



Liverpool Plains Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Vision - That the Liverpool Plains Shire area achieves higher levels of growth & generates improved quality of life through expanded opportunities for economic and social development being realised within an environmentally and financially sustainable framework.



Liverpool Plains Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	76
– On the Conduct of the Audit (Sect 417 [3])	78

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Liverpool Plains Shire Council.
- (ii) Liverpool Plains 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 03 March 2017. Council has the power to amend and reissue these financial statements.
-

Liverpool Plains Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Liverpool Plains 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:

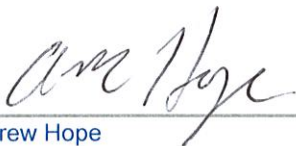
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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.

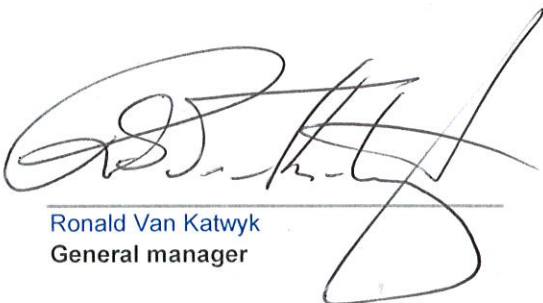
Signed in accordance with a resolution of Council made on 14 December 2016.



Andrew Hope
Mayor



Doug Hawkins
Councillor



Ronald Van Katwyk
General manager



Michael Chalmers
Responsible accounting officer

Liverpool Plains Shire Council

Income Statement

for the year ended 30 June 2016

Budget 2016	¹ \$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
10,900	Rates and annual charges	3a	10,820	10,220
3,468	User charges and fees	3b	3,487	3,552
613	Interest and investment revenue	3c	985	847
1,550	Other revenues	3d	861	684
10,563	Grants and contributions provided for operating purposes	3e,f	7,628	7,249
2,126	Grants and contributions provided for capital purposes	3e,f	6,220	1,407
Other income:				
–	Net gains from the disposal of assets	5	–	75
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
29,220	Total income from continuing operations		30,001	24,034
Expenses from continuing operations				
7,568	Employee benefits and on-costs	4a	8,247	7,712
241	Borrowing costs	4b	64	134
10,744	Materials and contracts	4c	6,796	6,999
6,174	Depreciation and amortisation	4d	6,085	6,439
–	Impairment	4d	–	–
1,718	Other expenses	4e	2,865	2,024
–	Net losses from the disposal of assets	5	242	–
26,445	Total expenses from continuing operations		24,299	23,308
2,775	Operating result from continuing operations		5,702	726
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
2,775	Net operating result for the year		5,702	726
2,775	Net operating result attributable to Council		5,702	726
–	Net operating result attributable to non-controlling interests		–	–
Net operating result for the year before grants and contributions provided for capital purposes				
649			(518)	(681)

¹ Original budget as approved by Council – refer Note 16

Liverpool Plains 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)		5,702	726
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	867	(7,498)
Adjustment to correct prior period errors	20c	1,384	–
Total items which will not be reclassified subsequently to the operating result		2,251	(7,498)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		2,251	(7,498)
Total comprehensive income for the year		7,953	(6,772)
Total comprehensive income attributable to Council		7,953	(6,772)
Total comprehensive income attributable to non-controlling interests		–	–

Liverpool Plains 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	4,287	2,785
Investments	6b	11,000	6,250
Receivables	7	2,820	2,646
Inventories	8	1,497	1,209
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		19,604	12,890
Non-current assets			
Investments	6b	7,500	10,750
Receivables	7	1	1
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	530,630	526,709
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Other	8	—	—
Total non-current assets		538,131	537,460
TOTAL ASSETS		557,735	550,350
LIABILITIES			
Current liabilities			
Payables	10	614	1,004
Borrowings	10	201	193
Provisions	10	2,396	2,206
Total current liabilities		3,211	3,403
Non-current liabilities			
Payables	10	8	1
Borrowings	10	4,742	4,943
Provisions	10	1,430	1,612
Total non-current liabilities		6,180	6,556
TOTAL LIABILITIES		9,391	9,959
Net assets		548,344	540,391
EQUITY			
Retained earnings	20	215,378	208,292
Revaluation reserves	20	332,966	332,099
Council equity interest		548,344	540,391
Non-controlling equity interests		—	—
Total equity		548,344	540,391

Liverpool Plains 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)		208,292	332,099	540,391	—	540,391
a. Correction of prior period errors	20 (c)	1,384	—	1,384	—	1,384
b. Changes in accounting policies (prior year effects)		—	—	—	—	—
Revised opening balance (as at 1/7/15)		209,676	332,099	541,775	—	541,775
c. Net operating result for the year		5,702	—	5,702	—	5,702
d. Other comprehensive income		—	—	—	—	—
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	867	867	—	867
Other comprehensive income		—	867	867	—	867
Total comprehensive income (c&d)		5,702	867	6,569	—	6,569
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		215,378	332,966	548,344	—	548,344

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
2015						
Opening balance (as per last year's audited accounts)		207,920	339,597	547,517	—	547,517
a. Correction of prior period errors	20 (c)	(354)	—	(354)	—	(354)
b. Changes in accounting policies (prior year effects)		—	—	—	—	—
Revised opening balance (as at 1/7/14)		207,566	339,597	547,163	—	547,163
c. Net operating result for the year		726	—	726	—	726
d. Other comprehensive income		—	—	—	—	—
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	(7,498)	(7,498)	—	(7,498)
Other comprehensive income		—	(7,498)	(7,498)	—	(7,498)
Total comprehensive income (c&d)		726	(7,498)	(6,772)	—	(6,772)
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		208,292	332,099	540,391	—	540,391

Liverpool Plains Shire Council

Statement of Cash Flows

for the year ended 30 June 2016

Budget			Actual	Actual
2016	\$ '000	Notes	2016	2015
Cash flows from operating activities				
<u>Receipts:</u>				
10,874	Rates and annual charges		10,738	10,101
3,408	User charges and fees		3,584	3,992
815	Investment and interest revenue received		975	463
12,689	Grants and contributions		14,021	9,276
(92)	Other		2,174	2,237
<u>Payments:</u>				
(7,441)	Employee benefits and on-costs		(7,992)	(8,500)
(6,163)	Materials and contracts		(8,795)	(9,225)
(292)	Borrowing costs		(357)	(468)
(1,718)	Other		(2,772)	(2,167)
12,080	Net cash provided (or used in) operating activities	11b	11,576	5,709
Cash flows from investing activities				
<u>Receipts:</u>				
400	Sale of infrastructure, property, plant and equipment		260	1,004
–	Deferred debtors receipts		3	–
<u>Payments:</u>				
–	Purchase of investment securities		(1,500)	(5,750)
(7,673)	Purchase of infrastructure, property, plant and equipment		(8,644)	(4,087)
(7,273)	Net cash provided (or used in) investing activities		(9,881)	(8,833)
Cash flows from financing activities				
<u>Receipts:</u>				
–	Proceeds from borrowings and advances		–	2,355
<u>Payments:</u>				
(247)	Repayment of borrowings and advances		(193)	(2,619)
(247)	Net cash flow provided (used in) financing activities		(193)	(264)
4,560	Net increase/(decrease) in cash and cash equivalents		1,502	(3,388)
2,785	Plus: cash and cash equivalents – beginning of year	11a	2,785	6,173
7,345	Cash and cash equivalents – end of the year	11a	4,287	2,785
Additional Information:				
plus:	Investments on hand – end of year	6b	18,500	17,000
Total cash, cash equivalents and investments			22,787	19,785

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Liverpool Plains Shire Council

Notes to the 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	10
2(a)	Council functions/activities – financial information	27
2(b)	Council functions/activities – component descriptions	28
3	Income from continuing operations	29
4	Expenses from continuing operations	34
5	Gains or losses from the disposal of assets	36
6(a)	Cash and cash equivalent assets	37
6(b)	Investments	37
6(c)	Restricted cash, cash equivalents and investments – details	38
7	Receivables	39
8	Inventories and other assets	40
9(a)	Infrastructure, property, plant and equipment	41
9(b)	Externally restricted infrastructure, property, plant and equipment	42
9(c)	Infrastructure, property, plant and equipment – current year impairments	42
10(a)	Payables, borrowings and provisions	43
10(b)	Description of (and movements in) provisions	44
11	Statement of cash flows – additional information	45
12	Commitments for expenditure	47
13	Statement of performance measures:	
13a (i)	Local government industry indicators (consolidated)	48
13a (ii)	Local government industry graphs (consolidated)	49
13b	Local government industry indicators (by fund)	51
14	Investment properties	52
15	Financial risk management	52
16	Material budget variations	56
17	Statement of developer contributions	58
18	Contingencies and other liabilities/assets not recognised	61
19	Interests in other entities	63
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	64
21	Financial result and financial position by fund	65
22	'Held for sale' non-current assets and disposal groups	67
23	Events occurring after the reporting date	67
24	Discontinued operations	67
25	Intangible assets	67
26	Reinstatement, rehabilitation and restoration liabilities	68
27	Fair value measurement	70
Additional council disclosures		
28	Council information and contact details	75

n/a – not applicable

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Liverpool Plains 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.

(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.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Control over granted assets/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 either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents 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
- Quirindi Water Fund
- Werris Creek Water Fund
- Village Water Fund
- Quirindi Sewerage Fund
- Werris Creek Sewerage Fund
- Blackville Hall Committee
- Currabubula Hall & Reserve Committee
- Warrah Creek Hall Committee
- Werris Creek Sporting Complex Committee
- Wallabadah Hall Committee
- Werris Creek Festival Committee
- Werris Creek Railway Institute Committee
- Liverpool Plains Arts Council

Liverpool Plains Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(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

Joint Ventures

Council is a partner in a regional library service – Central Northern Regional Library (CNRL) with other regional councils. CNRL operates under a deed of agreement between the participating Councils for the purpose of providing library services.

Council acknowledges that non-disclosure of the assets and liabilities is a departure from Australian Accounting standards.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

Liverpool Plains Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

(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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow

analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

(h) Receivables

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

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.

Liverpool Plains 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) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

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

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

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

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

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

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

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

Acquisition of assets

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

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

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (internal valuation)
- **Other open space/recreational assets**
(internal valuation)
- **Other infrastructure** (internal valuation)
- **Other assets**
(as approximated by depreciated historical cost)

Initial recognition

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

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

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

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

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

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

Capitalisation thresholds

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

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	> \$1,000
Building	
- construction/extensions	> \$10,000
- renovations	> \$10,000
Other Structures	> \$1,000

Water and Sewer Assets	
Reticulation extensions	> \$1,000
Other	> \$1,000

Stormwater Assets	
Drains and Culverts	> \$1,000
Other	> \$1,000

Liverpool Plains Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Transport Assets

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

Bridge construction and reconstruction	> \$10,000
--	------------

Other Infrastructure Assets

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

- Culverts	50 to 80 years
------------	----------------

Transportation Assets

- Sealed Roads: Surface	25 years
- Sealed Roads: Structure	40 to 80 years
- Unsealed roads	40 to 80 years
- Bridge: Concrete	20 to 80 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
-------------------	----------

Depreciation

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

Land is not depreciated.

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

Plant and Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 to 5 years
- Vehicles	5 to 10 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

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: Other	25 to 100 years
- Pumps and telemetry	15 to 20 years
- Culverts	50 to 80 years

Stormwater Assets

- Drains	80 to 100 years
----------	-----------------

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 De-recognition

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 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

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

(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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(s) Impairment of assets

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

Liverpool Plains Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 191,129.58.

Council's expected contributions to the plan for the next annual reporting period is \$231,660. The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$180,126.09 as at 30 June 2016.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 nor 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 (ie. 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 are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- 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.

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.

Liverpool Plains 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	–	12	44	905	765	463	(905)	(753)	(419)	12	5,082	486,985	480,666
Administration	758	360	281	4,866	1,796	2,143	(4,108)	(1,436)	(1,862)	–	–	–	–
Public order and safety	1,012	471	314	1,688	1,317	753	(676)	(846)	(439)	319	–	–	–
Health	11	3	–	21	11	–	(10)	(8)	–	–	–	–	–
Environment	1,720	1,922	1,814	3,450	2,809	2,887	(1,730)	(887)	(1,073)	124	–	–	–
Community services and education	840	957	835	898	826	924	(58)	131	(89)	294	–	–	–
Housing and community amenities	309	255	329	434	776	336	(125)	(521)	(7)	–	–	–	–
Water supplies	7,187	7,741	3,215	3,412	2,317	2,664	3,775	5,424	551	4,401	–	44,239	42,643
Sewerage services	1,447	1,414	1,331	1,425	725	818	22	689	513	25	–	26,511	27,041
Recreation and culture	301	428	575	1,937	2,095	2,205	(1,636)	(1,667)	(1,630)	95	–	–	–
Mining, manufacturing and construction	981	13	76	541	345	231	440	(332)	(155)	–	–	–	–
Transport and communication	4,320	5,461	4,755	6,466	9,907	9,397	(2,146)	(4,446)	(4,642)	4,876	–	–	–
Economic affairs	218	519	300	402	610	487	(184)	(91)	(187)	–	–	–	–
Total functions and activities	19,104	19,556	13,869	26,445	24,299	23,308	(7,341)	(4,743)	(9,439)	10,146	5,082	557,735	550,350
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	10,116	10,445	10,163	–	–	–	10,116	10,445	10,163	3,408	3,366	–	–
Operating result from continuing operations	29,220	30,001	24,032	26,445	24,299	23,308	2,775	5,702	724	13,554	8,448	557,735	550,350

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Liverpool Plains 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		1,812	1,770
Farmland		3,971	3,882
Mining		279	272
Business		458	451
Total ordinary rates		6,520	6,375
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		910	888
Water supply services		1,839	1,525
Sewerage services		1,142	1,098
Waste management services (non-domestic)		409	334
Total annual charges		4,300	3,845
TOTAL RATES AND ANNUAL CHARGES		10,820	10,220

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

Liverpool Plains 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)			
Water supply services		1,150	995
Waste management services (non-domestic)		173	168
Total user charges		1,323	1,163
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building services – other		138	134
Inspection services		1	–
Planning and building regulation		1	3
Private works – section 67		246	159
Section 603 certificates		16	–
Total fees and charges – statutory/regulatory		402	296
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		105	108
Aged care		54	62
Cemeteries		181	198
Child care		606	497
Corporate		2	81
Gravel pits		13	23
Halls		13	44
Headworks and sundry charges		23	88
Leaseback fees – Council vehicles		38	52
RMS (formerly RTA) charges (state roads not controlled by Council)		439	796
Septic tanks		4	5
Sporting and recreation		140	60
Swimming centres		109	46
Water connection fees		7	10
Other		28	23
Total fees and charges – other		1,762	2,093
TOTAL USER CHARGES AND FEES		3,487	3,552

Liverpool Plains 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)		95	81
– Interest earned on investments (interest and coupon payment income)		890	766
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>985</u>	<u>847</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		95	81
General Council cash and investments		422	341
Restricted investments/funds – external:			
Development contributions			
– Section 94		27	22
– Section 64		12	11
Water fund operations		223	209
Sewerage fund operations		206	183
<u>Total interest and investment revenue recognised</u>		<u>985</u>	<u>847</u>
(d) Other revenues			
Rental income – other council properties		206	186
Fines – other		2	6
Legal fees recovery – rates and charges (extra charges)		140	44
Commissions and agency fees		171	145
Computer bureau income		73	–
Insurance discounts		51	59
Insurance claim recoveries		–	8
Sale of land for overdue rates		138	–
Sales – general		24	152
Theatre		39	56
Other		17	28
<u>TOTAL OTHER REVENUE</u>		<u>861</u>	<u>684</u>

Liverpool Plains 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	3,335	3,295	–	–
Pensioners' rates subsidies – general component	73	71	–	–
Total general purpose	3,408	3,366	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	33	32	–	–
– Sewerage	25	25	–	–
– Domestic waste management	36	35	–	–
Water supplies	25	–	4,343	354
Child care	32	34	–	–
Community care	262	236	–	–
Economic development	12	–	–	–
Employment and training programs	–	13	–	–
Environmental protection	–	92	–	–
Heritage and cultural	14	4	–	–
Library	38	54	–	–
Noxious weeds	77	68	–	–
NSW rural fire services	319	288	–	–
Public halls	–	–	–	4
Recreation and culture	45	9	10	220
Return of Wallabadah Servo Grant from NSW Environmental Trust	–	–	–	(43)
Roads and bridges	3,141	2,883	1,734	720
Other	–	54	–	–
Total specific purpose	4,059	3,827	6,087	1,255
Total grants	7,467	7,193	6,087	1,255
Grant revenue is attributable to:				
– Commonwealth funding	3,380	3,594	1,734	946
– State funding	4,010	3,582	4,353	300
– Other funding	77	17	–	9
	7,467	7,193	6,087	1,255

Liverpool Plains 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	79	–	–	22
S 94A – fixed development consent levies	60	–	–	59
S 64 – water supply contributions	–	–	92	5
S 64 – sewerage service contributions	–	–	41	–
Total developer contributions 17	139	–	133	86
Other contributions:				
Bushfire services	–	3	–	–
Community services	3	3	–	–
Recreation and culture	2	1	–	10
Roads and bridges	1	48	–	–
Tourism	1	–	–	–
Other	15	1	–	56
Total other contributions	22	56	–	66
Total contributions	161	56	133	152
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>7,628</u>	<u>7,249</u>	<u>6,220</u>	<u>1,407</u>

\$ '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	1,516	1,515
Add: grants and contributions recognised in the current period but not yet spent:	1,040	575
Less: grants and contributions recognised in a previous reporting period now spent:	(575)	(574)
Net increase (decrease) in restricted assets during the period	465	1
Unexpended and held as restricted assets	<u>1,981</u>	<u>1,516</u>
Comprising:		
– Specific purpose unexpended grants	734	580
– Developer contributions	1,247	936
	<u>1,981</u>	<u>1,516</u>

Liverpool Plains 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		6,529	6,020
Employee termination costs		511	463
Travel expenses		107	157
Employee leave entitlements (ELE)		767	872
Superannuation		814	674
Workers' compensation insurance		250	186
Fringe benefit tax (FBT)		37	39
Training costs (other than salaries and wages)		139	75
Total employee costs		9,154	8,486
Less: capitalised costs		(907)	(774)
TOTAL EMPLOYEE COSTS EXPENSED		8,247	7,712
Number of 'full-time equivalent' employees (FTE) at year end		101	113
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		282	278
Total interest bearing liability costs expensed		282	278
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	(218)	(144)
Total other borrowing costs		(218)	(144)
TOTAL BORROWING COSTS EXPENSED		64	134
(c) Materials and contracts			
Raw materials and consumables		5,538	5,217
Contractor and consultancy costs		872	1,586
Auditors remuneration ⁽¹⁾		148	71
Legal expenses:			
– Legal expenses: other		217	125
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		21	–
TOTAL MATERIALS AND CONTRACTS		6,796	6,999
(continued on the next page...)			

Liverpool Plains 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: Council's Auditor		48	47
Other assurance services: Council's Auditor		100	24
Remuneration for audit and other assurance services		148	71
Total Auditor remuneration		148	71

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		—	—	712	759
Office equipment		—	—	4	36
Furniture and fittings		—	—	7	16
Infrastructure:					
– Buildings – non-specialised		—	—	413	411
– Buildings – specialised		—	—	14	16
– Other structures		—	—	40	39
– Roads		—	—	3,486	3,555
– Bridges		—	—	357	356
– Footpaths		—	—	24	23
– Stormwater drainage		—	—	148	272
– Water supply network		—	—	642	823
– Sewerage network		—	—	172	171
– Other infrastructure		—	—	47	—
Other assets					
– Other		—	—	19	19
Asset reinstatement costs	9 & 26	—	—	—	(57)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	6,085	6,439

Liverpool Plains 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		54	40
Bad and doubtful debts		(36)	33
Bank charges		18	34
Cleaning		58	71
Computer software charges		121	–
Contributions/levies to other levels of government			
– Bushfire fighting fund		820	–
Councillor expenses – mayoral fee		21	20
Councillor expenses – councillors' fees		80	78
Councillors' expenses (incl. mayor) – other (excluding fees above)		27	56
Donations, contributions and assistance to other organisations (Section 356)		27	–
Electricity and heating		305	300
Insurance		355	320
Library costs		5	135
Office expenses (including computer expenses)		155	–
Plant operation expenditure		226	215
Postage		24	–
Printing and stationery		97	43
Promotions		41	37
Return grant 'Black is the New Green'		–	194
Security services		7	14
Street lighting		150	157
Subscriptions and publications		107	91
Telephone and communications		167	143
Valuation fees		36	35
Other		–	8
<u>TOTAL OTHER EXPENSES</u>		<u>2,865</u>	<u>2,024</u>

Note 5. Gains or losses from the disposal of assets

Property (excl. investment property)			
Proceeds from disposal – property		–	669
Less: carrying amount of property assets sold/written off		–	(472)
Net gain/(loss) on disposal		–	197
Plant and equipment			
Proceeds from disposal – plant and equipment		359	335
Less: carrying amount of plant and equipment assets sold/written off		(601)	(457)
Net gain/(loss) on disposal		(242)	(122)
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(242)</u>	<u>75</u>

Liverpool Plains 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 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		4,269	–	1,779	–
Cash-equivalent assets ¹					
– Deposits at call		–	–	1,000	–
– Other financial assets		18	–	6	–
Total cash and cash equivalents		4,287	–	2,785	–
Investments (Note 6b)					
– Long term deposits		11,000	7,500	6,250	10,750
Total investments		11,000	7,500	6,250	10,750
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		15,287	7,500	9,035	10,750

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'		4,287	–	2,785	–
--	--	--------------	----------	--------------	----------

Investments

a. 'Held to maturity'	6(b-i)	11,000	7,500	6,250	10,750
Investments		11,000	7,500	6,250	10,750

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		6,250	10,750	3,750	7,500
Additions		8,750	3,250	2,500	3,250
Disposals (sales and redemptions)		(10,500)	–	–	–
Transfers between current/non-current		6,500	(6,500)	–	–
Balance at end of year		11,000	7,500	6,250	10,750

Comprising:

– Other long term financial assets		11,000	7,500	6,250	10,750
Total		11,000	7,500	6,250	10,750

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

Liverpool Plains Shire Council

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

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	15,287	7,500	9,035	10,750
attributable to:				
External restrictions (refer below)	6,617	7,500	8,029	3,750
Internal restrictions (refer below)	5,196	–	–	4,695
Unrestricted	3,474	–	1,006	2,305
	15,287	7,500	9,035	10,750

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general fund	(D)	936	311	–	1,247
Specific purpose unexpended grants	(F)	576	734	(576)	734
Water supplies	(G)	5,027	1,671	–	6,698
Sewerage services	(G)	5,142	133	–	5,275
Domestic waste management	(G)	–	69	–	69
Other		94	–	–	94
External restrictions – other		11,775	2,918	(576)	14,117
Total external restrictions		11,775	2,918	(576)	14,117

Internal restrictions

Employees leave entitlement		1,035	80	–	1,115
Corporate services		1,241	213	–	1,454
Economic development and tourism		279	–	–	279
Environmental		1,369	50	–	1,419
Office equipment		103	–	–	103
Transport and road infrastructure		668	158	–	826
Total internal restrictions		4,695	501	–	5,196
TOTAL RESTRICTIONS		16,470	3,419	(576)	19,313

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.

Liverpool Plains 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		902	–	820	–
Interest and extra charges		153	–	124	–
User charges and fees		1,144	–	1,071	–
Accrued revenues					
– Interest on investments		365	–	384	–
Deferred debtors		26	1	29	1
Other levels of government		306	–	288	–
Total		2,896	1	2,716	1
Less: provision for impairment					
Other debtors		(76)	–	(70)	–
Total provision for impairment – receivables		(76)	–	(70)	–
<u>TOTAL NET RECEIVABLES</u>		<u>2,820</u>	<u>1</u>	<u>2,646</u>	<u>1</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		252	–	201	–
– User Fees & Charges		523	–	417	–
Sewerage services					
– Rates and availability charges		125	–	113	–
– User Fees & Charges		74	–	64	–
Domestic waste management		178	–	–	–
Total external restrictions		1,152	–	795	–
Internally restricted receivables					
Nil					
Unrestricted receivables		1,668	1	1,851	1
TOTAL NET RECEIVABLES		2,820	1	2,646	1

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.

Liverpool Plains 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)		885	–	885	–
Stores and materials		612	–	324	–
Total inventories at cost		1,497	–	1,209	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,497	–	1,209	–

(b) Other assets Nil

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures

(a) Details for real estate development

Residential	819	–	819	–
Industrial/commercial	66	–	66	–
Total real estate for resale	885	–	885	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	885	–	885	–
Total real estate for resale	885	–	885	–

Movements:

Real estate assets at beginning of the year	885	–	895	–
– Transfers in from (out to) Note 9	–	–	(10)	–
Total real estate for resale	885	–	885	–

(b) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

Liverpool Plains 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	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying
			depreciation	impairment	value									depreciation	impairment	value
Capital work in progress	464	–	–	–	464	–	–	–	–	(464)	–	–	–	–	–	–
Plant and equipment	–	15,491	8,439	–	7,052	6	1,142	(601)	(712)	(412)	–	–	14,644	8,169	–	6,475
Office equipment	–	1,565	1,326	–	239	–	–	–	(4)	–	–	–	1,565	1,330	–	235
Furniture and fittings	–	445	342	–	103	–	–	–	(7)	–	–	–	445	349	–	96
Land:																
– Operational land	–	6,771	–	–	6,771	–	69	–	–	1,600	213	–	8,653	–	–	8,653
– Community land	–	2,176	–	–	2,176	–	–	–	–	1,454	654	–	4,284	–	–	4,284
– Land under roads (post 30/6/08)	–	16	–	–	16	–	–	–	–	(16)	–	–	–	–	–	–
Infrastructure:																
– Buildings – non-specialised	–	35,067	7,503	–	27,564	229	50	–	(413)	439	–	–	35,903	8,034	–	27,869
– Buildings – specialised	–	800	29	–	771	–	445	–	(14)	–	–	–	1,245	43	–	1,202
– Other structures	–	4,161	476	–	3,685	277	64	–	(40)	91	–	–	4,594	517	–	4,077
– Roads	–	276,285	35,844	–	240,441	1,784	451	–	(3,486)	172	–	–	278,693	39,331	–	239,362
– Bridges	–	73,601	3,592	–	70,009	91	–	–	(357)	41	–	–	73,733	3,949	–	69,784
– Footpaths	–	2,518	193	–	2,325	–	–	–	(24)	121	–	–	2,639	217	–	2,422
– Bulk earthworks (non-depreciable)	–	78,016	–	–	78,016	–	–	–	–	–	–	–	78,016	–	–	78,016
– Stormwater drainage	–	19,327	4,071	–	15,256	227	50	–	(148)	(50)	–	–	19,554	4,219	–	15,335
– Water supply network	–	57,641	14,998	–	42,643	339	3,510	–	(642)	(1,611)	–	–	59,879	15,640	–	44,239
– Sewerage network	–	29,350	2,308	–	27,042	–	9	–	(172)	(368)	–	–	28,991	2,480	–	26,511
Other assets:																
– Other	–	3,317	1,899	–	1,418	–	–	–	(19)	–	–	–	3,317	1,918	–	1,399
Reinstatement, rehabilitation and restoration assets (refer Note 26):																
– Tip assets	–	659	193	–	466	–	–	–	(21)	–	–	–	659	214	–	445
– Quarry assets	–	486	234	–	252	–	–	–	(26)	–	–	–	486	260	–	226
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	464	607,692	81,447	–	526,709	2,953	5,790	(601)	(6,085)	997	867	–	617,300	86,670	–	530,630

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.

Liverpool Plains Shire Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Land								
– Community land	–	136	–	136	–	–	–	–
Buildings – non-specialised	–	459	111	348	–	–	–	–
Infrastructure	–	59,879	15,640	44,239	–	55,916	14,994	40,922
Total water supply	–	60,474	15,751	44,723	–	55,916	14,994	40,922
Sewerage services								
Land								
– Operational land	–	–	–	–	–	369	–	369
Infrastructure	–	28,991	2,480	26,511	–	28,981	2,308	26,673
Total sewerage services	–	28,991	2,480	26,511	–	29,350	2,308	27,042
Domestic waste management								
Office equipment	–	8	7	1	–	–	–	–
Land								
– Operational land	–	240	–	240	–	459	–	459
– Community land	–	102	–	102	–	–	–	–
Buildings	–	268	67	201	–	64	18	46
Other structures	–	10	–	10	–	–	–	–
Tip assets	–	–	–	–	–	659	193	466
Other assets	–	–	–	–	–	2	1	1
Total DWM	–	628	74	554	–	1,184	212	972
Stormwater drainage								
– Stormwater drainage	–	19,554	4,219	15,335	–	19,327	4,071	15,256
– Operational	–	32	–	32	–	–	–	–
Total other restrictions	–	19,586	4,219	15,367	–	19,327	4,071	15,256
TOTAL RESTRICTED I,PP&E	–	109,679	22,524	87,155	–	105,777	21,585	84,192

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

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

Liverpool Plains 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		457	–	767	–
Accrued expenses:					
– Borrowings		1	–	75	–
– Salaries and wages		157	2	92	–
– Other		–	–	46	1
Super owing year end pay		(1)	–	24	–
Other		–	6	–	–
Total payables		614	8	1,004	1
Borrowings					
Loans – secured ¹		201	4,742	193	4,943
Total borrowings		201	4,742	193	4,943
Provisions					
Employee benefits:					
Annual leave		714	–	657	–
Sick leave		18	–	15	–
Long service leave		1,651	83	1,422	44
ELE on-costs		13	–	112	2
Sub-total – aggregate employee benefits		2,396	83	2,206	46
Asset remediation/restoration (future works)	26	–	1,347	–	1,566
Total provisions		2,396	1,430	2,206	1,612
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		3,211	6,180	3,403	6,556

(i) Liabilities relating to restricted assets

	2016		2015	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	139	3,924	204	4,062
Liabilities relating to externally restricted assets	139	3,924	204	4,062
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	139	3,924	204	4,062
Total liabilities relating to unrestricted assets	3,072	2,256	3,199	2,494
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	3,211	6,180	3,403	6,556

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.

Liverpool Plains Shire Council

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

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

	Actual 2016	Actual 2015
\$ '000		

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

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

Provisions – employees benefits	1,711	1,275
	<u>1,711</u>	<u>1,275</u>

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Asset remediation	1,566	(219)	–	–	–	1,347
TOTAL	1,566	(219)	–	–	–	1,347

- a. 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.

Liverpool Plains 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	4,287	2,785
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,287	2,785
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,702	726
Adjust for non-cash items:			
Depreciation and amortisation		6,085	6,439
Net losses/(gains) on disposal of assets		242	(75)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other		387	–
Unwinding of discount rates on reinstatement provisions		(219)	(409)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(183)	1,080
Increase/(decrease) in provision for doubtful debts		6	(6)
Decrease/(increase) in inventories		(288)	10
Increase/(decrease) in payables		(310)	(1,397)
Increase/(decrease) in accrued interest payable		(74)	75
Increase/(decrease) in other accrued expenses payable		20	(351)
Increase/(decrease) in other liabilities		(19)	(42)
Increase/(decrease) in employee leave entitlements		227	(391)
Increase/(decrease) in other provisions		–	50
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		11,576	5,709

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		150	150
Credit cards/purchase cards		30	30
Total financing arrangements		180	180

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

Liverpool Plains 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			
Willow tree pipeline – 100% funded – gross amount shown		–	4,068
Emergency services precinct – 88.3% funded – gross amount shown		3,995	4,256
Total commitments		3,995	8,324

Details of capital commitments

Emergency service precinct development
Construction of a pipeline to Willow Tree village to provide water security

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Liverpool Plains 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	(276)	-1.16%	-3.35%	-7.51%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	23,781			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	16,153	53.84%	63.87%	64.64%
Total continuing operating revenue ⁽¹⁾	30,001			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	11,835	8.70x	2.11x	1.42x
Current liabilities less specific purpose liabilities ^(3, 4)	1,361			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	5,873	22.85x	2.11x	10.25x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	257			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	1,055	8.79%	8.45%	7.76%
Rates, annual and extra charges collectible	11,999			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	22,787	13.60 mths	10.3 mths	15.1 mths
Payments from cash flow of operating and financing activities	1,676			

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).

Liverpool Plains 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> <p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio -1.16%</p> <p>Council continues to work pro-actively to containing operating expenditure within operating revenue.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 53.84%</p> <p>Council has increased is operational and capital grants by \$4.5m in 2015/16. The increase is a positive outcome for the councils infrastructure but in the short-term it has impacted the Own Source Operating Revenue Ratio.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 8.70x</p> <p>Council continues to perform well in this area and is positioned well to meet current liabilities.</p>

Liverpool Plains Shire Council

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

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

<p>4. Debt service cover ratio</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 22.85x</p> <p>Council has borrowed responsibly and is in a good position to service all debts.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: — Maximum $< 10.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 8.79%</p> <p>Council continues to perform within industry standards and is committed to reducing overall receivable balances.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 13.60 mths</p> <p>Council is well above the industry benchmark and is able to meet immediate obligations.</p>

Liverpool Plains 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			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	32.01%	48.69%	-10.85%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 7.14%	38.47%	-8.03%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	42.06%	98.23%	55.21%
Total continuing operating revenue ⁽¹⁾	prior period: 87.75%	98.14%	57.55%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	24.99x	No liabilities	8.70x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 8.06x	No liabilities	2.11x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.68x	0.00	26.32x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 5.68x	0.00x	1.53x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	13.70%	10.95%	7.52%
Rates, annual and extra charges collectible	prior period: 13.18%	10.29%	7.37%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	0.00	0.00	10.93 mths
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	9.20 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.

Liverpool Plains Shire Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	4,287	2,785	4,287	2,785
Investments				
– 'Held to maturity'	18,500	17,000	18,500	17,000
Receivables	2,821	2,647	2,821	2,647
Total financial assets	25,608	22,432	25,608	22,432
Financial liabilities				
Payables	622	1,005	622	1,005
Loans/advances	4,943	5,136	4,943	5,136
Total financial liabilities	5,565	6,141	5,565	6,141

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	185	–	(185)	–
2015				
Possible impact of a 1% movement in interest rates	152	–	(152)	–

Liverpool Plains 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)		0%	70%	0%	35%
Overdue		100%	30%	100%	65%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	1,392	–	670
< 1 year overdue	0 – 30 days overdue	667	113	820	639
1 – 2 years overdue	30 – 60 days overdue	235	16	–	20
2 – 5 years overdue	60 – 90 days overdue	–	8	–	14
> 5 years overdue	> 90 days overdue	–	466	–	554
		902	1,995	820	1,897
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				70	76
– previous impairment losses reversed				6	(6)
Balance at the end of the year				76	70

Liverpool Plains 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	–	616	–	–	–	–	–	616	622
Loans and advances	–	193	200	209	218	226	3,897	4,943	4,943
Total financial liabilities	–	809	200	209	218	226	3,897	5,559	5,565
2015									
Trade/other payables	–	1,005	–	–	–	–	–	1,005	1,005
Loans and advances	–	473	470	467	465	462	5,712	8,049	8,049
Total financial liabilities	–	1,478	470	467	465	462	5,712	9,054	9,054

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	622	0.00%	1,005	0.00%
Loans and advances – fixed interest rate	2,286	5.21%	3,299	4.90%
Loans and advances – variable interest rate	2,657	5.75%	1,837	6.60%
	<u>5,565</u>		<u>6,141</u>	

Liverpool Plains 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 24 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	10,900	10,820	(80)	(1%)	U
User charges and fees	3,468	3,487	19	1%	F
Interest and investment revenue	613	985	372	61%	F
The budget for investment revenue was based on actual revenue and did not account for interest accruals.					
Other revenues	1,550	861	(689)	(44%)	U
Other revenue was less than budget as the budget incorrectly accounted for other revenue streams that did not eventuate.					
Operating grants and contributions	10,563	7,628	(2,935)	(28%)	U
The unfavourable decrease was due to treating the Willow Tree Pipeline grant (\$4.3M) as operating in the budget instead of a capital. The other contributing factors was an additional \$1.3M in road funding for various projects that was not included in the budget.					
Capital grants and contributions	2,126	6,220	4,094	193%	F
The favourable increase was due to treating the Willow Tree Pipeline grant (\$4.3M) as capital grant instead of operating.					

Liverpool Plains 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	7,568	8,247	(679)	(9%) U
Borrowing costs	241	64	177	73% F
The budget does not take into consideration the potential discounting arising from the valuation of the Waste Management Facilities and Quarries. The remediation costs are recalculated every year and during the 2016 financial there was a discounting gain of (\$219K).				
Materials and contracts	10,744	6,796	3,948	37% F
The favourable increase was due to treating the Willow Tree Pipeline grant (\$4.3M) as capital instead of operating as it was treated in the budget.				
Depreciation and amortisation	6,174	6,085	89	1% F
Other expenses	1,718	2,865	(1,147)	(67%) U
The unfavourable result is mainly due to (\$820K) Emergency Services Contribution that was not included in the budget.				
Net losses from disposal of assets	–	242	(242)	0% U

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

Cash flows from operating activities	12,080	11,576	(504)	(4.2%) U
Cash flows from investing activities	(7,273)	(9,881)	(2,608)	35.9% U
The investment portfolio increased \$1.5M over budget therefore producing the unfavourable result.				
Cash flows from financing activities	(247)	(193)	54	(21.9%) F
The budget does not take into consideration the variances that can occur from having a \$2.355M floating rate loan.				

Liverpool Plains 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					
Drainage	1	–	–	–	–	–	1	–
Roads	131	28	–	5	–	–	164	–
Open space	39	–	–	2	–	–	41	–
Community facilities	20	–	–	1	–	–	21	–
Youth services	18	–	–	1	–	–	19	–
Bushfire	11	–	–	0	–	–	11	–
Other	141	–	–	6	–	–	147	–
S94 contributions – under a plan	360	28	–	15	–	–	403	–
S94A levies – under a plan	269	79	–	11	–	–	359	–
Total S94 revenue under plans	629	107	–	26	–	–	762	–
S94 not under plans	18	31	–	2	–	–	51	–
S64 contributions	289	133	–	12	–	–	434	–
Total contributions	936	271	–	40	–	–	1,247	–

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Quirindi

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	24	–	–	1	–	–	25	–
Open space	24	–	–	1	–	–	25	–
Community facilities	20	–	–	1	–	–	21	–
Youth services	18	–	–	1	–	–	19	–
Total	86	–	–	4	–	–	90	–

CONTRIBUTION PLAN - Willow Tree

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	1	–	–	–	–	–	1	–
Roads	107	28	–	4	–	–	139	–
Open space	15	–	–	1	–	–	16	–
Bushfire	11	–	–	0	–	–	11	–
Total	134	28	–	5	–	–	167	–

CONTRIBUTION PLAN - Werris Creek

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	141	–	–	6	–	–	147	–
Total	141	–	–	6	–	–	147	–

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	269	79	–	11	–	–	359	–
Total	269	79	–	11	–	–	359	–

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					
Roads	–	31	–	1	–	–	32	–
Open space	18	–	–	1	–	–	19	–
Total	18	31	–	2	–	–	51	–

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					
Other	289	133	–	12	–	–	434	–
Total	289	133	–	12	–	–	434	–

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Rural fire fighting assets

Council has title to, and is the registered owner of a number of rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide bushfire protection and defences as set out in their Service Agreement with Council, and accordingly they have not been recognised in these reports.

In accordance with normal Rural Fire Service funding arrangements Council continues to contribute to the maintenance of this equipment.

Liverpool Plains 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

ASSETS NOT RECOGNISED (continued):

(iii) Central Northern Regional Libraries

Liverpool Plains Shire Council is a member of the Central Northern Regional Libraries Group.

This group operates under the Central Northern Library Regional Library Agreement renewed from 1 July 2010. This organisation is administered by the Tamworth Regional Council on behalf of the Six members.

The percentage of contribution and share of net assets for Liverpool Plains Shire Council is 9.5%. This has not been recognised in the financial statements.

Council has been advised that the total equity is \$1,205,000 of which Councils share at 30 June 2016 is \$114,475.

(iv) Legal Matters

Council is dealing with general legal matters as part of normal operations. No specific disclosure is made as these matters do not represent a significant and probable outflow of resources.

Note 19. Interests in other entities

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

Liverpool Plains 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)		208,292	207,920
a. Correction of prior period errors	20 (c)	1,384	(354)
b. Net operating result for the year		5,702	726
Balance at end of the reporting period		215,378	208,292
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		332,966	332,099
Total		332,966	332,099
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		332,099	339,597
– Revaluations increments/ (decrements) for the year	9(a)	867	(7,498)
– Balance at end of year		332,966	332,099
TOTAL VALUE OF RESERVES		332,966	332,099
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
– Plant & equipment disposed of in prior period not reflected in general ledger		(409)	–
– Understatement of I&PPE not adjusted in the general ledger		1,914	–
– Overstatement of receivables not previously written off		(220)	–
– Overstatement of liabilities not previously written off		99	–
Correction of errors as disclosed in last year's financial statements:			
Understatement of I&PPE not adjusted in the general ledger		–	(354)
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)		–	(354)
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		1,384	–
Total prior period adjustments – prior period errors		1,384	(354)

Liverpool Plains 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
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,839	1,142	7,839
User charges and fees	1,187	41	2,259
Interest and investment revenue	235	206	544
Other revenues	–	1	860
Grants and contributions provided for operating purposes	150	25	7,453
Grants and contributions provided for capital purposes	4,343	–	1,877
Total income from continuing operations	7,754	1,415	20,832
Expenses from continuing operations			
Employee benefits and on-costs	572	231	7,444
Borrowing costs	242	–	(178)
Materials and contracts	863	323	5,610
Depreciation and amortisation	642	172	5,271
Other expenses	–	–	2,865
Net losses from the disposal of assets	–	–	242
Total expenses from continuing operations	2,319	726	21,254
Operating result from continuing operations	5,435	689	(422)
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	5,435	689	(422)
Net operating result attributable to each council fund	5,435	689	(422)
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,092	689	(2,299)

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.

Liverpool Plains 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
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	2,698	1,775	(186)
Investments	–	500	10,500
Receivables	775	199	1,846
Inventories	–	–	1,497
Other	–	–	–
Total current assets	3,473	2,474	13,657
Non-current assets			
Investments	4,000	3,500	–
Receivables	–	–	1
Inventories	–	–	–
Infrastructure, property, plant and equipment	44,238	26,511	459,881
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Other	–	–	–
Total non-current assets	48,238	30,011	459,882
TOTAL ASSETS	51,711	32,485	473,539
LIABILITIES			
Current liabilities			
Payables	1	–	613
Borrowings	138	–	63
Provisions	–	–	2,396
Total current liabilities	139	–	3,072
Non-current liabilities			
Payables	–	–	8
Borrowings	3,924	–	818
Provisions	–	–	1,430
Total non-current liabilities	3,924	–	2,256
TOTAL LIABILITIES	4,063	–	5,328
Net assets	47,648	32,485	468,211
EQUITY			
Retained earnings	26,715	12,235	176,428
Revaluation reserves	20,933	20,250	291,783
Total equity	47,648	32,485	468,211

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.

Liverpool Plains 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

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 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 03/03/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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.

Liverpool Plains Shire Council

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Landfill remediation	various	776	893
Quarries remediation	various	571	673
Balance at end of the reporting period	10(a)	1,347	1,566

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	1,566	1,925
Effect of a change in discount rates used in PV calculations	–	(265)
Effect of a change in other calculation estimates used	–	50
Amortisation of discount (expensed to borrowing costs)	(219)	(144)
Total – reinstatement, rehabilitation and restoration provision	1,347	1,566

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.

Liverpool Plains Shire Council

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

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and 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 which are expected to arise from future disturbance. The 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Close down and restoration 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.

Other movements in the provisions for close down and restoration 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.

Rehabilitation

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 reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting 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 unwinding 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.

Liverpool Plains Shire Council

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

Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

Fair value measurement hierarchy				
2016	Level 1	Level 2	Level 3	Total
	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	—	—	6,475	6,475
Office equipment	—	—	235	235
Furniture and fittings	—	—	96	96
Operational land	—	—	8,653	8,653
Community land	—	—	4,284	4,284
Buildings – non-specialised	—	—	27,869	27,869
Other structures	—	—	4,077	4,077
Roads	—	—	239,362	239,362
Bridges	—	—	69,784	69,784
Footpaths	—	—	2,422	2,422
Bulk earthworks (non-depreciable)	—	—	78,016	78,016
Stormwater drainage	—	—	15,335	15,335
Water supply network	—	—	44,239	44,239
Sewerage network	—	—	26,511	26,511
Other assets	—	—	1,399	1,399
Tip assets	—	—	226	226
Quarry assets	—	—	445	445
Buildings – specialised	—	—	1,202	1,202
Total infrastructure, property, plant and equipment	—	—	530,630	530,630

Liverpool Plains 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	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	—	—	7,052	7,052
Office equipment	—	—	239	239
Furniture and fittings	—	—	103	103
Operational land	—	—	6,771	6,771
Community land	—	—	2,176	2,176
Land under roads (post 30/6/08)	—	—	16	16
Buildings – non-specialised	—	—	27,564	27,564
Other structures	—	—	3,685	3,685
Roads	—	—	240,441	240,441
Bridges	—	—	70,009	70,009
Footpaths	—	—	2,325	2,325
Bulk earthworks (non-depreciable)	—	—	78,016	78,016
Stormwater drainage	—	—	15,256	15,256
Water supply network	—	—	42,643	42,643
Sewerage network	—	—	27,041	27,041
Other assets	—	—	2,654	2,654
Tip assets	—	—	466	466
Quarry assets	—	—	252	252
Total infrastructure, property, plant and equipment	—	—	526,709	526,709

(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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Fair value hierarchy level 3 valuations of land - Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques

Liverpool Plains 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.

	Community land	Land under roads	Operational Land	Land improv'mnt depreciable	Total
Opening balance – 1/7/14	2,166	3	6,906	–	9,075
Transfers from/(to) another asset class	10	–	–	–	10
Purchases (GBV)	–	13	25	–	38
Disposals (WDV)	–	–	(160)	–	(160)
Closing balance – 30/6/15	2,176	16	6,771	–	8,963
Purchases (GBV)	–	–	69	–	69
FV gains – other comprehensive income	654	–	213	–	867
Other movement (details here)	1,454	(16)	1,600	–	3,038
Closing balance – 30/6/16	4,284	–	8,653	–	12,937

	Other structures	Roads Bridges Footpaths	Bulk earthworks	Stormwater drainage	Total
Opening balance – 1/7/14	3,398	316,314	87,641	15,261	422,614
Transfers from/(to) another asset class	(92)	(322)	–	–	(414)
Purchases (GBV)	418	1,504	–	73	1,995
Depreciation and impairment	(39)	(3,934)	–	(272)	(4,245)
Other movement	–	(787)	(9,625)	194	(10,218)
Closing balance – 30/6/15	3,685	312,775	78,016	15,256	409,732
Purchases (GBV)	341	2,326	–	277	2,944
Depreciation and impairment	(40)	(3,867)	–	(148)	(4,055)
Other movement	91	334	–	(50)	375
Closing balance – 30/6/16	4,077	311,568	78,016	15,335	408,996

Liverpool Plains 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)

	Buildings	Water supply network	Sewerage network	Other assets	Total
Opening balance – 1/7/14	28,918	40,822	26,185	1,437	97,362
Transfers from/(to) another asset class	(3)	–	–	–	(3)
Purchases (GBV)	241	783	87	–	1,111
Disposals (WDV)	(312)	–	–	–	(312)
Depreciation and impairment	(427)	(823)	(171)	(19)	(1,440)
FV gains – other comprehensive income	(82)	–	–	–	(82)
Other movement	–	1,861	941	–	2,802
Closing balance – 30/6/15	28,335	42,643	27,042	1,418	99,438
Purchases (GBV)	724	3,849	9	–	4,582
Depreciation and impairment	(427)	(642)	(172)	(19)	(1,260)
Other movement	439	(1,611)	(368)	–	(1,540)
Closing balance – 30/6/16	29,071	44,239	26,511	1,399	101,220

	Plant & Office Equipment	Tip assets	Quarry assets	Total
Opening balance – 1/7/14	7,860	634	287	8,781
Purchases (GBV)	802	–	–	802
Disposals (WDV)	(457)	–	–	(457)
Depreciation and impairment	(811)	25	35	(751)
Other movement	–	(193)	(70)	(263)
Closing balance – 30/6/15	7,394	466	252	8,112
Purchases (GBV)	1,148	–	–	1,148
Disposals (WDV)	(1,010)	–	–	(1,010)
Depreciation and impairment	(723)	(21)	(26)	(770)
Other movement	(3)	–	–	(3)
Closing balance – 30/6/16	6,806	445	226	7,477

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

NB. Transfers in to a level are required to be detailed separately to transfers out !!

(5). Highest and best use

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

Liverpool Plains Shire Council

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

Note 28. Council information and contact details

Principal place of business:

60 Station Street
Quirindi NSW 2343

Contact details**Mailing address:**

PO Box 152
Quirindi NSW 2343

Opening hours:

Monday to Friday
8.30 am to 5.00 pm

Telephone: 02 6746 1755

Facsimile: 02 6746 3255

Internet: www.lpsc.nsw.gov.au

Email: LPSC@lpsc.nsw.gov.au

Officers**GENERAL MANAGER**

Ronald Van Katwyk

Elected members**MAYOR**

Andrew Hope

RESPONSIBLE ACCOUNTING OFFICER

Michael Chalmers

Other information

ABN: 97 810 717 370



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

101 Hannell Street
PO Box 275
Wickham NSW 2293

20 - 22 Church Street
PO Box 117
Maitland NSW 2320

126 John Street
PO Box 244
Singleton NSW 2330
Tel: 02 6572 1744

Greg Farrow
David Wyatt
Geoff Thompson
Michael Minter
Scott Edden
Wayne Russell

Tel: 02 4911 2000
Fax: 02 4911 2099
www.pitcher.com.au
newcastle@pitcher.com.au

Liverpool Plains Shire Council

Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements of Liverpool Plains Shire Council (the Council), which comprise 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 then ended, accompanying Notes to the Financial Statements, and the Statement by Councillors and Management in the approved form as required by Section 413 (2) of the Local Government Act 1993.

Councillor's responsibility for the financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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



When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit did not involve an analysis of the prudence of business decisions made by Councillors or management.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements, nor the attached Special Schedules (1, 2 & 7) and accordingly, we express no opinion on them.

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

Auditor's 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; and
- b) the financial statements:
 - i. have been presented in accordance with the requirements of this Division;
 - ii. are consistent with the Council's accounting records;
 - iii. present fairly the Council's financial position as at 30 June 2016 and the results of operations and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- 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.



Pitcher Partners Newcastle & Hunter



Wayne Russell
Partner

Newcastle
3 March 2017



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

101 Hannell Street
PO Box 275
Wickham NSW 2293

20 - 22 Church Street
PO Box 117
Maitland NSW 2320

126 John Street
PO Box 244
Singleton NSW 2330
Tel: 02 6572 1744

Tel: 02 4911 2000
Fax: 02 4911 2099
www.pitcher.com.au
newcastle@pitcher.com.au

Greg Farrow
David Wyatt
Geoff Thompson
Michael Minter
Scott Edden
Wayne Russell

Liverpool Plains Shire Council

Independent Audit Report S417(3) - Report on the conduct of the audit

REPORT ON THE CONDUCT OF THE AUDIT FOR THE YEAR ENDED 30 JUNE 2016 - SECTION 417(3)

We have completed our audit of the financial statements for Liverpool Plains Shire Council for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act 1993 (the Act). This report should be read in conjunction with our audit opinion under Section 417(2) of the Act on the General Purpose Financial Reports of Council.

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements, nor the attached Special Schedules (1, 2 & 7) and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.



While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Councillors or management.

As a result of our audit there are a number of comments we wish to raise concerning the trends in Council's finances. These comments are set out below.

Income Statement

These financial statements incorporate Council's consolidated accounts for the year ended 30 June 2016.

a) Net Operating Result for the year before Capital Grants and Contributions

Council's Net Operating Result before capital grants and contributions for the year ended 30 June 2016 shows a deficit of \$518,000 compared with a deficit of \$681,000 for the year ended 30 June 2015.

The movement in the result is largely attributable to increases in rates & annual charges revenue of \$600,000, an increase in grants & contributions provided for operating purposes of \$379,000, an increase in other revenue of \$177,000 offset by an increase in employee benefits & on-costs expenses of \$535,000 and an increase in other expenses of \$841,000.

b) Net Operating Result for the Year

After allowing for items of a capital nature, Council's net operating result for the year ended 30 June 2016 was a surplus of \$5,702,000 compared to a surplus of \$726,000 for the year ended 30 June 2015.

The movement in the result is largely attributable to increases in capital grants and contributions of \$4,813,000 of which \$3,989,000 related to water supply operations.

Asset Recognition

Except for land under roads, infrastructure assets acquired or constructed prior to 1 January 1993 have been capitalised in the accounts on a staged basis since June 1995, in accordance with the provisions of the Local Government Code of Accounting Practice and Financial Reporting.

In July 2006, the Office of Local Government (OLG) (previously the Division of Local Government) determined that all infrastructure, property, plant and equipment would be valued at fair value on a staged approach recognising water and sewerage assets (where applicable) in the year ended 30 June 2007; plant and equipment, land and buildings, and other assets in the year ended 30 June 2008; roads, bridges, footpaths and drainage in the year ending 30 June 2009 (which was subsequently deferred to 30 June 2010), and Community land, land improvements, other structures and other assets by 30 June 2010 (subsequently deferred to 30 June 2011).

The OLG requires that Councils undertake a revaluation of those asset classes at every five years (unless there have been material changes to the valuation beforehand). Under this framework Community land, land improvements, other structures and other assets were required to be revalued in the current year. Roads (including bulk earthworks), bridges, footpaths and drainage were required to be revalued in the prior year.

The fair value of plant and equipment, land and buildings and other assets was ascertained and based on the following methods:

- plant and equipment - approximated by depreciated historical cost
- buildings - fair value as determined by independent external and internal valuations
- roads, bridges, footpaths and drainage assets was based on the method of written down replacement cost
- operational land - fair value as determined by independent external valuations
- community land, land improvements and other structures was based on the following methods:
 - land improvements and other structures - approximated by depreciated historical cost
 - community land – fair value as determined by independent external valuations

The revaluation process in respect of infrastructure, property, plant and equipment in the current year resulted in an overall net revaluation increment of \$867,000 in relation to Operational and Community Land. This compared to a revaluation decrement of \$7,498,000 in the prior year mainly in relation to infrastructure such as roads, bridges, bulk earthworks etc.

Performance Indicators

Our comments in regard to Council's performance for the 2016 year are based on those performance indicators and areas that are considered meaningful.

The indicators we have reviewed are as follows:

a) Liquidity

At 30 June 2016, Council's net current assets stood at \$16,393,000 compared to \$9,487,000 at 30 June 2015. In other words, the total current assets that Council is expected to realise in the coming year exceeded the total current liabilities that will need to be met by this amount. This is referred to as the current asset ratio and is a measure of the liquidity of Council. The unrestricted current ratio is also a measure of liquidity (being Council's ability to meet short term obligations as they fall due), with unrestricted current assets (current assets less external restrictions) exceeding current liabilities (excluding specific purpose liabilities) by 8.7:1 (the benchmark is greater than 1.5). Prima facie these ratios place Council in a sound financial position, however it must be remembered that included are items which Council has determined are restricted in their use. This is best illustrated in the following table.

Council has total cash and investments of \$22,787,000 which are subject to restrictions as follows:

	30 June 2016 \$'000	30 June 2015 \$'000
Total cash and investments	22,787	19,785
Less: Items specifically restricted by external regulation	<u>(14,117)</u>	<u>(11,775)</u>
	8,670	8,010
Less: Amounts subject to restrictions made by Council to cover long term projects and commitments - Internal restrictions	<u>(5,196)</u>	<u>(4,695)</u>
Unrestricted cash and investments	<u>3,474</u>	<u>3,315</u>

Unrestricted Current Ratio

The unrestricted current ratio for the last three years is as follows:

2016	2015	2014
8.70	2.12	1.42

b) Debt Service Cover Ratio

At 30 June 2016 Council had outstanding loans and borrowings of \$4,943,000 compared with \$5,136,000 at 30 June 2015. The debt service cover ratio has been used to give an indication of the availability of operating cash to service debt including principal, interest and lease repayments. The ratio is 22.85 for the year ended 30 June 2016 compared to 2.11 for the year ended 30 June 2015 and 10.25 for the year ended 30 June 2014. The benchmark is a ratio greater than 2.

c) Own Source Operating Revenue

This ratio (expressed as a percentage) is essentially a measure of the extent to which Council is dependent upon revenue from grants and contributions as compared to its total revenue. Put another way, the less reliant Council is on grants and contributions the higher the percentage. For the year ended 30 June 2016, Council's own source operating revenue ratio was approximately 53.84% compared to 63.87% in 2015 and 64.64% in 2014. The benchmark is 60%, however care needs to be taken in interpreting the result as fluctuations in grant and contribution income between years can have a material impact on the calculation as is evident in the current year.

d) Rates and Annual Charges Outstanding

The rates and annual charges outstanding percentage is used to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of debt recovery efforts. The percentage of rates and annual charges outstanding is 8.79% in 2016 compared to 8.45% in 2015 and 7.76% in 2014. The benchmark is less than 5% for metropolitan councils and less than 10% for rural councils.

Internally Restricted Assets

Council sets aside in the form of specific cash or investment amounts to cover future expenditure that is considered necessary for efficient long term operations. This cash is restricted for use on the specific purposes designated. It does not include restrictions on unexpended grant income or section 94 contributions, as these are provided for separately in external restrictions. Internal restrictions relate to

expenditure on such items as leave entitlements, asset replacement and carry over works. At 30 June 2016, Council had internally restricted assets totalling \$5,196,000 compared to \$4,695,000 at 30 June 2015. It is prudent for Council to regularly consider and assess whether the level of cash and investments it has set aside for future projects and operations is appropriate compared to the desired level and timing of the expenditure at any given point in time.

Statement of Cash Flows

Cash flows from operating activities

Net cash provided from operating activities amounted to \$11,576,000 in 2016 compared to \$5,709,000 for the previous year.

The cash flows from operating activities has increased from the prior year as a result of an increase in receipts from rates & annual charges of \$637,000, an increase in receipts from investments & interest of \$512,000, and an increase in receipts from grants and contributions of \$4,745,000, a decrease in payments for employee benefits & on-costs of \$508,000 and a decrease in payments for materials & contracts of \$430,000.

Cash flows from investing activities

Net cash used in investing activities amounted to \$9,881,000 for the year ended 30 June 2016, compared to \$8,833,000 for the previous year.

The movement is primarily attributable to a decrease in receipts from the sale of infrastructure, property, plant and equipment of \$744,000 and a decrease in the purchase of investment securities of \$4,250,000, offset by an increase in the purchase of infrastructure, property, plant & equipment of \$4,557,000 over the prior year.

Cash flows from financing activities

Net cash used in financing activities amounted to \$193,000 for the year ended 30 June 2016 compared to net cash used of \$264,000 in the previous year.

The movement is largely consistent with the previous year.

General

A management letter highlighting matters arising from our audit covering internal controls and other accounting matters will be prepared where it is considered necessary or appropriate and issued to the Finance Manager in due course. Should a letter be issued any matters raised are not of a nature that is significant in arriving at our audit opinion.

We thank the General Manager, Finance Manager and their staff for the co-operation and courtesy extended to us during the course of our visit to Council's office.



Pitcher Partners Newcastle & Hunter



Wayne Russell
Partner

Newcastle
3 March 2017



Liverpool Plains Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Vision - That the Liverpool Plains Shire area achieves higher levels of growth & generates improved quality of life through expanded opportunities for economic and social development being realised within an environmentally and financially sustainable framework.



Liverpool Plains Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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

Background

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

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

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

Liverpool Plains 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:

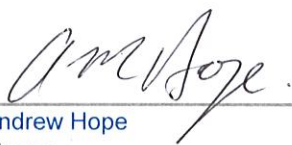
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 14 December 2016.



Andrew Hope
Mayor



Doug Hawkins
Councillor



Ronald Van Katwyk
General manager



Michael Chalmers
Responsible accounting officer

Liverpool Plains 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	1,839	1,525
User charges	1,172	995
Fees	15	9
Interest	235	218
Grants and contributions provided for non-capital purposes	150	124
Profit from the sale of assets	—	—
Other income	—	—
Total income from continuing operations	3,411	2,871
Expenses from continuing operations		
Employee benefits and on-costs	572	665
Borrowing costs	242	221
Materials and contracts	863	951
Depreciation and impairment	642	829
Water purchase charges	—	—
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	—	—
Total expenses from continuing operations	2,319	2,666
Surplus (deficit) from continuing operations before capital amounts	1,092	205
Grants and contributions provided for capital purposes	4,343	354
Surplus (deficit) from continuing operations after capital amounts	5,435	559
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	5,435	559
Less: corporate taxation equivalent (30%) [based on result before capital]	(328)	(62)
SURPLUS (DEFICIT) AFTER TAX	5,107	498
Plus opening retained profits	21,278	21,150
Plus/less: prior period adjustments	—	(431)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	328	62
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	26,713	21,278
Return on capital %	3.0%	1.0%
Subsidy from Council	—	862
Calculation of dividend payable:		
Surplus (deficit) after tax	5,107	498
Less: capital grants and contributions (excluding developer contributions)	(4,343)	(354)
Surplus for dividend calculation purposes	764	144
Potential dividend calculated from surplus	382	72

Liverpool Plains 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	1,142	1,098
User charges	—	—
Liquid trade waste charges	—	—
Fees	41	25
Interest	206	183
Grants and contributions provided for non-capital purposes	25	25
Profit from the sale of assets	—	—
Other income	1	—
Total income from continuing operations	1,415	1,331
Expenses from continuing operations		
Employee benefits and on-costs	231	237
Borrowing costs	—	—
Materials and contracts	323	344
Depreciation and impairment	172	238
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	—	—
Total expenses from continuing operations	726	819
Surplus (deficit) from continuing operations before capital amounts	689	512
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	689	512
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	689	512
Less: corporate taxation equivalent (30%) [based on result before capital]	(207)	(154)
SURPLUS (DEFICIT) AFTER TAX	482	358
Plus opening retained profits	11,546	10,875
Plus/less: prior period adjustments	—	159
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	207	154
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	12,235	11,546
Return on capital %	2.6%	1.9%
Subsidy from Council	—	305
Calculation of dividend payable:		
Surplus (deficit) after tax	482	358
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	482	358
Potential dividend calculated from surplus	241	179

Liverpool Plains 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	2,698	1,027
Investments	–	–
Receivables	775	618
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	3,473	1,645
Non-current assets		
Investments	4,000	4,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	44,238	42,643
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	48,238	46,643
TOTAL ASSETS	51,711	48,288
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1	74
Borrowings	138	130
Provisions	–	–
Total current liabilities	139	204
Non-current liabilities		
Payables	–	–
Borrowings	3,924	4,062
Provisions	–	–
Total non-current liabilities	3,924	4,062
TOTAL LIABILITIES	4,063	4,266
NET ASSETS	47,648	44,022
EQUITY		
Retained earnings	26,715	21,278
Revaluation reserves	20,933	22,744
Council equity interest	47,648	44,022
Non-controlling equity interest	–	–
TOTAL EQUITY	47,648	44,022

Liverpool Plains 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	1,775	1,142
Investments	500	–
Receivables	199	177
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	2,474	1,319
Non-current assets		
Investments	3,500	4,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	26,511	27,041
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	30,011	31,041
TOTAL ASSETS	32,485	32,360
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	32,485	32,360
EQUITY		
Retained earnings	12,235	11,546
Revaluation reserves	20,250	20,814
Council equity interest	32,485	32,360
Non-controlling equity interest	–	–
TOTAL EQUITY	32,485	32,360

Liverpool Plains 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

Liverpool Plains 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)

Nil

Category 2

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

a. Water Supply Network

b. Sewerage Service

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 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

Liverpool Plains Shire Council

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

Note 1. Significant accounting policies (continued)

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.

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

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.

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.

Liverpool Plains Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

(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 1.99% at 30/6/16.

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.

Liverpool Plains Shire Council

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

Note 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	–
(ii)	Number of assessments multiplied by \$3/assessment	8,409
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	382,200
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	84,090
(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	1,306,200

2016 Surplus	764,400	2015 Surplus	143,500	2014 Surplus	398,300
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	84,090
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Liverpool Plains Shire Council

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

Note 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	3,176
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)]	%	38.74%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	44,239
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,436
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,849
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)]	%	2.48%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	4,343

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

Liverpool Plains 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	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="6,123"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text" value="–"/>

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="241,150"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="61,230"/>
(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	<input type="text" value="1,239,700"/>

2016 Surplus	<input type="text" value="482,300"/>	2015 Surplus	<input type="text" value="358,400"/>	2014 Surplus	<input type="text" value="399,000"/>
		2015 Dividend	<input type="text" value="–"/>	2014 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="61,230"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="text"/>

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)	<input type="text" value="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]	<input type="text" value="YES"/>
	Complying charges (a) Residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="YES"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="YES"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="YES"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="YES"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="YES"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="YES"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

Liverpool Plains 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 (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	1,209
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	26,511
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	554
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	9
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)]	%	1.82%
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	4,385
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.32%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,858
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)]	%	2.23%
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%

Liverpool Plains 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 (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)]	%	-10.50%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: 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	1,781
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	58

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

101 Hannell Street
PO Box 275
Wickham NSW 2293

20 - 22 Church Street
PO Box 117
Maitland NSW 2320

126 John Street
PO Box 244
Singleton NSW 2330
Tel: 02 6572 1744

Greg Farrow
David Wyatt
Geoff Thompson
Michael Minter
Scott Edden
Wayne Russell

Tel: 02 4911 2000
Fax: 02 4911 2099
www.pitcher.com.au
newcastle@pitcher.com.au

Liverpool Plains Shire Council Independent auditor's report to the Council Report on the special purpose financial statements

Report on the financial statement

We have audited the accompanying financial statements, being special purpose financial statements, of Liverpool Plains Shire Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2016, the Income Statements by Business Activity for the year then ended, notes to the financial statements of the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2016.

Councillor's responsibility for the financial statements

The councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillor's responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to error or fraud.

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 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 control relevant to the council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Councillors or management, as well as evaluating the overall presentation of the financial statements.

Our audit did not involve an analysis of the prudence of business decisions made by Councillors or management.

Our audit responsibility does not extend to Notes 2 and 3 of the special purpose financial statements and accordingly we express no opinion on them.



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

Auditor's opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position by Business activity of Liverpool Plains Shire Council as at 30 June 2016 and its financial performance by Business activity for the year then ended in accordance with the accounting policies detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of accounting and restriction on distribution and use

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 responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Council.



Pitcher Partners Newcastle & Hunter



Wayne Russell
Partner

Newcastle
3 March 2017



Liverpool Plains Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016



Liverpool Plains Shire Council

Special Schedules

for the year ended 30 June 2016

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	9
Special Schedule 6	Sewerage Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14
Special Schedule 8	Permissible Income Calculation	19

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.

Liverpool Plains 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	765	12	–	(753)
Administration	1,796	360	–	(1,436)
Public order and safety				
Fire service levy, fire protection, emergency services	969	319	–	(650)
Beach control	–	–	–	–
Enforcement of local government regulations	210	144	–	(66)
Animal control	138	8	–	(130)
Other	–	–	–	–
Total public order and safety	1,317	471	–	(846)
Health	11	3	–	(8)
Environment				
Noxious plants and insect/vermin control	11	–	–	(11)
Other environmental protection	1,318	389	–	(929)
Solid waste management	1,134	1,533	–	399
Street cleaning	134	–	–	(134)
Drainage	–	–	–	–
Stormwater management	212	–	–	(212)
Total environment	2,809	1,922	–	(887)
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	311	315	–	4
Children's services	515	642	–	127
Total community services and education	826	957	–	131
Housing and community amenities				
Public cemeteries	145	181	–	36
Public conveniences	539	(1)	–	(540)
Street lighting	–	–	–	–
Town planning	–	–	–	–
Other community amenities	92	75	–	(17)
Total housing and community amenities	776	255	–	(521)
Water supplies	2,317	3,306	4,435	5,424
Sewerage services	725	1,373	41	689

Liverpool Plains 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	378	60	—	(318)
Museums	10	1	—	(9)
Art galleries	—	—	—	—
Community centres and halls	—	—	—	—
Performing arts venues	103	39	—	(64)
Other performing arts	—	—	—	—
Other cultural services	111	2	—	(109)
Sporting grounds and venues	395	111	—	(284)
Swimming pools	428	109	—	(319)
Parks and gardens (lakes)	436	20	10	(406)
Other sport and recreation	234	76	—	(158)
Total recreation and culture	2,095	418	10	(1,667)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	—	—	—	—
Other mining, manufacturing and construction	345	13	—	(332)
Total mining, manufacturing and const.	345	13	—	(332)
Transport and communication				
Urban roads (UR) – local	585	1,355	520	1,290
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	4,045	67	632	(3,346)
Sealed rural roads (SRR) – regional	—	717	582	1,299
Unsealed rural roads (URR) – local	2,638	497	—	(2,141)
Unsealed rural roads (URR) – regional	1,986	—	—	(1,986)
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	363	—	—	(363)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	—	—	—	—
Footpaths	26	15	—	(11)
Aerodromes	31	105	—	74
Other transport and communication	233	971	—	738
Total transport and communication	9,907	3,727	1,734	(4,446)
Economic affairs				
Camping areas and caravan parks	47	4	—	(43)
Other economic affairs	563	515	—	(48)
Total economic affairs	610	519	—	(91)
Totals – functions	24,299	13,336	6,220	(4,743)
General purpose revenues ⁽¹⁾		10,445		10,445
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	24,299	23,781	6,220	5,702

(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

Liverpool Plains 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	193	4,943	5,136	—	193	—	—	282	201	4,742	4,943
Other	—	—	—	—	—	—	—	—	—	—	—
Total loans	193	4,943	5,136	—	193	—	—	282	201	4,742	4,943
Other long term debt											
Ratepayers advances	—	—	—	—	—	—	—	—	—	—	—
Government advances	—	—	—	—	—	—	—	—	—	—	—
Finance leases	—	—	—	—	—	—	—	—	—	—	—
Deferred payments	—	—	—	—	—	—	—	—	—	—	—
Total long term debt	—	—	—	—	—	—	—	—	—	—	—
Total debt	193	4,943	5,136	—	193	—	—	282	201	4,742	4,943

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).

Liverpool Plains 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	563	699
b. Engineering and supervision	9	10
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	3	11
b. Maintenance expenses	36	44
– Mains		
c. Operation expenses	13	5
d. Maintenance expenses	102	122
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	27	39
– Pumping stations		
g. Operation expenses (excluding energy costs)	36	11
h. Energy costs	149	113
i. Maintenance expenses	99	126
– Treatment		
j. Operation expenses (excluding chemical costs)	4	12
k. Chemical costs	72	59
l. Maintenance expenses	139	128
– Other		
m. Operation expenses	61	61
n. Maintenance expenses	123	179
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	642	829
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	241	221
b. Revaluation decrements	–	–
c. Other expenses	–	–
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	2,319	2,669

Liverpool Plains 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)	1,839	1,525
b. Usage charges	1,163	1,072
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	9	7
8. Extra charges	—	—
9. Interest income	235	219
10. Other income	15	9
10a. Aboriginal Communities Water and Sewerage Program	—	—
11. Grants		
a. Grants for acquisition of assets	4,343	354
b. Grants for pensioner rebates	33	32
c. Other grants	25	—
12. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	92	9
13. Total income	7,754	3,227
14. Gain (or loss) on disposal of assets	—	—
15. Operating result	5,435	558
15a. Operating result (less grants for acquisition of assets)	1,092	204

Liverpool Plains 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	3,510	–
b. New assets for growth	–	–
c. Renewals	339	–
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	3,849	–
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	4,126	–
21. Totals	4,126	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	2,668	2,668
b. Residential (unoccupied, ie. vacant lot)	25	26
c. Non-residential (occupied)	110	105
d. Non-residential (unoccupied, ie. vacant lot)	–	22
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 57,618	\$ 58,613

Liverpool Plains 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	2,698	4,000	6,698
26. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	252	—	252
c. User charges	523	—	523
d. Other	—	—	—
27. Inventories	—	—	—
28. Property, plant and equipment			
a. System assets	—	44,238	44,238
b. Plant and equipment	—	—	—
29. Other assets	—	—	—
30. Total assets	3,473	48,238	51,711
LIABILITIES			
31. Bank overdraft	—	—	—
32. Creditors	1	—	1
33. Borrowings	138	3,924	4,062
34. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
35. Total liabilities	139	3,924	4,063
36. NET ASSETS COMMITTED	3,334	44,314	47,648
EQUITY			
37. Accumulated surplus			26,715
38. Asset revaluation reserve			20,933
39. TOTAL EQUITY			47,648
Note to system assets:			
40. Current replacement cost of system assets			59,879
41. Accumulated current cost depreciation of system assets			(15,640)
42. Written down current cost of system assets			44,239

Liverpool Plains 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	238	217
b. Engineering and supervision	–	4
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	1	2
b. Maintenance expenses	27	21
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	1
d. Energy costs	33	7
e. Maintenance expenses	96	126
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	4	10
g. Chemical costs	–	–
h. Energy costs	2	18
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	151	214
– Other		
l. Operation expenses	2	16
m. Maintenance expenses	–	10
3. Depreciation expenses		
a. System assets	172	171
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
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	726	817

Liverpool Plains 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)	972	947
7. Non-residential charges		
a. Access (including rates)	141	123
b. Usage charges	—	—
8. Trade waste charges		
a. Annual fees	29	29
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	206	183
11. Other income	42	25
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	25	25
c. Other grants	—	—
13. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	1,415	1,332
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	689	515
16a. Operating result (less grants for acquisition of assets)	689	515

Liverpool Plains 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	9	—
b. New assets for growth	—	—
c. Renewals	—	—
d. Plant and equipment	—	—
18. Repayment of debt	—	—
19. Totals	9	—
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)	1,858	1,867
b. Residential (unoccupied, ie. vacant lot)	7	7
c. Non-residential (occupied)	176	167
d. Non-residential (unoccupied, ie. vacant lot)	—	16
24. Number of ETs for which developer charges were received	— ET	— ET
25. Total amount of pensioner rebates (actual dollars)	\$ 43,931	\$ 44,931

Liverpool Plains 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	2,275	3,500	5,775
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	125	—	125
c. User charges	74	—	74
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	26,511	26,511
b. Plant and equipment	—	—	—
30. Other assets	—	—	—
31. Total assets	2,474	30,011	32,485
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	2,474	30,011	32,485
EQUITY			
38. Accumulated surplus			12,235
39. Asset revaluation reserve			20,250
40. TOTAL EQUITY			32,485
Note to system assets:			
41. Current replacement cost of system assets			28,991
42. Accumulated current cost depreciation of system assets			(2,480)
43. Written down current cost of system assets			26,511

Liverpool Plains 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.

Liverpool Plains 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	–	–	391	–	27,869	–	7%	87%	6%	0%	0%
	Buildings – specialised	–	–	28	–	1,202	–	0%	26%	74%	0%	0%
	Sub-total	–	–	419	–	29,071	–	6.8%	85.2%	8.0%	0.0%	0.0%
Other structures												
	Other structures	29	–	62	–	4,077	–	0%	83%	14%	3%	0%
	Sub-total	29	–	62	–	4,077	–	0.0%	83.0%	14.0%	3.0%	0.0%
Roads												
	Sealed roads	2,384	–	1,924	–	124,803	–	30%	38%	29%	3%	0%
	Unsealed roads	2,834	–	1,431	–	114,559	–	19%	42%	28%	10%	0%
	Bridges	405	–	218	–	69,784	–	90%	3%	6%	1%	0%
	Footpaths	2	–	19	–	2,422	–	46%	47%	7%	0%	0%
	Bulk earthworks	–	–	–	–	78,016	–	100%	0%	0%	0%	0%
	Sub-total	5,625	–	3,592	–	389,584	–	0.0%	0.0%	0.0%	0.0%	0.0%

Liverpool Plains 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
Water supply network	Water supply network	1,182	–	1,986	–	44,239	59,878	41%	17%	39%	3%	0%
	Sub-total	1,182	–	1,986	–	44,239	59,878	41.0%	17.0%	39.0%	3.0%	0.0%
Sewerage network												
	Sewerage network	531	–	189	–	–	–					
	Other	–	–	–	–	26,511	28,991	41%	17%	39%	3%	0%
	Sub-total	531	–	189	–	26,511	28,991	41.0%	17.0%	39.0%	3.0%	0.0%
Stormwater drainage	Stormwater drainage	12	–	521	–	15,335	3,128	2%	30%	68%	0%	0%
	Sub-total	12	–	521	–	15,335	3,128	2.0%	30.0%	68.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	7,379	–	6,769	–	508,817	91,997	39.7%	17.4%	40.0%	2.9%	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

Liverpool Plains Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	2,947	55.16%	52.14%	96.53%
Depreciation, amortisation and impairment	5,343			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	7,379	1.71%	1.77%	1.73%
Carrying value of infrastructure assets	430,801			
3. Asset maintenance ratio				
Actual asset maintenance	—	0.00	1.14	1.23
Required asset maintenance	6,769			

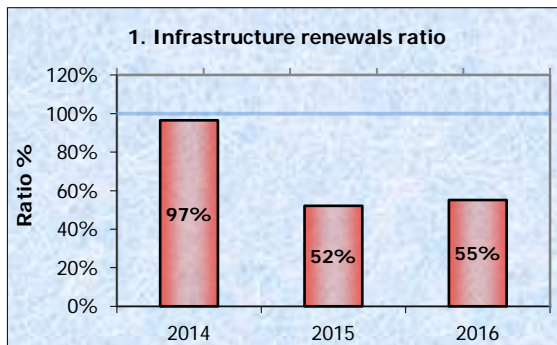
Notes

* 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.

Liverpool Plains Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



Purpose of asset renewals ratio

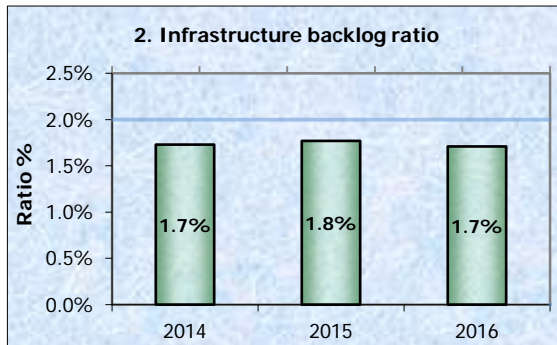
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2015/16 Ratio 55.16%

Benchmark: — Minimum $\geq 100.00\%$

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

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio

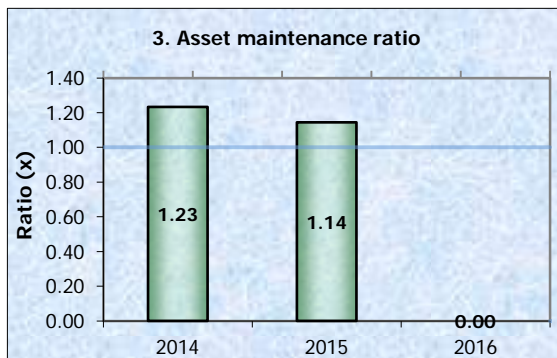
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2015/16 Ratio 1.71%

Benchmark: — Maximum $< 2.00\%$

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

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio

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

2015/16 Ratio 0.00 x

Benchmark: — Minimum > 1.00

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

Ratio achieves benchmark
Ratio is outside benchmark

Liverpool Plains Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

	Water	Sewer	General ⁽¹⁾
\$ '000	2016	2016	2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	52.80%	0.00%	57.58%
Depreciation, amortisation and impairment			
prior period:	0.00%	0.00%	63.23%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	2.67%	2.00%	1.57%
Carrying value of infrastructure assets			
prior period:	2.35%	1.96%	1.69%
3. Asset maintenance ratio			
Actual asset maintenance	0.00	0.00	0.00
Required asset maintenance			
prior period:	0.54	1.95	1.30

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.

Liverpool Plains 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	6,616	6,789
Plus or minus adjustments ⁽²⁾	b	14	20
Notional general income	$c = (a + b)$	6,630	6,809
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	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	159	123
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	6,789	6,932
Plus (or minus) last year's carry forward total	l	28	25
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	28	25
Total permissible income	$o = k + n$	6,817	6,957
Less notional general income yield	p	6,789	6,938
Catch-up or (excess) result	$q = o - p$	28	19
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	(3)	(19)
Carry forward to next year	$t = q + r - s$	25	(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.



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

101 Hannell Street
PO Box 275
Wickham NSW 2293

20 - 22 Church Street
PO Box 117
Maitland NSW 2320

126 John Street
PO Box 244
Singleton NSW 2330
Tel: 02 6572 1744

Greg Farrow
David Wyatt
Geoff Thompson
Michael Minter
Scott Edden
Wayne Russell

Tel: 02 4911 2000
Fax: 02 4911 2099
www.pitcher.com.au
newcastle@pitcher.com.au

Independent Auditor's Report to Liverpool Plains Shire Council

Report on Special Schedule No.8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No.8) of Liverpool Plains Shire Council for the year ending 30 June 2016.

Councillor's responsibility for the Statement

The councillors are responsible for the preparation of Special Schedule No.8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No.24, and for such internal controls as the councillors determine is necessary to enable the preparation and fair presentation of Special Schedule No.8 that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on Special Schedule No.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 about whether the Special Schedule No.8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No.8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No.8, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the Special Schedule No. 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the councillors, as well as evaluating the overall presentation of Special Schedule No.8.

Because of the inherent limitations of our 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 performance in accordance with Australian Auditing Standards.

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



Auditor's opinion

In our opinion, the accompanying Special Schedule No.8 of Liverpool Plains Shire Council for 2016/17 is prepared, in all material respects, 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 and Restriction on Distribution and Use

Without modifying our opinion, we draw attention that Special Schedule No.8 has been prepared for distribution to the Office of Local Government for the purposes of confirming that Liverpool Plains Shire Council's reconciliation of total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.



Pitcher Partners Newcastle & Hunter



Wayne Russell
Partner

3 March 2017