613	3,902	3,172	2,976	118,663
	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Total
Opening balance – 1/7/14	7,771	26,133	15,336	1,774	51,014
Transfers from/(to) another asset class	(716)	–	716	–	–
Purchases (GBV)	597	139	59	–	795
Depreciation and impairment	(203)	(598)	(574)	(66)	(1,441)
FV gains – other comprehensive income	8,073	298	(285)	–	8,086
WIP Transfer	(95)	167	167	–	239
Closing balance – 30/6/15	15,427	26,139	15,419	1,708	58,693
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	–	–	–	–	–
Depreciation and impairment	–	–	–	–	–
FV gains – other comprehensive income	–	–	–	–	–
WIP Transfer	–	–	–	–	–
Closing balance – 30/6/16	15,427	26,139	15,419	1,708	58,693

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Heritage collection	Library books	Other assets	Tip and quarry assets	Total
Opening balance – 1/7/14	51	175	6,641	115	6,982
Purchases (GBV)	–	34	190	–	224
Depreciation and impairment	–	(18)	(241)	(8)	(267)
FV gains – Income Statement ¹	–	–	–	(7)	(7)
WIP Transfers	–	–	33	–	33
Closing balance – 30/6/15	51	191	6,623	100	6,965
Purchases (GBV)	–	–	–	–	–
Depreciation and impairment	–	–	–	–	–
FV gains – Income Statement ¹	–	–	–	–	–
WIP Transfers	–	–	–	–	–
Closing balance – 30/6/16	51	191	6,623	100	6,965

Notes

(GBV) = Gross Book Value

(WDV) = Written Down Value

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

I,PP&E

Class	Fair Value (30/6/16) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	\$2,423	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	Various 1-10 years	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value
Office Equipment	\$171	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	Various 3-25 years	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value
Operational Land	\$6,869	Market Approach	<ul style="list-style-type: none"> Price per square metre, Land area, zoning, geographical location, sales of comparable land 	\$1,000- \$70,000 per hectare or \$1- \$180 per sq metre	Changes in land zoning restrictions can have significant impacts on land values per sq metre. Changes in comparable land sales and availability of land can also have significant impact
Community Land	\$1,482	Market Approach	<ul style="list-style-type: none"> Price per square metre, Land area, zoning, geographical location, sales of comparable land 	\$1,000- \$70,000 per hectare or \$1- \$180 per sq metre	Any change in the average unimproved capital value will increase / decrease fair value

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Fair Value (30/6/16) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Land under Roads (post 30/06/08)	\$21	Market Approach	<ul style="list-style-type: none"> Price per square metre, Land area, zoning, geographical location, sales of comparable land Alternate Uses 	\$1-\$100 per sq metre	Changes in land zoning restrictions can have significant impacts on land values per sq metre. Changes in comparable land sales and availability of land can also have significant impact
Land Improvements - Depreciable	\$498	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$1-\$1000 per sq metre Very Poor to Excellent 10-40 yrs	Any change in the component pricing and asset condition will have an impact on fair value
Buildings – Non Specialised	\$528	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$1-\$100,000 Very Poor to Excellent 5-50 years	Any change in the component pricing and asset condition will have an impact on fair value
Buildings - Specialised	\$18,071	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$1-\$5,000 Very Poor to Excellent 5-50 years	Any change in the component pricing and asset condition will have an impact on fair value

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Fair Value (30/6/16) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Roads	\$108,777	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$3 to \$20 per sq metre (roads) \$120 (kerb & gutter) \$120 -\$400 per lineal meter (culverts) Very Poor to Excellent 20-100 years (roads) 80-150 years (kerb & gutter) 50 years (Culverts)	Any change in the component pricing and asset condition will have an impact on fair value
Bridges	\$3,728	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$1,900 composite \$2,200 concrete Excellent to Poor 80 years	Any change in the component pricing and asset condition will have an impact on fair value
Footpaths	\$3,095	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$8-\$120 per lineal metre Excellent to Poor 60 years	Any change in the component pricing and asset condition will have an impact on fair value
Bulk Earthworks	\$2,976	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$1-\$2,500 per sq metre Excellent to Poor 60-100 years	Any change in the component pricing and asset condition will have an impact on fair value

Berrigan Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Fair Value (30/6/16) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Stormwater Drainage	\$16,265	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	\$50-\$1,500 per sq metre Excellent to Poor 50 years	Any change in the component pricing and asset condition will have an impact on fair value
Water Supply Network	\$25,602	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	Various Excellent to Poor 50-100 years	Any change in the component pricing and asset condition will have an impact on fair value
Sewer Network	\$14,829	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	Various Excellent to Poor 50-100 years	Any change in the component pricing and asset condition will have an impact on fair value
Swimming Pools	\$1,675	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	Various Excellent to Poor 20-50years	Any change in the component pricing and asset condition will have an impact on fair value
Heritage Collections	\$70	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	Various Excellent to Poor 80-100 years	Any change in the component pricing and asset condition will have an impact on fair value
Library Books	\$196	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	Various Excellent to Poor 2-10 years	Any change in the component pricing and asset condition will have an impact on fair value

Berrigan Shire Council

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

Note 27. Fair value measurement (continued)

Class	Fair Value (30/6/16) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Other Assets	\$2,660	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	Various Excellent to Poor 2-50 years	Any change in the component pricing and asset condition will have an impact on fair value
Tip & Quarry Assets	\$144	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful Life 	Various Excellent to Poor 50-60 years	Any change in the component pricing and asset condition will have an impact on fair value

c. The valuation process for level 3 fair value measurements

Refer Note 27- Note 3 (above)

(5). Highest and best use

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

INDEPENDENT AUDITOR'S REPORT TO BERRIGAN SHIRE COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

Report on the Financial Statements

We have audited the accompanying financial statements of Berrigan Shire Council ('the Council'), which comprises the statement of financial position as at 30 June 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 27 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2)(c) of the Local Government Act, 1993.

Council's Responsibility for the Financial Statements

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Cost of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of 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 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 auditors' judgment, 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 controls 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 controls. 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 performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, cash flow statement, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules.

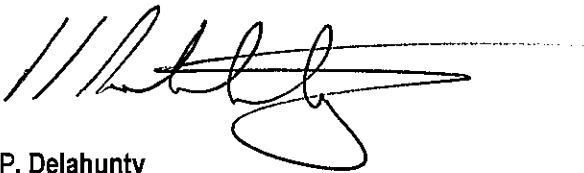
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit opinion expressed in this report has been formed on the above basis.

Auditor's Opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;
- b) The Council's financial statements:
 - Have been properly prepared in accordance with the requirements of this Division;
 - Are consistent with the Council's accounting records;
 - Present fairly the Council's financial position and result of its operations; and
 - Are in accordance with applicable 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 during the course of the audit.



P.P. Delahunty

Partner

Richmond Sinnott & Delahunty

12th October 2016

12th October 2016

The Mayor
Berrigan Shire Council
PO Box 137
Berrigan NSW 2712

Dear Mr Mayor,

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – SECTION 417(3)
BERRIGAN SHIRE COUNCIL
YEAR ENDED 30 JUNE 2016**

We have audited the financial statements of Berrigan Shire Council (Council) for the financial year ended 30 June 2016. Our audit resulted in an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417(3) of the *Local Government Act 1993* we submit our report on the conduct of the audit of Berrigan Shire Council for the year ended 30 June 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free 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 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) Regulations 2005* to assist in the understanding of the financial statements and our reports.

Operating Result

As disclosed in the Income Statement, Council has achieved a net operating surplus of \$5,882k, which included capital contributions and grants. This is up from a surplus of \$2,490k in the 2015 financial year.

Significant items of income and expense in the income statement were:

	2016 \$'000	2015 \$'000	Variance (%)	Budget 2016 \$'000	Variance (%)
Rates and Annual Charges	9,201	8,826	4.2%	9,068	1.4%
User Charges and Fees	2,367	2,214	6.9%	1,392	70.0%
Grants & Contributions – Operating	7,993	6,889	16.0%	6,297	26.9%
Grants & Contributions – Capital	2,586	988	161.7%	3,103	(16.6%)
Employee Costs	(7,188)	(7,295)	(1.47%)	(7,166)	0.3%
Materials & Contracts	(3,031)	(2,860)	5.9%	(2,023)	49.8%
Depreciation	(5,758)	(5,741)	0.3%	(5,422)	6.2%

Council's operations have remained relatively consistent across the two financial periods. Details around significant movement in major items include:

- Rates & Annual Charges – Revenue derived from rates and charges is fairly consistent with budget targets and prior year. Overall increase for the current year is in line with level of rate peg and property growth.
- User Charges & Fees – Almost 60% higher than budget due to conservative budgeting measure by Council, particularly in regard to charges in relation to water consumption which are highly vulnerable to climatic impacts. Increase from the prior year relates to an increase in charges for water consumption (no water restrictions in 2015/16), and also an increase in waste services charges compared to prior year.
- Operating Grants & Contributions – During the 2015/16 year, Council was the recipient of additional Roads to Recovery funding, which was spent during the financial year as required by the funding body. These additional funds were not received in the prior year, nor were they accounted for in the Council budget.
- Capital Grants & Contributions – Council applied for and was successful obtaining funding under the Restart NSW Infrastructure Fund program. The application was in relation to significant upgrade works to be undertaken at Silo Road. The total amount of the project funding was included in the Council budget for the 2015/16 year, however as at 30 June 2016 the project remained incomplete. The remainder of the funds will be claimed upon completion.

- **Employee Costs** – The level of salaries and wages expenses have remained consistent with the prior year, with only a minor reduction in the overall staff numbers. The costs are consistent with the level of expenditure budgeted by Council.
- **Materials & Contracts** – As noted above, Council was the recipient of additional grant funding under the Roads to Recovery program. These funds were required to be spent on upgrade and renewal safety works, which has increased the level of the material and contracts expenditure since the prior year. This funding was not accounted for in the Council budget, as was the case with the corresponding expenditure.

Financial Position

Unrestricted Working Capital

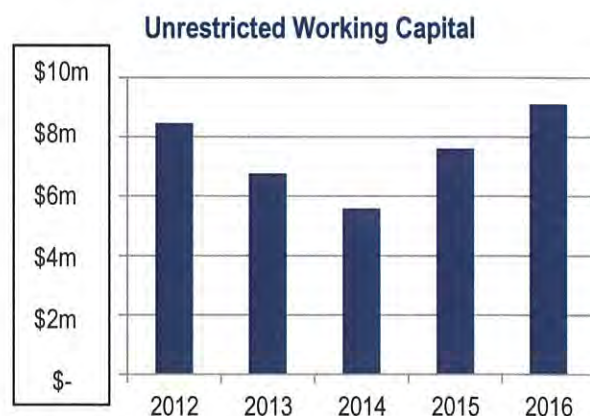
A key measure of the Council's financial position is its unrestricted working capital (available current assets). The following sets out the unrestricted working capital position of Council as at the end of the financial year:

	2016	2015
	\$'000	\$'000
Current Assets	25,235	23,057
External Restrictions on Assets	(14,494)	(13,067)
Current Liabilities	(3,823)	(4,251)
Payables & Provisions not expected to settle within 12 months	2,183	1,860
Unrestricted Working Capital	9,101	7,599

The above represents the amount of working capital Council has available to meet its future spending requirements after making allowance for any restrictions in place over the use of such working capital.

The level of unrestricted working capital held by Council is at a sustainable level. The level of unrestricted funds has improved over the past two years and is at a level where the ongoing sustainability of Council is not considered an issue.

We recommend that Council continue to monitor its unrestricted working capital position when reviewing its overall financial position.

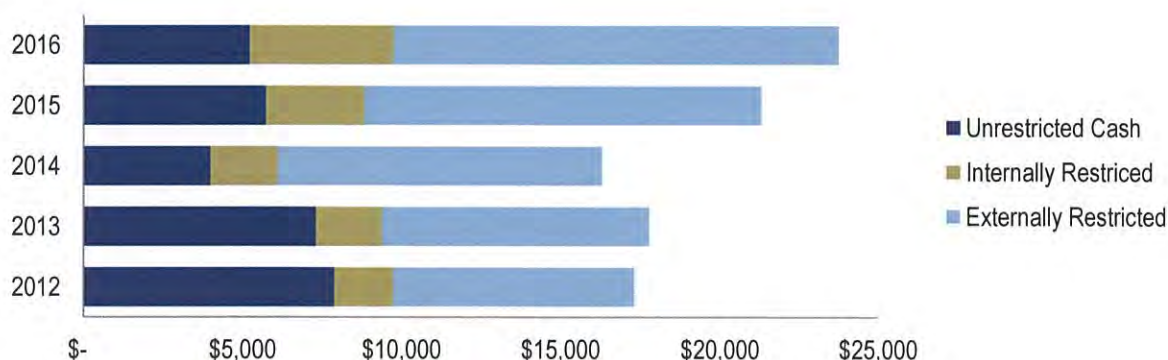


Unrestricted Cash

We note that the unrestricted working capital amounts disclosed above do not take into account internal restrictions imposed on cash assets by Council as per their forward plans and identified programs of works.

	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Total Cash & Investments	23,755	21,321	16,309	17,789	17,332
External Restrictions	14,018	12,504	10,231	8,421	7,603
Internal Restrictions	4,526	3,112	2,090	2,090	1,859
Unrestricted	5,211	5,706	3,988	7,278	7,870

Note 6 to the financial accounts notes total cash and investments held by Council of \$23.755 million. Of this amount, \$14.018 million is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided. A further \$4.526 million is subject to internal restrictions which have been agreed upon by Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with their management plans.

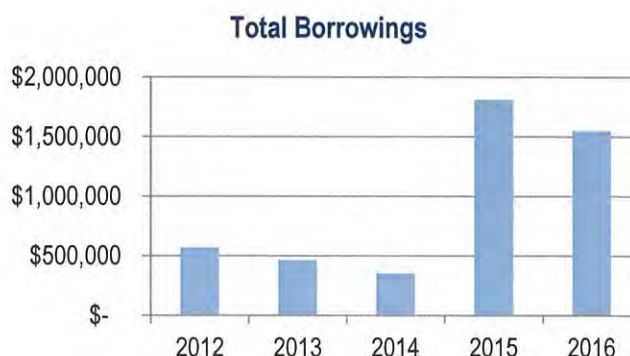


The unrestricted balance of \$5.211 million represents funds available to cover non-budgeted discretionary expenditure and meet short term cash flow requirements. Although the level of unrestricted cash has fallen from an amount of \$5.706 million in 2015, overall Council is still in a strong cash position.

Although the consolidated financial statements display a healthy level of cash and investments, we remind the reader that the consolidated data is not necessarily reflective of the position of the individual funds (General, Water & Sewer).

Debt Levels

At year end Council had borrowings totalling \$1,550k, which has decreased by \$262k since the prior year. Council has not taken on board any new borrowings in the current year, and have paid down a portion of new debt acquired in the 2014/15 year.



Summary

Council's overall financial position, when taking into account the above information is, in our opinion, sound and sustainable.

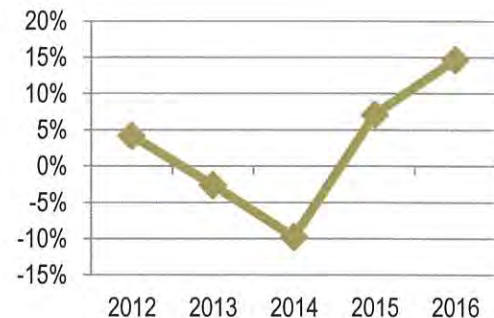
Performance Indicators

Refer Note 13 of the financial statements.

Operating Performance Ratio

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

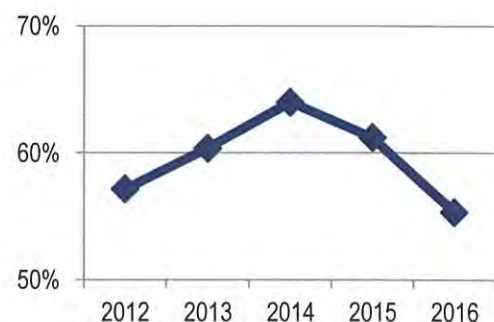
The benchmark level for this indicator is 0%. In the 2016 year, Council was above this benchmark at 14.68% (2015: 7.10%). This improvement has been driven by the improved financial performance of the Council in the current year through increased revenues whilst maintaining operating expenditure at a consistent level.



Own Source Operating Revenue Ratio

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

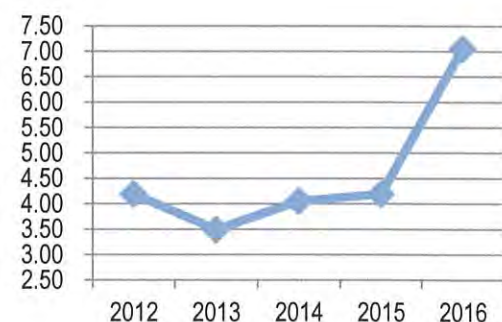
The benchmark level for this indicator is 60% of own sourced revenue. Council has dropped below this target with a ratio of 55.34% (2015: 61.23%). This is due to additional revenues in the current year coming from increased grant funding through Roads to Recovery and Restart NSW funding.



Liquidity (Unrestricted Current) Ratio

The liquidity ratio is used to assess the adequacy of working capital and Council's ability to satisfy its obligations in the short term.

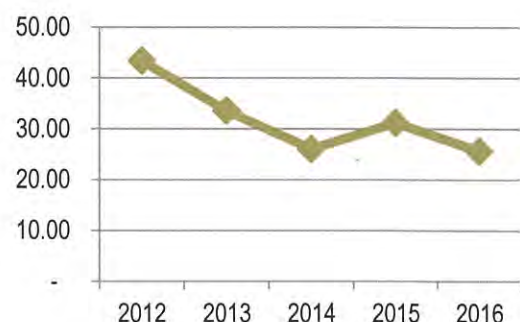
The liquidity ratio at Note 13 shows Council has a strong liquidity position. The ratio indicates that Council has \$7.05 of unrestricted current assets for every \$1 of current liabilities, demonstrating a strong capacity to pay its debts as and when they fall due. In our view there is no immediate threat to the Council's position.



Debt Service Cover Ratio

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

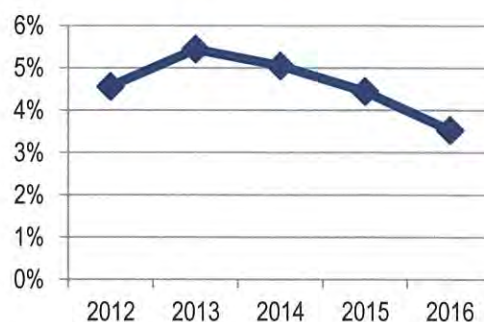
The benchmark level for this indicator is 2.00. In the 2016 year, Council was comfortable above this benchmark at 25.63 (2015: 31.31). The minor decline from the prior year has been caused by a full year of repayments being made by Council on their debts, which were not present for the full year in the 2014/15 year.



Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

This ratio measures the level of uncollected rates and annual charges and the effect on Council's liquidity and the adequacy of recovery efforts.

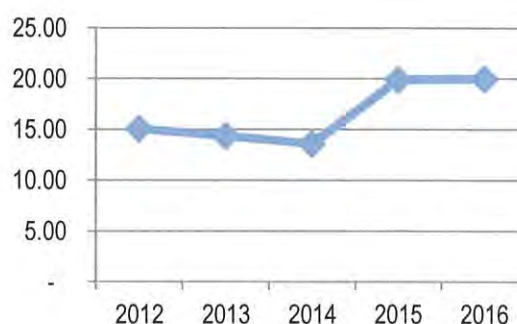
The benchmark level for this indicator is 10% of debtor amounts outstanding at year end. Council continues to improve on this benchmark, with only 3.53% of debtors outstanding at year end (2015: 4.44%).



Cash Expense Cover Ratio

This liquidity ratio indicates the number of months the Council can continue to operate and pay for all immediate expenses without any additional cash inflow.

The Council can currently cover more than 19 months of expenditure based on its current cash reserves (2015: 19 months). This is well above the benchmark level of greater than 3 months. Council is in a solid position in regards to its cash reserves.



Other Matters

Finley Memorial Hall - Impairment

In the prior year, Council appropriately processed an impairment in the financial accounts in relation to the Finley War Memorial Hall. The impairment was processed as there was an expectation that the hall was to be demolished following approval of this by Council. Following community consultation, the planned decommissioning of the asset will no longer go ahead, as such the impairment of this asset in the financial accounts has been appropriately reversed in 2015/16.

Revaluation of Assets

Each year Council reviews the condition and replacement cost or valuation of major classes of fixed assets including land, buildings, roads, bridges, water pipes etc. In the prior year these reviews resulted in a significant increase in the value of these assets of \$29.2 million across all asset categories. In the current year, the review of assets has resulted in a reduction of \$1.6 million. This reduction was due to the fact that the condition of some assets were not as good as expected, and so the accumulated depreciation of these assets was adjusted to reflect the appropriate condition levels. Council's engineering staff have completed these reviews and these workpapers have been subject to audit. A review of major asset classes will occur again in the 2016/17 year.

Crown Land

Council has recorded an adjustment in the accounts for the removal of assets identified as crown land. As per Note 1(n) of the financial statements, Council will recognise Crown Land only when Council has sufficient control over that asset. Following a review by Council in the current year, it was noted that there were a number of parcels of land which were inadvertently recorded as a Council asset, when in fact these were parcels of land were Crown Land which was not controlled by Council. As such, these assets have been appropriately removed from Council's financial accounts.

Management Letter

A final management letter will be issued to management following the completion of the audit. This letter will cover any weaknesses or performance improvement observations that were noted during year end audit processes, as well as provide management with an update on any items identified in the prior year's management letter.

Closing Report

At the outset of the audit we provide the Council with our Audit Strategy which, among other matters, highlights significant financial and audit risks. At the conclusion of our audit, we provide Council with a Closing Report detailing our conclusions in respect to those audit risks. There were no matters reported which are significant to the conduct of the audit.

Independence

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

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 of Berrigan Shire Council. We conclude that the accounting records of Council have been kept in accordance with the requirements of the *Local Government Act 1993* and regulations.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditors report relates to the financial statements of Berrigan Shire Council for the year ended 30 June 2016 which are to be included on Council's web site. Council is responsible for the integrity of the web site. We have not been engaged to report on the integrity of the web site. The audit report refers only to the financial statements of Council. 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 the Council web site.

Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

Conclusion

The Council's accounting records have been kept in a manner and form that facilitated the preparation of both the general purpose financial statements and special purpose financial statements, and allowed proper and effective audit of those statements.

All information relevant to the conduct of the audit has been obtained.

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesy extended to us during the conduct of the audit.

Yours faithfully,



P. P. Delahunty
Partner

Richmond Sinnott & Delahunty

Berrigan Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Heart of the Southern Riverina”



Berrigan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
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Background

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

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

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

Berrigan Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 12 October 2016.



Matthew Hannan
Mayor



Daryl Morris
Councillor



Rowan Perkins
General manager



Carla von Brockhusen
Responsible accounting officer

Berrigan Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,813	1,704
User charges	1,060	978
Fees	58	38
Interest	179	117
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	476	390
Total income from continuing operations	3,586	3,227
Expenses from continuing operations		
Employee benefits and on-costs	365	341
Borrowing costs	12	20
Materials and contracts	1,431	1,102
Depreciation and impairment	615	604
Water purchase charges	75	67
Loss on sale of assets	–	–
Calculated taxation equivalents	1	2
Debt guarantee fee (if applicable)	2	3
Other expenses	326	284
Total expenses from continuing operations	2,827	2,423
Surplus (deficit) from continuing operations before capital amounts	759	804
Grants and contributions provided for capital purposes	–	7
Surplus (deficit) from continuing operations after capital amounts	759	811
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	759	811
Less: corporate taxation equivalent (30%) [based on result before capital]	(228)	(241)
SURPLUS (DEFICIT) AFTER TAX	531	570
Plus opening retained profits	21,099	20,285
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1	2
– Debt guarantee fees	2	3
– Corporate taxation equivalent	228	241
Less:		
– Tax equivalent dividend paid	(1)	(2)
– Surplus dividend paid	–	–
Closing retained profits	21,860	21,099
Return on capital %	2.9%	3.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	531	570
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	531	570
Potential dividend calculated from surplus	266	285

Berrigan Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,788	1,690
User charges	12	12
Liquid trade waste charges	–	–
Fees	47	22
Interest	183	146
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	45	45
Total income from continuing operations	2,075	1,915
Expenses from continuing operations		
Employee benefits and on-costs	308	286
Borrowing costs	–	–
Materials and contracts	735	833
Depreciation and impairment	580	604
Loss on sale of assets	–	–
Calculated taxation equivalents	14	12
Debt guarantee fee (if applicable)	–	–
Other expenses	190	158
Total expenses from continuing operations	1,827	1,893
Surplus (deficit) from continuing operations before capital amounts	248	22
Grants and contributions provided for capital purposes	5	–
Surplus (deficit) from continuing operations after capital amounts	253	22
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	253	22
Less: corporate taxation equivalent (30%) [based on result before capital]	(74)	(7)
SURPLUS (DEFICIT) AFTER TAX	179	15
Plus opening retained profits	10,067	10,045
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	14	12
– Debt guarantee fees	–	–
– Corporate taxation equivalent	74	7
Less:		
– Tax equivalent dividend paid	(14)	(12)
– Surplus dividend paid	–	–
Closing retained profits	10,319	10,067
Return on capital %	1.6%	0.1%
Subsidy from Council	92	470
Calculation of dividend payable:		
Surplus (deficit) after tax	179	15
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	179	15
Potential dividend calculated from surplus	89	8

Berrigan Shire Council

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

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	2,416	1,434
Investments	4,000	4,000
Receivables	253	316
Inventories	89	74
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	6,758	5,824
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	26,336	26,747
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	26,336	26,747
TOTAL ASSETS	33,094	32,571
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	5	–
Borrowings	111	126
Provisions	–	–
Total current liabilities	116	126
Non-current liabilities		
Payables	–	–
Borrowings	–	111
Provisions	–	–
Total non-current liabilities	–	111
TOTAL LIABILITIES	116	237
NET ASSETS	32,978	32,334
EQUITY		
Retained earnings	21,860	21,099
Revaluation reserves	11,118	11,235
Council equity interest	32,978	32,334
Non-controlling equity interest	–	–
TOTAL EQUITY	32,978	32,334

Berrigan Shire Council

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

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,816	1,025
Investments	4,000	4,000
Receivables	129	205
Inventories	4	3
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	5,949	5,233
Non-current assets		
Investments	–	–
Receivables	–	40
Inventories	–	–
Infrastructure, property, plant and equipment	15,664	16,279
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	15,664	16,319
TOTAL ASSETS	21,613	21,552
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	21,613	21,552
EQUITY		
Retained earnings	10,319	10,067
Revaluation reserves	11,294	11,485
Council equity interest	21,613	21,552
Non-controlling equity interest	–	–
TOTAL EQUITY	21,613	21,552

Berrigan Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Berrigan Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in the SPFS have been prepared in accordance with:

- the *Local Government Act 1993 NSW*,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

Declared business activities

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

Category 1

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

None

Category 2

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

a. Berrigan Shire Council Water Supply

Supply drinking quality water to the towns of Barooga, Berrigan, Finley and Tocumwal.

b. Berrigan Shire Council Sewerage Service

Supply of a reticulated sewerage service to the towns of Barooga, Berrigan, Finley and Tocumwal.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

(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

Berrigan Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

statements as a cost of operations just like all other costs.

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be

taken into account in terms of assessing the rate of return required on capital invested.

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Berrigan Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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

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

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30 June 2016.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of

Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

The Council did not pay itself a dividend for the year ended 30 June 2016 from either its Water Supply or Sewerage fund.

Berrigan Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	3,000
(ii)	Number of assessments multiplied by \$3/assessment	11,085
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	3,000
(iv)	Amounts actually paid for tax equivalents	1,114

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	265,650
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	107,850
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,549,400

2016 Surplus	531,300	2015 Surplus	569,800	2014 Surplus	448,300
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	107,850
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Berrigan Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	3,367
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	40.50%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	26,336
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,011
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	197
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.84%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Berrigan Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	14,000
(ii)	Number of assessments multiplied by \$3/assessment	10,323
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	10,323
(iv)	Amounts actually paid for tax equivalents	14,343

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	89,300
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	92,907
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	326,300

2016 Surplus	178,600	2015 Surplus	15,400	2014 Surplus	132,300
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	89,300
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

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

Berrigan Shire Council

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

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

National Water Initiative (NWI) financial performance indicators

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	1,897
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	15,664
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,042
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	171
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.83%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	5,264
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.73%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	368
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.46%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Berrigan Shire Council

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

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

2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	–22.20%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 1,035 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: – 350 Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,030
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	91

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

INDEPENDENT AUDITOR'S REPORT TO BERRIGAN SHIRE COUNCIL

Report on the Special Purpose Financial Statements

We have audited the accompanying financial statements, being special purpose financials statements, of Berrigan Shire Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2016, and the income statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

Council's Responsibility for the Financial Statements

The Councillor's and Management of the Council are responsible for the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", 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 and The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines and are appropriate to meet the needs of the Council and the Division of Local Government.

The Councillors and Managements' responsibility also includes establishing and maintaining internal controls as the Council determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 controls relevant to the entity's preparation of the financial statements that gives a true and fair view 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 controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by Councillor's and Management, 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 have complied with the independence requirements.

Opinion

In the opinion the special purpose financial statements present fairly, in all material respects, the financial position of the business activities of Berrigan Shire Council as at 30 June 2016 and of their financial performance for the year then ended in accordance with the accounting policies described in the Notes to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. 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 and the Division of Local Government, or for any purpose other than that for which it was prepared.



P.P. Delahunty

Partner

Richmond Sinnott & Delahunty

12th October 2016

Berrigan Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

“Heart of the Southern Riverina”



Berrigan Shire Council

Special Schedules for the year ended 30 June 2016

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

Background

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

Berrigan Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	419	2	–	(417)
Administration	(359)	334	–	693
Public order and safety				
Fire service levy, fire protection, emergency services	265	94	–	(171)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	107	22	–	(85)
Other	–	–	–	–
Total public order and safety	372	116	–	(256)
Health	105	3	–	(102)
Environment				
Noxious plants and insect/vermin control	131	6	–	(125)
Other environmental protection	44	–	–	(44)
Solid waste management	1,041	1,309	–	268
Street cleaning	247	–	–	(247)
Drainage	–	–	–	–
Stormwater management	752	119	519	(114)
Total environment	2,215	1,434	519	(262)
Community services and education				
Administration and education	13	3	–	(10)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	286	25	–	(261)
Children's services	219	254	–	35
Total community services and education	518	282	–	(236)
Housing and community amenities				
Public cemeteries	158	103	–	(55)
Public conveniences	224	–	–	(224)
Street lighting	133	55	–	(78)
Town planning	462	278	–	(184)
Other community amenities	50	14	–	(36)
Total housing and community amenities	1,027	450	–	(577)
Water supplies	2,790	3,546	40	796
Sewerage services	1,788	2,053	5	270

Berrigan Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	579	43	8	(528)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	204	–	–	(204)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	25	1	–	(24)
Sporting grounds and venues	504	–	50	(454)
Swimming pools	417	96	–	(321)
Parks and gardens (lakes)	458	–	–	(458)
Other sport and recreation	–	–	–	–
Total recreation and culture	2,187	140	58	(1,989)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	238	6	–	(232)
Other mining, manufacturing and construction	64	154	–	90
Total mining, manufacturing and const.	302	160	–	(142)
Transport and communication				
Urban roads (UR) – local	2,119	–	27	(2,092)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,672	–	–	(1,672)
Sealed rural roads (SRR) – regional	524	–	1,747	1,223
Unsealed rural roads (URR) – local	763	–	–	(763)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	19	–	–	(19)
Parking areas	7	–	–	(7)
Footpaths	82	22	7	(53)
Aerodromes	285	22	296	33
Other transport and communication	357	3,040	(165)	2,518
Total transport and communication	5,828	3,084	1,912	(832)
Economic affairs				
Camping areas and caravan parks	28	29	–	1
Other economic affairs	785	245	52	(488)
Total economic affairs	813	274	52	(487)
Totals – functions	18,005	11,878	2,586	(3,541)
General purpose revenues ⁽¹⁾		9,423		9,423
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	18,005	21,301	2,586	5,882.16

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

Berrigan Shire Council

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

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	261	1,551	1,812	–	262	–	–	77	253	1,297	1,550
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	261	1,551	1,812	–	262	–	–	77	253	1,297	1,550
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	261	1,551	1,812	–	262	–	–	77	253	1,297	1,550

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

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

Berrigan Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]
for the year ended 30 June 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	1,197	180	111
Water			
Sewer			
Domestic waste management			
Gas			
Other			
Totals	1,197	180	111

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. and int.)	Principal outstanding at end of year
General (Stormwater)	Sewer	05/09/05	30/06/06	9	30/12/15	6.94%	597	42	–
General (Stormwater)	Sewer	06/07/04	31/12/06	9	30/12/16	6.94%	600	138	111
Totals							1,197	180	111

Berrigan Shire Council

Special Schedule 3 – Water Supply Income Statement

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

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	168	166
b. Engineering and supervision	249	249
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	588	304
d. Maintenance expenses	–	–
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	88	86
h. Energy costs	18	18
i. Maintenance expenses	–	–
– Treatment		
j. Operation expenses (excluding chemical costs)	771	749
k. Chemical costs	–	–
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	54	15
n. Maintenance expenses	–	–
o. Purchase of water	75	67
3. Depreciation expenses		
a. System assets	607	602
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	12	20
b. Revaluation decrements	–	–
c. Other expenses	152	147
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,782	2,423

Berrigan Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	1,613	1,508
b. Usage charges	1,098	1,005
7. Non-residential charges		
a. Access (including rates)	200	199
b. Usage charges	20	12
8. Extra charges	–	–
9. Interest income	179	117
10. Other income	390	343
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	46	47
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	8
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	3,546	3,239
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	764	816
15a. Operating result (less grants for acquisition of assets)	764	816

Berrigan Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	197	146
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	197	146
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	3,032	2,704
b. Residential (unoccupied, ie. vacant lot)	273	332
c. Non-residential (occupied)	336	521
d. Non-residential (unoccupied, ie. vacant lot)	54	54
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 73,436	\$ 85,165

Berrigan Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,415	–	6,415
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	35	–	35
c. User charges	217	–	217
d. Other	–	–	–
27. Inventories	91	–	91
28. Property, plant and equipment			
a. System assets	–	26,336	26,336
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	<u>6,758</u>	<u>26,336</u>	<u>33,094</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	5	–	5
33. Borrowings	111	–	111
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>116</u>	<u>–</u>	<u>116</u>
36. NET ASSETS COMMITTED	<u>6,642</u>	<u>26,336</u>	<u>32,978</u>
EQUITY			
37. Accumulated surplus			21,926
38. Asset revaluation reserve			11,052
39. TOTAL EQUITY			<u>32,978</u>
Note to system assets:			
40. Current replacement cost of system assets			44,230
41. Accumulated current cost depreciation of system assets			(17,894)
42. Written down current cost of system assets			<u>26,336</u>

Berrigan Shire Council

Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	141	140
b. Engineering and supervision	211	211
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	63	123
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	236	231
d. Energy costs	20	20
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	343	365
g. Chemical costs	–	–
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	28	28
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	569	594
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	188	170
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,799	1,882

Berrigan Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	1,668	1,576
7. Non-residential charges		
a. Access (including rates)	120	116
b. Usage charges	47	24
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	12	9
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	183	146
11. Other income	–	–
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	45	45
c. Other grants	–	–
13. Contributions		
a. Developer charges	5	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>2,080</u>	<u>1,916</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>281</u>	<u>34</u>
16a. Operating result (less grants for acquisition of assets)	281	34

Berrigan Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	171	45
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	171	45
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	2,840	2,735
b. Residential (unoccupied, ie. vacant lot)	273	274
c. Non-residential (occupied)	276	320
d. Non-residential (unoccupied, ie. vacant lot)	52	42
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 71,786	\$ 82,649

Berrigan Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,816	–	5,816
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	79	–	79
d. Other	50	–	50
28. Inventories	4	–	4
29. Property, plant and equipment			
a. System assets	–	15,664	15,664
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>5,949</u>	<u>15,664</u>	<u>21,613</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	–	–	–
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>–</u>	<u>–</u>	<u>–</u>
37. NET ASSETS COMMITTED	<u>5,949</u>	<u>15,664</u>	<u>21,613</u>
EQUITY			
38. Accumulated surplus			10,435
39. Asset revaluation reserve			11,178
40. TOTAL EQUITY			<u>21,613</u>
Note to system assets:			
41. Current replacement cost of system assets			38,741
42. Accumulated current cost depreciation of system assets			(23,077)
43. Written down current cost of system assets			<u>15,664</u>

Berrigan Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Berrigan Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised			141	252	18,071	371,699	55%	27%	18%	0%	0%
	Buildings – specialised			30	30	528	774	33%	67%	0%	0%	0%
	Sub-total	–	–	171	282	18,599	372,473	55.0%	27.1%	18.0%	0.0%	0.0%
Roads	Sealed roads			812	1,048	88,587	119,819	98%	1%	1%	0%	0%
	Unsealed roads			564	554	11,462	34,911	96%	2%	0%	2%	0%
	Bridges			20	20	3,727	7,032	0%	100%	0%	0%	0%
	Footpaths			15	13	3,095	4,141	0%	18%	82%	0%	0%
	Other road assets			60	60	8,729	13,197	0%	25%	75%	0%	0%
	Bulk earthworks			10	10	2,976	2,976	10%	80%	10%	0%	0%
	Sub-total	–	–	1,481	1,705	118,576	182,076	83.1%	8.4%	8.1%	0.4%	0.0%
Water supply network	Water supply network			703	560	25,602	43,342	54%	46%	0%	0%	0%
	Sub-total	–	–	703	560	25,602	43,342	54.0%	46.0%	0.0%	0.0%	0.0%
Sewerage network	Sewerage network			643	617	14,829	37,737	0%	80%	20%	0%	0%
	Sub-total	–	–	643	617	14,829	37,737	0.0%	80.0%	20.0%	0.0%	0.0%

Berrigan Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage			97	118	16,265	20,477	10%	90%	0%	0%	0%
	Sub-total	–	–	97	118	16,265	20,477	10.0%	90.0%	0.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools			15	8	1,675	2,900	10%	80%	10%	0%	0%
	Other			376	376	3,626	7,329	10%	85%	5%	0%	0%
	Sub-total	–	–	391	384	5,301	10,229	10.0%	83.6%	6.4%	0.0%	0.0%
	TOTAL – ALL ASSETS	–	–	3,486	3,666	199,172	666,334	57.4%	29.0%	13.5%	0.1%	0.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Berrigan Shire Council

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

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>6,243</u>	140.51%	109.17%	76.54%
Depreciation, amortisation and impairment	<u>4,443</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>-</u>	0.00%	0.00%	2.17%
Carrying value of infrastructure assets	<u>196,694</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>3,666</u>	1.05	1.00	1.00
Required asset maintenance	<u>3,486</u>			
4. Capital expenditure ratio				
Annual capital expenditure	<u>8,988</u>	1.56	0.92	1.24
Annual depreciation	<u>5,758</u>			

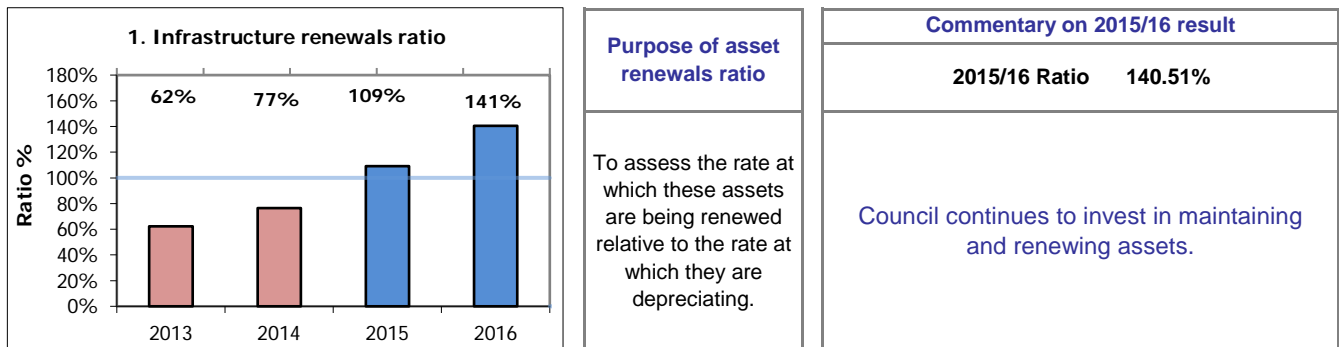
Notes

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

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

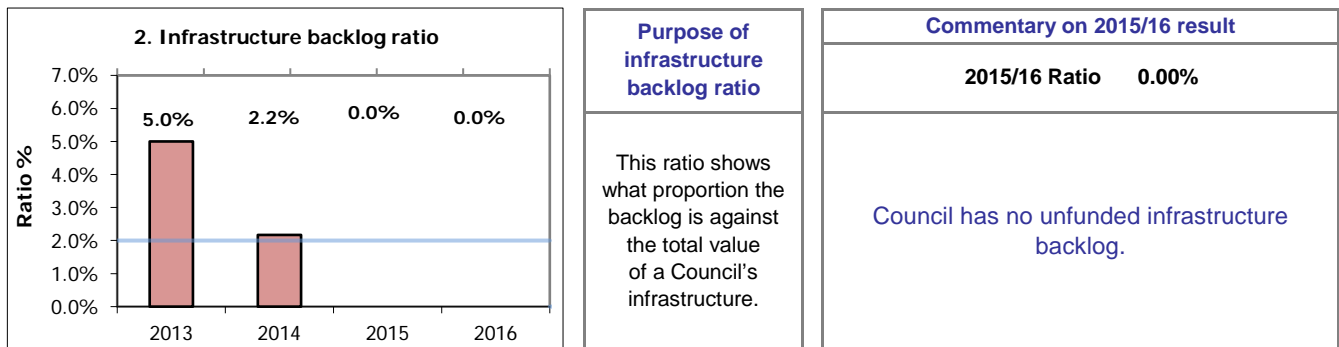
Berrigan Shire Council

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



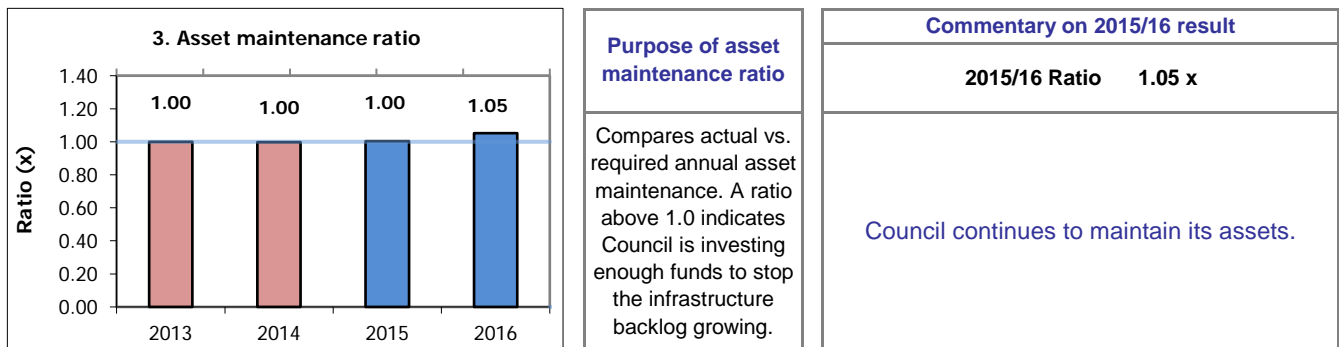
Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



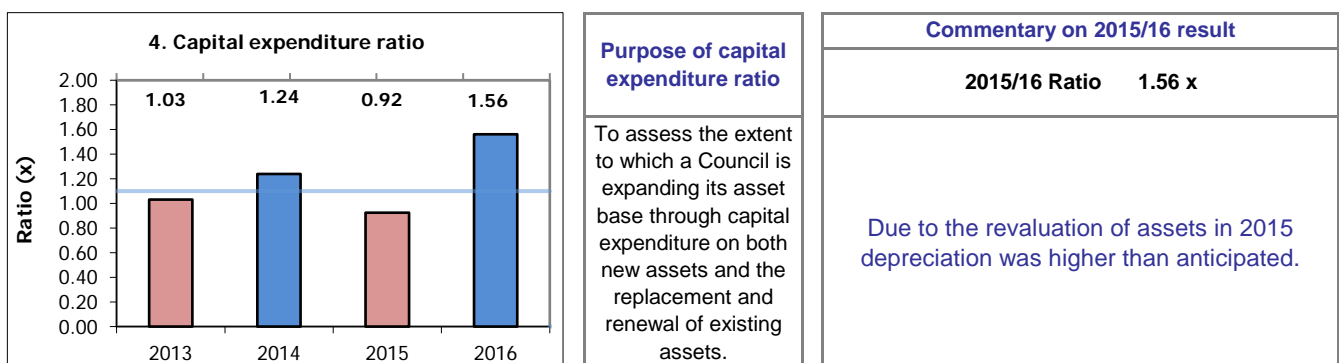
Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: ——— Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Berrigan Shire Council

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

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
<u>Asset renewals ⁽²⁾</u>	32.72%	30.81%	178.79%
Depreciation, amortisation and impairment			
prior period:	51.17%	39.37%	127.82%
2. Infrastructure backlog ratio			
<u>Estimated cost to bring assets to a satisfactory standard</u>	0.00%	0.00%	0.00%
Carrying value of infrastructure assets			
prior period:	0.00%	0.00%	0.00%
3. Asset maintenance ratio			
<u>Actual asset maintenance</u>	0.80	0.96	1.16
Required asset maintenance			
prior period:	0.97	1.01	1.03
4. Capital expenditure ratio			
<u>Annual capital expenditure</u>	0.32	0.30	1.88
Annual depreciation			
prior period:	0.24	0.08	1.12

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Berrigan Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	4,709	4,840
Plus or minus adjustments ⁽²⁾	b	17	13
Notional general income	c = (a + b)	4,726	4,853
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	113	87
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	4,839	4,940
Plus (or minus) last year's carry forward total	l	1	(0)
Less valuation objections claimed in the previous year	m	(1)	–
Sub-total	n = (l + m)	0	(0)
Total permissible income	o = k + n	4,840	4,940
Less notional general income yield	p	4,840	4,940
Catch-up or (excess) result	q = o – p	(0)	0
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(0)	0

Notes

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

SPECIAL SCHEDULE 8 – INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 30 JUNE 2017

Report on Special Schedule 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule 8) of Berrigan Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule 8

The Council is responsible for the preparation and fair presentation of Special Schedule 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on Special Schedule 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule 8.

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit opinion

In our opinion, Special Schedule 8 of Berrigan Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

Richmond Sinnott & DelahuntyA handwritten signature in black ink, appearing to read 'P.P. Delahunty', with a large, stylized flourish at the end.

P.P. Delahunty

Partner

Dated at Berrigan this 12th of October, 2016