



Liverpool Plains Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

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 financial year ended 30 June 2015

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated 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 (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & 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 25 November 2015. Council has the power to amend and reissue these financial statements.
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Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & 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 & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & 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

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "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

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 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize 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 & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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 financial year ended 30 June 2015

Statement by Councillors and Management

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

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

- The Local Government Act 1993 (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:

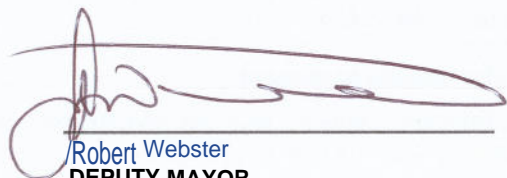
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

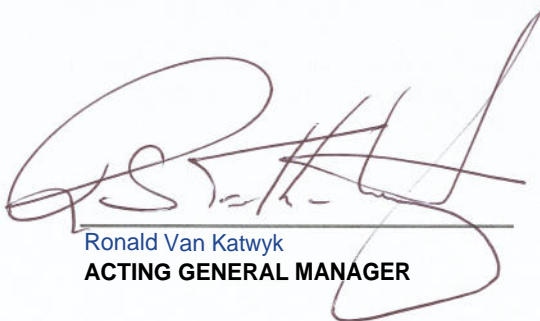
Signed in accordance with a resolution of Council made on 25 November 2015.



Andrew Hope
MAYOR



Robert Webster
DEPUTY MAYOR



Ronald Van Katwyk
ACTING GENERAL MANAGER



Ann Newsome
RESPONSIBLE ACCOUNTING OFFICER

Liverpool Plains Shire Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015 \$ '000		Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
10,061	Rates & Annual Charges	3a	10,220	9,645
3,815	User Charges & Fees	3b	3,552	3,260
617	Interest & Investment Revenue	3c	847	789
735	Other Revenues	3d	684	1,157
7,239	Grants & Contributions provided for Operating Purposes	3e,f	7,249	4,795 ²
2,111	Grants & Contributions provided for Capital Purposes	3e,f	1,407	3,202
Other Income:				
-	Net gains from the disposal of assets	5	75	138
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	-
24,578	Total Income from Continuing Operations		24,034	22,986
Expenses from Continuing Operations				
8,008	Employee Benefits & On-Costs	4a	7,712	8,239
293	Borrowing Costs	4b	134	286
7,563	Materials & Contracts	4c	6,999	3,983
6,414	Depreciation & Amortisation	4d	6,439	6,584
-	Impairment	4d	-	-
1,929	Other Expenses	4e	2,024	1,778
24,207	Total Expenses from Continuing Operations		23,308	20,870
371	Operating Result from Continuing Operations		726	2,116
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
371	Net Operating Result for the Year		726	2,116
371	Net Operating Result attributable to Council		726	2,116
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(1,740)			(681)	(1,086)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years-refer Note 3 (e)

Liverpool Plains Shire Council

Statement of Comprehensive Income for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		726	2,116
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E		(7,498)	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(33)
Total Items which will not be reclassified subsequently to the Operating Result		(7,498)	(33)
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		(7,498)	(33)
Total Comprehensive Income for the Year		(6,772)	2,083
Total Comprehensive Income attributable to Council		(6,772)	2,083
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Liverpool Plains Shire Council

Statement of Financial Position as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	2,785	6,173
Investments	6b	6,250	3,750
Receivables	7	2,646	3,720
Inventories	8	1,209	1,229
Other	8	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		12,890	14,872
Non-Current Assets			
Investments	6b	10,750	7,500
Receivables	7	1	1
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	526,709	537,832
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		537,460	545,333
TOTAL ASSETS		550,350	560,205
LIABILITIES			
Current Liabilities			
Payables	10	1,004	2,720
Borrowings	10	193	2,572
Provisions	10	2,206	2,628
Total Current Liabilities		3,403	7,920
Non-Current Liabilities			
Payables	10	1	-
Borrowings	10	4,943	2,828
Provisions	10	1,612	1,940
Total Non-Current Liabilities		6,556	4,768
TOTAL LIABILITIES		9,959	12,688
Net Assets		540,391	547,517
EQUITY			
Retained Earnings	20	208,292	207,920
Revaluation Reserves	20	332,099	339,597
Council Equity Interest		540,391	547,517
Non-controlling Equity Interests		-	-
Total Equity		540,391	547,517

Liverpool Plains Shire Council

Statement of Changes in Equity for the financial year ended 30 June 2015

\$ '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)	20 (d)	-	-	-	-	-
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)
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	20a	-	-	-	-	-
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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		205,804	339,630	545,434	-	545,434
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		205,804	339,630	545,434	-	545,434
c. Net Operating Result for the Year		2,116	-	2,116	-	2,116
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(33)	(33)	-	(33)
- Other Movements	20a	-	-	-	-	-
Other Comprehensive Income		-	(33)	(33)	-	(33)
Total Comprehensive Income (c&d)		2,116	(33)	2,083	-	2,083
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		207,920	339,597	547,517	-	547,517

Liverpool Plains Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015 \$ '000		Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
10,061	Rates & Annual Charges		10,101	9,662
3,815	User Charges & Fees		3,992	3,631
617	Investment & Interest Revenue Received		463	777
9,350	Grants & Contributions		9,276	7,977
735	Other		2,237	933
Payments:				
(8,008)	Employee Benefits & On-Costs		(8,500)	(7,915)
(7,563)	Materials & Contracts		(9,225)	(3,495)
(293)	Borrowing Costs		(468)	(302)
(1,929)	Other		(2,167)	(1,933)
6,785	Net Cash provided (or used in) Operating Activities	11b	5,709	9,335
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Infrastructure, Property, Plant & Equipment		1,004	415
-	Deferred Debtors Receipts		-	1
Payments:				
-	Purchase of Investment Securities		(5,750)	(483)
(7,354)	Purchase of Infrastructure, Property, Plant & Equipment		(4,087)	(8,124)
(7,354)	Net Cash provided (or used in) Investing Activities		(8,833)	(8,191)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		2,355	-
Payments:				
(301)	Repayment of Borrowings & Advances		(2,619)	(242)
(301)	Net Cash Flow provided (used in) Financing Activities		(264)	(242)
(870)	Net Increase/(Decrease) in Cash & Cash Equivalents		(3,388)	902
6,173	plus: Cash & Cash Equivalents - beginning of year	11a	6,173	5,271
5,303	Cash & Cash Equivalents - end of the year	11a	2,785	6,173
Additional Information:				
plus:	Investments on hand - end of year	6b	17,000	11,250
Total Cash, Cash Equivalents & Investments			19,785	17,423

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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) & 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 IFRS's, 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), Regulations and Local Government Code of Accounting Practice & 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 were no accounting standards that became mandatory this year which materially impacted on Council's financial statements.

(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 2014.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(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 & 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.

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific

criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents 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 & 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 financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- 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

Note:

Where actual figures are not known, best estimates have been applied.

(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 which 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) 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.

(iv) Associates

Council has no interest in any Associates.

(v) County Councils

Council is not a member of any County Councils.

(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 financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- 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 which 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 & 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/intention for which the investment was acquired & at the time it was acquired.

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

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

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

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

Assets in this category are primarily classified as current assets as they are primarily held for trading &/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 & 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.

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 & 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 undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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 & 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 which are known to be uncollectible are written off in accordance with Council's policy.

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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 incl. roads, bridges & 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)
- **Investment Properties** – refer Note 1(p),

Initial Recognition

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 & 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 & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$1,000
Building	
- construction/extensions	> \$10,000
- renovations	> \$10,000
Other Structures	> \$1,000

Water & Sewer Assets

Reticulation extensions	> \$1,000
Other	> \$1,000

Stormwater Assets

Drains & Culverts	> \$1,000
Other	> \$1,000

Transport Assets

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Other Infrastructure Assets

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

Other Infrastructure	> \$10,000
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Depreciation

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

Land is not depreciated.

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

Plant & 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 & 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
- 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
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All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

Disposal and 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.

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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 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.

(p) Investment property

Council does not hold any 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 which 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

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

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

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

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 relating to 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" & 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.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 & 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 which 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 when incurred.

(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 financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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 2015 was \$216,703.34. The last valuation of the Fund was performed by Mr Martin Stevenson BSc, FIA, FIAA on the 20th February 2013.

Councils expected contributions to the plan for the next annual reporting period is \$203,994.72. To assist in extinguishing the deficit, additional contributions are estimated to remain in place until 30 June 2016 i.e. \$83,522.04 additional contributions remaining.

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.

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets & 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 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 & Services Tax (GST)

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which 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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

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

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

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.

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 where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five 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 full impact of AASB 15 has not yet been ascertained or quantified.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

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

Liverpool Plains Shire Council

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

Note 1. Summary of Significant Accounting Policies

and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2015-7 – Amendment to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities

This Standard applies to annual reporting periods beginning on or after 1 July 2016. Early application is permitted for annual reporting periods beginning on or after 1 January 2005 but before 1 July 2016.

The standard changes the levels of disclosure councils need to make in relation to the fair value for particular assets. It provides relief from the following disclosures in AASB 13 Fair Value Measurement for level 3 assets within the scope of AASB 116 Property, Plant and Equipment for which the future economic benefits are not primarily dependent on the asset's ability to generate net cash inflow.

(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.

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	7	44	-	442	463	418	(435)	(419)	(418)	5,082	-	480,666	491,292
Administration	473	281	270	2,703	2,143	1,950	(2,230)	(1,862)	(1,680)	-	11	-	-
Public Order & Safety	456	314	705	1,227	753	1,076	(771)	(439)	(371)	-	671	-	-
Environment	1,507	1,814	1,654	2,149	2,887	2,722	(642)	(1,073)	(1,068)	-	160	-	-
Community Services & Education	900	835	816	1,675	924	983	(775)	(89)	(167)	-	228	-	-
Housing & Community Amenities	291	329	259	378	336	378	(87)	(7)	(119)	-	34	-	-
Water Supplies	2,201	3,215	3,182	2,294	2,664	2,612	(93)	551	570	-	400	42,643	42,894
Sewerage Services	1,121	1,331	1,345	936	818	774	185	513	571	-	-	27,041	26,019
Recreation & Culture	473	575	479	1,924	2,205	2,057	(1,451)	(1,630)	(1,578)	-	135	-	-
Mining, Manufacturing & Construction	56	76	383	35	231	155	21	(155)	228	-	-	-	-
Transport & Communication	6,566	4,755	3,038	9,944	9,397	7,239	(3,378)	(4,642)	(4,201)	-	4,211	-	-
Economic Affairs	300	300	507	500	487	506	(200)	(187)	1	-	-	-	-
Total Functions & Activities	14,351	13,869	12,638	24,207	23,308	20,870	(9,856)	(9,439)	(8,232)	5,082	5,850	550,350	560,205
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	10,227	10,163	10,348	-	-	-	10,227	10,163	10,348	3,366	1,796	-	-
Operating Result from Continuing Operations	24,578	24,032	22,986	24,207	23,308	20,870	371	724	2,116	8,448	7,646	550,350	560,205

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Liverpool Plains Shire Council

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

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

Costs relating to the 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, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Liverpool Plains Shire Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		1,770	1,634
Farmland		3,882	3,676
Mining		272	259
Business		451	489
Total Ordinary Rates		6,375	6,058
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		888	858
Water Supply Services		1,525	1,401
Sewerage Services		1,098	1,006
Waste Management Services (non-domestic)		334	322
Total Annual Charges		3,845	3,587
TOTAL RATES & ANNUAL CHARGES		10,220	9,645

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 financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		995	1,135
Sewerage Services		-	33
Waste Management Services (non-domestic)		168	81
Total User Charges		1,163	1,249
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Services - Other		134	53
Planning & Building Regulation		3	150
Private Works - Section 67		159	150
Total Fees & Charges - Statutory/Regulatory		296	353
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		108	98
Aged Care		62	-
Cemeteries		198	112
Child Care		497	488
Corporate		81	59
Gravel Pits		23	4
Halls		44	19
Leaseback Fees - Council Vehicles		52	49
RMS (formerly RTA) Charges (State Roads not controlled by Council)		796	685
Septic Tanks		5	6
Sporting and Recreation		60	86
Swimming Centres		46	30
Water Connection Fees		10	19
Headworks & Sundry Charges		88	-
Other		23	3
Total Fees & Charges - Other		2,093	1,658
TOTAL USER CHARGES & FEES		3,552	3,260

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		81	39
- Interest earned on Investments (interest & coupon payment income)		766	750
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>847</u>	<u>789</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		81	39
General Council Cash & Investments		341	337
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		22	27
- Section 64		11	13
Water Fund Operations		209	195
Sewerage Fund Operations		183	178
<u>Total Interest & Investment Revenue Recognised</u>		<u>847</u>	<u>789</u>
(d) Other Revenues			
Rental Income - Other Council Properties		186	214
Reversal of prior period revaluation decrements (applicable to I,PP&E)	9(a)	-	234
Fines - Other		6	5
Legal Fees Recovery - Rates & Charges (Extra Charges)		44	53
Commissions & Agency Fees		145	149
Insurance Claim Recoveries		8	52
Insurance Discounts		59	62
Sales - General		152	171
Theatre		56	57
Other		28	160
<u>TOTAL OTHER REVENUE</u>		<u>684</u>	<u>1,157</u>

Liverpool Plains Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance	3,295	1,630	-	-
Pensioners' Rates Subsidies - General Component	71	73	-	-
Total General Purpose	3,366	1,703	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	32	32	-	-
- Sewerage	25	25	-	-
- Domestic Waste Management	35	35	-	-
Water Supplies	-	400	354	-
Child Care	34	-	-	-
Community Care	236	228	-	-
Community Centres	-	82	-	-
Employment & Training Programs	13	11	-	-
Environmental Protection	92	-	-	-
Heritage & Cultural	4	82	-	58
Library	54	-	-	-
Noxious Weeds	68	-	-	-
NSW Rural Fire Services	288	342	-	329
Public Halls	-	-	4	-
Recreation & Culture	9	-	220	-
Roads & Bridges	2,883	1,597	720	2,593
Street Lighting	-	21	-	-
Return of Wallabadah Servo Grant from NSW Environmental Trust	-	-	(43)	-
Other	54	108	-	-
Total Specific Purpose	3,827	2,963	1,255	2,980
Total Grants	7,193	4,666	1,255	2,980

Grant Revenue is attributable to:

- Commonwealth Funding	3,594	2,085	946	77
- State Funding	3,582	2,571	300	2,903
- Other Funding	17	10	9	-
	7,193	4,666	1,255	2,980

Liverpool Plains Shire Council

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	22	66
S 94A - Fixed Development Consent Levies	-	-	59	61
S 64 - Water Supply Contributions	-	-	5	11
S 64 - Sewerage Service Contributions	-	-	-	2
Total Developer Contributions	-	-	86	140
Other Contributions:				
Bushfire Services	3	-	-	-
Community Services	3	5	-	-
Recreation & Culture	1	5	10	75
Roads & Bridges	48	-	-	-
Other	1	119	56	7
Total Other Contributions	56	129	66	82
Total Contributions	56	129	152	222
TOTAL GRANTS & CONTRIBUTIONS	7,249	4,795	1,407	3,202

\$ '000	Actual 2015	Actual 2014
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(g) Restrictions relating to Grants and Contributions

Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the Close of the Previous Reporting Period	1,515	3,347
add: Grants & contributions recognised in the current period but not yet spent:	575	499
less: Grants & contributions recognised in a previous reporting period now spent:	(574)	(2,331)
Net Increase (Decrease) in Restricted Assets during the Period	1	(1,832)
Unexpended and held as Restricted Assets	1,516	1,515
Comprising:		
- Specific Purpose Unexpended Grants	576	693
- Developer Contributions	940	822
	1,516	1,515

Liverpool Plains Shire Council

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

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		6,020	6,424
Employee Termination Costs		463	-
Travelling		157	269
Employee Leave Entitlements (ELE)		872	880
Superannuation		674	770
Workers' Compensation Insurance		186	194
Fringe Benefit Tax (FBT)		39	51
Training Costs (other than Salaries & Wages)		75	115
Total Employee Costs		8,486	8,703
less: Capitalised Costs		(774)	(464)
TOTAL EMPLOYEE COSTS EXPENSED		7,712	8,239
Number of "Equivalent Full Time" Employees at year end		113	120
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		122	122
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		278	286
Total Interest Bearing Liability Costs Expensed		278	286
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	(144)	-
Total Other Borrowing Costs		(144)	-
TOTAL BORROWING COSTS EXPENSED		134	286
(c) Materials & Contracts			
Raw Materials & Consumables		5,217	2,778
Contractor & Consultancy Costs		1,586	1,023
Auditors Remuneration ⁽¹⁾		71	47
Legal Expenses:			
- Legal Expenses: Planning & Development		-	3
- Legal Expenses: Other		125	132
TOTAL MATERIALS & CONTRACTS		6,999	3,983

Liverpool Plains Shire Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		47	47
- Other Assurance Services: Council's Auditor		24	-
Remuneration for audit and other assurance services		71	47
Total Auditor Remuneration		71	47

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		-	-	759	800
Office Equipment		-	-	36	22
Furniture & Fittings		-	-	16	22
Land Improvements (depreciable)		-	-	-	3
Buildings - Non Specialised		-	1	411	411
Buildings - Specialised		-	-	16	16
Other Structures		-	-	39	45
Infrastructure:					
- Roads		-	658	3,555	3,686
- Bridges		-	-	356	350
- Footpaths		-	-	23	30
- Stormwater Drainage		-	-	272	270
- Water Supply Network		-	38	823	830
- Sewerage Network		-	-	171	172
Other Assets					
- Other		-	-	19	27
Asset Reinstatement Costs	9 & 26	-	-	(57)	(100)
Total Depreciation & Impairment Costs		-	697	6,439	6,584
less: Impairments (to)/from ARR [Equity]	9a	-	(697)	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	6,439	6,584

Liverpool Plains Shire Council

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		40	52
Bad & Doubtful Debts		33	27
Bank Charges		34	32
Cleaning		71	-
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		-	296
Councillor Expenses - Mayoral Fee		20	20
Councillor Expenses - Councillors' Fees		78	75
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		56	61
Donations, Contributions & Assistance to other organisations (Section 356)		-	33
Electricity & Heating		300	376
Insurance		320	349
Printing & Stationery		43	47
Promotions		37	34
Security Services	14	14	14
Street Lighting		157	106
Subscriptions & Publications		91	30
Telephone & Communications		143	174
Valuation Fees		35	52
Plant Operation Expenditure		215	-
Library Costs		135	-
Return Grant Black is the new Green		194	-
Other		8	-
<u>TOTAL OTHER EXPENSES</u>		<u>2,024</u>	<u>1,778</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		<u>197</u>	<u>-</u>
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		335	369
less: Carrying Amount of P&E Assets Sold / Written Off		(457)	(231)
Net Gain/(Loss) on Disposal		<u>(122)</u>	<u>138</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>75</u>	<u>138</u>

Liverpool Plains Shire Council

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

Note 6a. - Cash Assets and Note 6b. - Investments

		2015	2015	2014	2014
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non Current	Current	Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,779	-	2,416	-
Cash-Equivalent Assets ¹					
- Deposits at Call		1,000	-	3,757	-
- Other Financial Assets		6	-	-	-
Total Cash & Cash Equivalents		2,785	-	6,173	-
Investments (Note 6b)					
- Long Term Deposits		6,250	10,750	3,750	7,500
Total Investments		6,250	10,750	3,750	7,500
TOTAL CASH ASSETS, CASH					
EQUIVALENTS & INVESTMENTS					
		9,035	10,750	9,923	7,500

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

**Cash, Cash Equivalents & Investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		2,785	-	6,173	-
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Investments

b. "Held to Maturity"	6(b-ii)	6,250	10,750	3,750	7,500
Investments		6,250	10,750	3,750	7,500

Note 6(b-i)

Reconciliation of Investments classified as "Held to Maturity"

Balance at the Beginning of the Year		3,750	7,500	7,500	3,500
Additions		2,500	3,250	-	4,000
Disposals (sales & redemptions)		-	-	(3,750)	-
Balance at End of Year		6,250	10,750	3,750	7,500

Comprising:

- Long Term Deposits		-	-	3,750	7,500
- Other Long Term Financial Assets		6,250	10,750	-	-
Total		6,250	10,750	3,750	7,500

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 financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	9,035	10,750	9,923	7,500
attributable to:				
External Restrictions (refer below)	8,029	3,750	5,454	5,700
Internal Restrictions (refer below)	-	4,695	2,024	1,800
Unrestricted	1,006	2,305	2,445	-
	9,035	10,750	9,923	7,500

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General	(D)	822	118	-	940
Specific Purpose Unexpended Grants	(F)	693	-	(117)	576
Water Supplies	(G)	4,853	174	-	5,027
Sewerage Services	(G)	4,692	450	-	5,142
Other		94	-	-	94
External Restrictions - Other		11,154	742	(117)	11,779
Total External Restrictions		11,154	742	(117)	11,779

Internal Restrictions

Employees Leave Entitlement		1,055	80	(100)	1,035
Economic Development & Tourism		259	46	(26)	279
Environmental		1,319	50	-	1,369
Office Equipment		103	-	-	103
Transport & Road Infrastructure		624	925	(881)	668
Corporate Services		464	809	(32)	1,241
Total Internal Restrictions		3,824	1,910	(1,039)	4,695
TOTAL RESTRICTIONS		14,978	2,652	(1,156)	16,474

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)

G Water, Sewerage, Domestic Waste Management (DWM) & 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 financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		820	-	725	-
Interest & Extra Charges		124	-	124	-
User Charges & Fees		1,071	-	1,296	-
Accrued Revenues					
- Interest on Investments		384	-	-	-
- Other Income Accruals		-	-	286	-
Deferred Debtors		29	1	29	1
Other Levels of Government		288	-	1,336	-
Total		2,716	1	3,796	1
less: Provision for Impairment					
Rates & Annual Charges		-	-	(24)	-
User Charges & Fees		-	-	(52)	-
Other Debtors		(70)	-	-	-
Total Provision for Impairment - Receivables		(70)	-	(76)	-
<u>TOTAL NET RECEIVABLES</u>		<u>2,646</u>	<u>1</u>	<u>3,720</u>	<u>1</u>
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		201	-	580	-
- Other		417	-	10	-
Sewerage Services					
- Rates & Availability Charges		113	-	135	-
- Other		64	-	-	-
Domestic Waste Management		-	-	139	-
Total External Restrictions		795	-	864	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		1,851	1	2,856	1
TOTAL NET RECEIVABLES		2,646	1	3,720	1

Notes on Debtors above:

- (i) Rates & 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 & charges at 8.50% (2014 9.00%).
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 financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		885	-	895	-
Stores & Materials		324	-	334	-
Total Inventories		1,209	-	1,229	-
Other Assets					
Nil					
TOTAL INVENTORIES / OTHER ASSETS		1,209	-	1,229	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

(i) Other Disclosures

(a) Details for Real Estate Development

Residential	819	-	829	-
Industrial/Commercial	66	-	66	-
Total Real Estate for Resale	885	-	895	-

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

Represented by:

Acquisition Costs	885	-	895	-
Total Costs	885	-	895	-
Total Real Estate for Resale	885	-	895	-

Movements:

Real Estate assets at beginning of the year	895	-	895	-
- Transfers in from (out to) Note 9	(10)	-	-	-
Total Real Estate for Resale	885	-	895	-

(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.

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period								as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Reversal of prior period Revaluation Decrements to the P&L	Revaluation increments/ (decrements) to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment												Dep'n	Impairment	
Capital Work in Progress		-	-	-	-	47	-	-	417	-	-	-	-	464	-	-	-	464
Plant & Equipment	-	15,496	7,998	-	7,498	770	(457)	(759)	-	-	-	-	-	-	15,491	8,439	-	7,052
Office Equipment	-	1,544	1,289	-	255	20	-	(36)	-	-	-	-	-	-	1,565	1,326	-	239
Furniture & Fittings	-	432	325	-	107	12	-	(16)	-	-	-	-	-	-	445	342	-	103
Land:																		
- Operational Land	-	6,906	-	-	6,906	25	(160)	-	-	-	-	-	-	-	6,771	-	-	6,771
- Community Land	-	2,166	-	-	2,166	-	-	-	-	-	10	-	-	-	2,176	-	-	2,176
- Land under Roads (post 30/6/08)	-	3	-	-	3	13	-	-	-	-	-	-	-	-	16	-	-	16
Buildings - Non Specialised	-	35,078	7,231	-	27,847	241	(110)	(411)	(3)	-	-	-	-	-	35,067	7,503	-	27,564
Buildings - Specialised	-	1,090	19	-	1,071	-	(202)	(16)	-	-	-	-	(82)	-	800	29	-	771
Other Structures	-	3,835	437	-	3,398	418	-	(39)	(92)	-	-	-	-	-	4,161	476	-	3,685
Infrastructure:																		
- Roads	-	349,207	88,140	-	261,067	1,351	-	(3,555)	(160)	-	-	-	(18,262)	-	276,285	35,844	-	240,441
- Bridges	-	70,606	17,199	-	53,407	-	-	(356)	(41)	-	-	-	16,999	-	73,601	3,592	-	70,009
- Footpaths	-	1,985	145	-	1,840	153	-	(23)	(121)	-	-	-	476	-	2,518	193	-	2,325
- Bulk Earthworks (non-depreciable)	-	87,641	-	-	87,641	-	-	-	-	-	-	-	(9,625)	-	78,016	-	-	78,016
- Stormwater Drainage	-	18,556	3,295	-	15,261	73	-	(272)	-	-	-	-	194	-	19,327	4,071	-	15,256
- Water Supply Network	-	55,011	14,189	-	40,822	783	-	(823)	-	-	-	-	1,861	-	57,641	14,998	-	42,643
- Sewerage Network	-	28,105	1,920	-	26,185	87	-	(171)	-	-	-	-	941	-	29,350	2,308	-	27,042
Other Assets:																		
- Other	-	3,317	1,880	-	1,437	-	-	(19)	-	-	-	-	-	-	3,317	1,899	-	1,418
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																		
- Tip Assets	-	803	169	-	634	-	-	-	-	(194)	-	25	-	-	659	193	-	466
- Quarry Assets	-	556	269	-	287	-	-	-	-	(70)	-	35	-	-	486	234	-	252
- Other Assets	-	-	-	-	-	-	-	57	-	-	-	(57)	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	-	682,337	144,505	-	537,832	3,993	(929)	(6,439)	-	(264)	10	3	(7,498)	464	607,692	81,447	-	526,709

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$2,954,079) and New Assets (\$582,048). 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 & Equipment.

Liverpool Plains Shire Council

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

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2015				Actual 2014			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	1,725	4	1,721	-	-	-	-
Infrastructure	-	55,916	14,994	40,922	-	55,011	14,189	40,822
Total Water Supply	-	57,641	14,998	42,643	-	55,011	14,189	40,822
Sewerage Services								
Land								
- Operational Land	-	369	-	369	-	-	-	-
Infrastructure	-	28,981	2,308	26,673	-	28,105	1,920	26,185
Total Sewerage Services	-	29,350	2,308	27,042	-	28,105	1,920	26,185
Domestic Waste Management								
Land								
- Operational Land	-	459	-	459	-	459	-	459
Buildings	-	64	18	46	-	64	16	48
Tip Assets	-	659	193	466	-	809	175	634
Other Assets	-	2	1	1	-	2	1	1
Total DWM	-	1,184	212	972	-	1,334	192	1,142
Stormwater Drainage								
- Stormwater Drainage	-	19,327	4,071	15,256	-	18,556	3,295	15,261
Total Other Restrictions	-	19,327	4,071	15,256	-	18,556	3,295	15,261
TOTAL RESTRICTED I,PP&E	-	107,502	21,589	85,913	-	103,006	19,596	83,410

Note 9c. Infrastructure, Property, Plant & 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 financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		767	-	2,164	-
Accrued Expenses:					
- Borrowings		75	-	-	-
- Interest on Bonds & Deposits		-	-	66	-
- Salaries & Wages		92	-	489	-
- Other		46	1	1	-
Super owing year end pay		24	-	-	-
Total Payables		1,004	1	2,720	-
Borrowings					
Loans - Secured ¹		193	4,943	2,572	2,828
Total Borrowings		193	4,943	2,572	2,828
Provisions					
Employee Benefits;					
Annual Leave		657	-	743	-
Sick Leave		15	-	15	-
Long Service Leave		1,422	44	1,535	66
ELE On-Costs		112	2	275	9
Sub Total - Aggregate Employee Benefits		2,206	46	2,568	75
Asset Remediation/Restoration (Future Works) ²⁶		-	1,566	60	1,865
Total Provisions		2,206	1,612	2,628	1,940
Total Payables, Borrowings & Provisions		3,403	6,556	7,920	4,768
(i) Liabilities relating to Restricted Assets					
		2015		2014	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		204	4,062	225	4,193
Sewer		-	-	127	-
Liabilities relating to externally restricted assets		204	4,062	352	4,193
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		204	4,062	352	4,193
Total Liabilities relating to Unrestricted Assets		3,199	2,494	7,568	575
TOTAL PAYABLES, BORROWINGS & PROVISIONS		3,403	6,556	7,920	4,768

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Liverpool Plains Shire Council

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

Note 10a. Payables, Borrowings & Provisions (continued)

	Actual 2015	Actual 2014
\$ '000		

(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Payables - Security Bonds, Deposits & Retentions	1,275	1,535
	<u>1,275</u>	<u>1,535</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014	2015				Closing Balance as at 30/6/15
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	743	(86)	-	-	-	657
Sick Leave	15	-	-	-	-	15
Long Service Leave	1,601	(135)	-	-	-	1,466
ELE On-Costs	284	(170)	-	-	-	114
Asset Remediation	1,925	(359)	-	-	-	1,566
TOTAL	4,568	(750)	-	-	-	3,818

- Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Liverpool Plains Shire Council

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

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	2,785	6,173
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		2,785	6,173
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		726	2,116
Adjust for non cash items:			
Depreciation & Amortisation		6,439	6,584
Net Losses/(Gains) on Disposal of Assets		(75)	(138)
Non Cash Capital Grants and Contributions		-	(104)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
Unwinding of Discount Rates on Reinstatement Provisions		(409)	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		1,080	(289)
Increase/(Decrease) in Provision for Doubtful Debts		(6)	15
Decrease/(Increase) in Inventories		10	(38)
Increase/(Decrease) in Payables		(1,397)	1,923
Increase/(Decrease) in accrued Interest Payable		75	(16)
Increase/(Decrease) in other accrued Expenses Payable		(351)	-
Increase/(Decrease) in Other Liabilities		(42)	-
Increase/(Decrease) in Employee Leave Entitlements		(391)	(14)
Increase/(Decrease) in Other Provisions		50	(703)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		5,709	9,336

Liverpool Plains Shire Council

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

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		-	337
Total Non-Cash Investing & Financing Activities		-	337
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		150	250
Credit Cards / Purchase Cards		30	25
Total Financing Arrangements		180	275

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 & 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 financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(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 & Equipment			
Willow Tree Pipeline - 100% funded - Gross amount shown		4,068	-
Emergency Services Precinct - 88.3% funded - Gross amount shown		4,256	-
Total Commitments		8,324	-
These expenditures are payable as follows:			
Within the next year		6,068	-
Later than one year and not later than 5 years		2,256	-
Total Payable		8,324	-
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		384	-
Future Grants & Contributions		7,825	-
Total Sources of Funding		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 financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(756)	-3.35%	-7.51%	-8.41%
Total continuing operating revenue ⁽¹⁾	22,552			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. ALL Grants & Contributions)	15,303	63.87%	64.64%	57.59%
Total continuing operating revenue ⁽¹⁾	23,959			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	4,066	2.11x	1.42	2.58
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	1,924			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	5,817	2.11x	10.25	10.41
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	2,753			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	944	8.45%	7.76%	8.85%
Rates, Annual and Extra Charges Collectible	11,170			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	19,785	10.33	15.06	10.93
Payments from cash flow of operating and financing activities	1,915	mths		

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 & associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate & 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 & provisions not expected to be paid in the next 12 months (incl. ELE).

Liverpool Plains Shire Council

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

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>1. Operating Performance Ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</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 2014/15 Result</p> <p>2014/15 Ratio -3.35%</p> <p>Councils Operating performance continues to improve.</p>
<p>2. Own Source Operating Revenue Ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</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 & contributions.</p>	<p>Commentary on 2014/15 Result</p> <p>2014/15 Ratio 63.87%</p> <p>Council achieves the benchmark Own Source Operating Revenue.</p>
<p>3. Unrestricted Current Ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</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 2014/15 Result</p> <p>2014/15 Ratio 2.11x</p> <p>Council has adequate unrestricted working capital to fund operations.</p>

Liverpool Plains Shire Council

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

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

<p>4. Debt Service Cover Ratio</p> <p>Ratio (x)</p> <p>2013 2014 2015</p> <p>Benchmark: Minimum ≥ 2.00</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</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 2014/15 Result</p> <p>2014/15 Ratio 2.11x</p> <p>Council has sufficient operating cash to service debt.</p>
<p>5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <p>Ratio %</p> <p>2013 2014 2015</p> <p>Benchmark: Maximum $< 10.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</p>	<p>Purpose of Rates & 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 2014/15 Result</p> <p>2014/15 Ratio 8.45%</p> <p>Councils outstanding rates and annual charges ratio is lower than the benchmark.</p>
<p>6. Cash Expense Cover Ratio</p> <p>Ratio (mths)</p> <p>2013 2014 2015</p> <p>Benchmark: Minimum ≥ 3.00</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</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 2014/15 Result</p> <p>2014/15 Ratio 10.33 mths</p> <p>Council has sufficient cash to cover its immediate expenses for a period of 10.3 months without additional cash inflow.</p>

Liverpool Plains Shire Council

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

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	7.14%	38.47%	-8.03%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 17.88%	42.41%	-17.45%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾	87.75%	98.14%	57.55%
<u>(excl. ALL Grants & Contributions)</u>			
Total continuing operating revenue ⁽¹⁾	prior period: 86.42%	98.14%	82.09%
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾	8.06x	No Liabilities	2.11x
<u>Current Liabilities less Specific Purpose Liabilities ^(3, 4)</u>			
	prior period: 11.40	13.39	1.42
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	5.68x	0.00	1.53x
<u>Principal Repayments (from the Statement of Cash Flows)</u>			
+ Borrowing Costs (from the Income Statement)	prior period: 5.28	0.00	12.28
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	13.18%	10.29%	7.37%
Rates, Annual and Extra Charges Collectible			
	prior period: 5.96%	8.81%	8.24%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents			
<u>+ All Term Deposits</u>	0.00	0.00	9.20
Payments from cash flow of operating and financing activities	prior period: 11.45	31.09	mths 14.86

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 & Sewer activities which are listed separately.

Liverpool Plains Shire Council

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

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 & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	2,785	6,173	2,785	6,173
Investments				
- "Held to Maturity"	17,000	11,250	17,000	11,250
Receivables	2,647	3,721	2,647	3,721
Total Financial Assets	22,432	21,144	22,432	21,144
Financial Liabilities				
Payables	1,005	2,720	1,005	2,720
Loans / Advances	5,136	5,400	5,136	5,400
Total Financial Liabilities	6,141	8,120	6,141	8,120

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & 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 & liabilities

Liverpool Plains Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

The investment portfolio is managed in accordance with Council's policy.

This Investment Policy complies with the Local Government Act & Minister's Investment Order.

This Policy is regularly reviewed by Council and its 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.

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
2015				
Possible impact of a 1% movement in Interest Rates	152	-	(152)	-
2014				
Possible impact of a 1% movement in Interest Rates	163	163	(163)	(163)

Liverpool Plains Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & 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 & 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.

Council makes suitable provision for doubtful receivables as required.

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:

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	35%	0%	100%
Overdue	100%	65%	100%	0%
	100%	100%	100%	100%

(ii) Ageing of Receivables - value

Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
Current	Current	-	670	-	3,072
< 1 year overdue	0 - 30 days overdue	820	639	-	-
1 - 2 years overdue	30 - 60 days overdue	-	20	-	-
2 - 5 years overdue	60 - 90 days overdue	-	14	-	-
> 5 years overdue	> 90 days overdue	-	554	725	-
		820	1,897	725	3,072

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	76	76
- previous impairment losses reversed	(6)	-
Balance at the end of the year	70	76

Liverpool Plains Shire Council

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

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & 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		
2015									
Trade/Other Payables	-	1,005	-	-	-	-	-	1,005	1,005
Loans & 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
2014									
Trade/Other Payables	-	2,720	-	-	-	-	-	2,720	2,720
Loans & Advances	-	245	2,676	-	-	-	2,479	5,400	5,400
Total Financial Liabilities	-	2,965	2,676	-	-	-	2,479	8,120	8,120

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,005	0.0%	2,720	0.0%
Loans & Advances - Fixed Interest Rate	3,299	4.9%	2,549	3.2%
Loans & Advances - Variable Interest Rate	1,837	6.6%	2,851	2.7%
	<u>6,141</u>		<u>8,120</u>	

Liverpool Plains Shire Council

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

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 05 February 2014.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act 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	2015 Budget	2015 Actual	2015 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	10,061	10,220	159	2% F
User Charges & Fees	3,815	3,552	(263)	(7%) U
Interest & Investment Revenue	617	847	230	37% F
<p>The prior financial years on which the budget was based included incorrect end of year interest accruals. This error resulted in an understatement of interest in the 2013 Statements on which the budget was based. This difference is compounded by the correct interest being shown in the 2015 financial statements. The budget also calculated a 3% rate of return and Council's investments had a greater average rate of return, in excess of 4%.</p>				
Other Revenues	735	684	(51)	(7%) U
Operating Grants & Contributions	7,239	7,249	10	0% F
Capital Grants & Contributions	2,111	1,407	(704)	(33%) U
<p>Budgeted capital grants in 2014 included amounts for non capital items e.g. RMS repair program \$592K.</p>				
Net Gains from Disposal of Assets	-	75	75	0% F
<p>During the year Council disposed of two properties, a medical centre and a sports ground. Council also demolished a building on the site of the old saleyards whilst clearing this site. These activities created net gain on disposal of \$197K which had not been included in the 2014 budget. Council also continued to upgrade its plant fleet as is normal practice. In 2015 this resulted in a net loss of \$122K. This amount was not included in the budget as from year to year the net impact of this process can vary. All plant is sold in the open market and can vary from a net profit to a net loss and dependant on the state of the market.</p>				

Liverpool Plains Shire Council

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

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	8,008	7,712	296	4% F
Borrowing Costs	293	134	159	54% F
Budgeted borrowing costs did not take into consideration potential discounting arising from the valuation of landfills and quarries. The useful lives and the cost of remediation of these assets are recalculated year. During the year a discounting gain of \$100k for landfill sites for \$44K for quarries were calculated. This resulted in a decrease of borrowing expenses of \$144k.				
Materials & Contracts	7,563	6,999	564	7% F
Depreciation & Amortisation	6,414	6,439	(25)	(0%) U
Other Expenses	1,929	2,024	(95)	(5%) U

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

Cash Flows from Operating Activities	6,785	5,709	(1,076)	(15.9%) U
There are a number of variances between the budgeted and actual figures. Termination pays of \$463K were paid during the year. These were outside the original budget. A reduction in accounts payable contributed to addition cash out flows during the year.				
Cash Flows from Investing Activities	(7,354)	(8,833)	(1,479)	20.1% U
The 2014 budget did not take into consideration the potential sale of infrastructure and plant. These sales provided a cash inflow of \$1,004m. Capital expenditure was less than budgeted due in part to wet weather preventing capital renewal work on roads.				
Cash Flows from Financing Activities	(301)	(264)	37	(12.3%) F
Budgeted cashflows did not take into consideration that a floating rate loan of \$2,355M was due for renewal. This renewal is shown in the cash flow from financing activities.				

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & 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 & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1	-	-	0	-	-	1	-	-	1	-
Roads	107	20	-	4	-	-	131	-	-	131	-
Open Space	35	2	-	2	-	-	39	-	-	39	-
Community Facilities	19	-	-	1	-	-	20	-	-	20	-
Bushfire	10	1	-	0	-	-	11	-	-	11	-
Youth Services	17	-	-	1	-	-	18	-	-	18	-
Other	136	-	-	5	-	-	141	-	-	141	-
S94 Contributions - under a Plan	325	23	-	12	-	-	360	-	-	360	-
S94A Levies - under a Plan	202	59	-	8	-	-	269				-
Total S94 Revenue Under Plans	527	82	-	20	-	-	629				-
S94 not under Plans	17	-	-	1	-	-	18	-	-	18	-
S64 Contributions	278	4	-	11	-	-	293				
Total Contributions	822	86	-	32	-	-	940	-	-	378	-

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	23	-	-	1	-	-	24	-	-	24	-
Open Space	23	-	-	1	-	-	24	-	-	24	-
Community Facilities	19	-	-	1	-	-	20	-	-	20	-
Youth Services	17	-	-	1	-	-	18	-	-	18	-
Total	82	-	-	4	-	-	86	-	-	86	-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	1	-	-	0	-	-	1	-	-	1	-
Roads	84	20	-	3	-	-	107	-	-	107	-
Open Space	12	2	-	1	-	-	15	-	-	15	-
Bushfire	10	1	-	0	-	-	11	-	-	11	-
Total	107	23	-	4	-	-	134	-	-	134	-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	136	-	-	5	-	-	141	-	-	141	-
Total	136	-	-	5	-	-	141	-	-	141	-

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94A LEVIES - 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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	202	59	-	8	-	-	269	-	-		-
Total	202	59	-	8	-	-	269				-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	17	-	-	1	-	-	18	-	-	18	-
Total	17	-	-	1	-	-	18	-	-	18	-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	278	-	-	11	-	-	289	-	-		-
Total	278	-	-	11	-	-	289				-

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

The 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 it's 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 Councils 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 financial year ended 30 June 2015

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) 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 financial year ended 30 June 2015

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

\$ '000

(iii) Central Northern Libraries

Liverpool Plains Shire Council is a member of the Central Northern 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 \$1,233,000 of which Councils share at 30th June 2015 is \$117,135.

Note 19. Interests in Other Entities

Council has no material interest in any Controlled Entities, Joint Arrangements or Associates.

Liverpool Plains Shire Council

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		207,920	205,804
a. Correction of Prior Period Errors	20 (c)	(354)	-
b. Net Operating Result for the Year		726	2,116
Balance at End of the Reporting Period		208,292	207,920

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	332,099	339,597
Total	332,099	339,597

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	339,597	339,630
- Revaluations increments/ (decrements) for the year	9(a) (7,498)	-
- increment (decrement) of revalued assets / Impairment reversals	9(a),(c) -	(33)
- Balance at End of Year	332,099	339,597

TOTAL VALUE OF RESERVES

332,099	339,597
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(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

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

Correction of errors disclosed in this year's financial statements:

Retained Earnings Correction	(354)
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In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

(d) Voluntary Changes in Accounting Policies

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

Liverpool Plains Shire Council

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

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,525	1,098	7,597
User Charges & Fees	1,004	25	2,523
Interest & Investment Revenue	218	183	446
Other Revenues	-	-	684
Grants & Contributions provided for Operating Purposes	124	25	7,100
Grants & Contributions provided for Capital Purposes	354	-	1,053
Other Income			
Net Gains from Disposal of Assets	-	-	75
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	3,225	1,331	19,478
Expenses from Continuing Operations			
Employee Benefits & on-costs	665	237	6,810
Borrowing Costs	221	-	(87)
Materials & Contracts	951	344	5,704
Depreciation & Amortisation	829	238	5,372
Impairment	-	-	-
Other Expenses	-	-	2,024
Total Expenses from Continuing Operations	2,666	819	19,823
Operating Result from Continuing Operations	559	512	(345)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	559	512	(345)
Net Operating Result attributable to each Council Fund	559	512	(345)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	205	512	(1,398)

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

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

Liverpool Plains Shire Council

Notes to the Financial Statements as at 30 June 2015

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

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	1,027	1,142	616
Investments	-	-	6,250
Receivables	618	177	1,851
Inventories	-	-	1,209
Other	-	-	-
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	1,645	1,319	9,926
Non-Current Assets			
Investments	4,000	4,000	2,750
Receivables	-	-	1
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	42,643	27,041	457,025
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	46,643	31,041	459,776
TOTAL ASSETS	48,288	32,360	469,702
LIABILITIES			
Current Liabilities			
Payables	74	-	930
Borrowings	130	-	63
Provisions	-	-	2,206
Total Current Liabilities	204	-	3,199
Non-Current Liabilities			
Payables	-	-	1
Borrowings	4,062	-	881
Provisions	-	-	1,612
Total Non-Current Liabilities	4,062	-	2,494
TOTAL LIABILITIES	4,266	-	5,693
Net Assets	44,022	32,360	464,009
EQUITY			
Retained Earnings	21,278	11,546	175,468
Revaluation Reserves	22,744	20,814	288,541
Total Equity	44,022	32,360	464,009

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

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

Liverpool Plains Shire Council

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

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

\$ '000

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 25/11/15.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

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

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

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset 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 financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2015	2014
Landfill Remediation	various	893	1,925
Quarries Remediation	various	673	-
Balance at End of the Reporting Period	10(a)	1,566	1,925

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	1,925	2,628
Effect of a change in discount rates used in PV calculations	(265)	(703)
Effect of a change in other calculation estimates used	50	-
Amortisation of discount (expensed to borrowing costs)	(144)	-
Total - Reinstatement, rehabilitation and restoration provision	1,566	1,925

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

Liverpool Plains Shire Council

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

Note 26. Reinstatement, Rehabilitation & 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 financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Financial Assets & Liabilities

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

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

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

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

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

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

		Fair Value Measurement Hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Liabilities					
Loans / Advances	30/6/15	-	(5,136)	-	(5,136)
Total Financial Liabilities		-	(5,136)	-	(5,136)
Infrastructure, Property, Plant & Equipment					
Plant and Equipment		-	-	7,052	7,052
Office Equipment		-	-	239	239
Furniture & Fittings		-	-	103	103
Operational Land	30/6/13	-	-	6,771	6,771
Community Land		-	-	2,176	2,176
Land under Roads (post 30/6/08)		-	-	16	16
Buildings - Non Specialised	30/6/13	-	-	27,564	27,564
Other Structures	30/6/13	-	-	3,685	3,685
Roads	30/6/15	-	-	240,441	240,441
Bridges	30/6/15	-	-	70,009	70,009
Footpaths	30/6/15	-	-	2,325	2,325
Bulk Earthworks (non-depreciable)	30/6/15	-	-	78,016	78,016
Stormwater Drainage	30/6/15	-	-	15,256	15,256
Water Supply Network	30/6/15	-	-	42,643	42,643
Sewerage Network	30/6/15	-	-	27,041	27,041
Other Assets		-	-	2,654	2,654
Tip Assets	30/6/15	-	-	466	466
Quarry Assets	30/6/15	-	-	252	252
Total Infrastructure, Property, Plant & Equipment		-	-	526,709	526,709

Liverpool Plains Shire Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	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				
Financial Liabilities				
Loans / Advances	-	5,400	-	5,400
Total Financial Liabilities	-	5,400	-	5,400
Infrastructure, Property, Plant & Equipment				
Plant and Equipment	-	7,498	-	7,498
Office Equipment	-	255	-	255
Furniture & Fittings	-	107	-	107
Operational Land	-	6,906	-	6,906
Community Land	-	-	2,166	2,166
Land under Roads (post 30/6/08)	-	-	3	3
Buildings - Non Specialised	-	27,847	-	27,847
Other Structures	-	-	3,398	3,398
Roads	-	-	261,067	261,067
Bridges	-	-	53,407	53,407
Footpaths	-	-	1,840	1,840
Bulk Earthworks (non-depreciable)	-	-	87,641	87,641
Stormwater Drainage	-	-	15,261	15,261
Water Supply Network	-	-	40,822	40,822
Sewerage Network	-	-	26,185	26,185
Other Infrastructure	-	-	1,071	1,071
Other Assets	-	-	1,438	1,438
Tip Assets	-	-	634	634
Quarry Assets	-	-	286	286
Total Infrastructure, Property, Plant & Equipment	-	42,613	495,219	537,832

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Liverpool Plains Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

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

Fair value hierarchy level 2 valuations - Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Other asset classes shown as hierarchy level 2 inputs on the basis prescribed by the Code that "depreciated cost approximates fair value".

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 financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Community Land	Land under Roads	Land improv'mnt non depr	Land improv'mnt depreciable	Total
Opening Balance - 1/7/13	2,065	3	-	55	2,123
Transfers from/(to) another asset class	(60)	-	-	(125)	(185)
Purchases (GBV)	-	6	-	73	79
Depreciation & Impairment	-	-	-	(3)	(3)
Other movement	161	(6)	-	-	155
Closing Balance - 30/6/14	2,166	3	-	-	2,169

Transfers from/(to) another asset class	10	-	-	-	10
Purchases (GBV)	-	13	-	-	13
Closing Balance - 30/6/15	2,176	16	-	-	2,192

	Other Structures	Roads	Bulk Earthworks	Stormwater Drainage	Total
Opening Balance - 1/7/13	7,538	411,274	-	13,214	432,026
Transfers from/(to) another asset class	(3,963)	(95,780)	87,641	2,239	(9,863)
Purchases (GBV)	84	5,718	-	-	5,802
Depreciation & Impairment	(261)	(4,898)	-	(192)	(5,351)
Closing Balance - 30/6/14	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 & 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

Liverpool Plains Shire Council

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

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Water Supply Network	Sewerage Network	Other Assets	Total
Opening Balance - 1/7/13	39,421	25,768	43	65,232
Transfers from/(to) another asset class	1,523	466	45,090	47,079
Purchases (GBV)	508	123	15	646
Depreciation & Impairment	(630)	(172)	(27)	(829)
Closing Balance - 30/6/14	40,822	26,185	45,121	112,128
Transfers from/(to) another asset class	-	-	414	414
Purchases (GBV)	783	87	1,115	1,985
Disposals (WDV)	-	-	(929)	(929)
Depreciation & Impairment	(823)	(171)	(1,257)	(2,251)
Other movement	1,861	941	(82)	2,720
Closing Balance - 30/6/15	42,643	27,042	44,382	114,067

	Tip Assets	Quarry Assets	Total
Opening Balance - 1/7/13	950	432	1,382
Closing Balance - 30/6/14	634	287	921
Depreciation & Impairment	25	35	60
Other movement (details here)	(194)	(70)	(264)
Closing Balance - 30/6/15	465	252	717

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

Nil

(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 financial year ended 30 June 2015

Note 28. Council Information & 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

ACTING GENERAL MANAGER

Ronald Van Katwyk

RESPONSIBLE ACCOUNTING OFFICER

Ann Newsome

PUBLIC OFFICER

Ann Newsome

AUDITORS

Pitcher Partners
101 Hannell St
Wickham NSW 2293

Elected Members

MAYOR

Andrew Hope

COUNCILLORS

Robert Webster
Ken Cudmore
Andrew Laurie
Ian Lobsey
Mary Roberts
Col Stewart

Other Information

ABN: 97 810 717 370



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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 were engaged to audit the accompanying financial statements of Liverpool Plains Shire Council (the Council), which comprise the statement of financial position as at 30 June 2015, 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 is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and the Projections disclosed in Note 17 to the financial statements, nor the attached Special Schedules (1, 2, 7 and 8) 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 qualified opinion.

Basis for Qualified Opinion

As a consequence of system deficiencies and errors in infrastructure, property, plant and equipment in connection with the fixed asset register system in the 2014 year, we were unable to confirm or verify by alternative means infrastructure, property, plant and equipment included in the statement of financial position at 30 June 2014. As a result we were unable to determine whether any adjustments might have been found in respect of infrastructure, property, plant and equipment and the elements impacting the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the year ended 30 June 2014.

Our audit opinion on the financial report for the year ended 30 June 2014 was modified accordingly. Our audit opinion on the current year's financial report is also modified because of the possible effect of this matter on the comparability of the current years figures and the corresponding figures.

Qualified opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph:

- (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 2015 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
25 November 2015



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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 2015 - SECTION 417(3)

We have completed our audit of the financial statements for Liverpool Plains Shire Council for the year ended 30 June 2015, in accordance with Section 415 of the Local Government Act 1993 (the Act). This report should be read in conjunction with our qualified 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 and the Projections disclosed in Note 17 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, however they must be considered in light of the Basis for Qualified Opinion paragraph in our audit report issued under Section 417(2) of the Act.

Income Statement

These financial statements incorporate Council's consolidated accounts for the year ended 30 June 2015.

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 2015 shows a deficit of \$681,000 compared with a deficit of \$1,086,000 for the year ended 30 June 2014.

The movement in the result is largely attributable to an increase in rates and annual charges of \$575,000, increases in grants and contributions provided for operating purposes of \$2,454,000, a decrease in employee benefits and on-costs of \$527,000 offset by an increase in materials and contract expenses of \$3,016,000.

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 2015 was a surplus of \$726,000 compared to a surplus of \$2,116,000 for the year ended 30 June 2014.

The movement in the result is largely attributable to decreases in capital grants for roads and bridges of \$1,873,000.

Asset Recognition and Measurement

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 will be valued at fair value in 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 assets at every five years (unless there have been material changes to the valuation beforehand). Under this framework roads (including bulk earthworks), bridges, footpaths and drainage were required to be revalued in the current 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 valuations
- operational land - fair value as determined by independent external valuations

The fair value of roads, bridges, footpaths, water, sewerage and drainage assets was based on the method of written down replacement cost.

The fair value of 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 - on the following bases
 - the NSW Valuer General's valuations may be used to initially recognise community land acquired at no cost or nominal cost. It is considered that the valuations represent the fair value of such land in lieu of actual cost.
 - Community land acquired at market price should be recorded initially at cost.
 - the NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land.

As a consequence of system deficiencies and errors in infrastructure, property, plant and equipment in connection with the fixed asset register system in the 2014 year, we were unable to confirm or verify by alternative means infrastructure, property, plant and equipment included in the statement of financial position at 30 June 2014. As a result we were unable to determine whether any adjustments might have been found in respect of infrastructure, property, plant and equipment and the elements impacting the income statement and were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the year ended 30 June 2014 and our audit opinion on the financial report for the year ended 30 June 2014 was modified accordingly. Since the date of our last report, Council has invested significant resources to rectify the discrepancies and errors identified in prior years and implemented a number of our recommendations for improvement.

In addition, Council has taken a number of steps to improve the financial reporting process in the current and subsequent years.

As a consequence of the above, our audit opinion issued under Section 417(2) of the Act for the current year was modified only in respect of the possible effects on the corresponding (2014) figures.

Performance Indicators

Our comments in regard to Council's performance for the 2015 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 2015, Council's net current assets stood at \$9,487,000 compared to \$6,952,000 at 30 June 2014. 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, with unrestricted current assets (current assets less external restrictions) exceeding

current liabilities (excluding specific purpose liabilities) by 2.29:1 (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 are restricted in their use. This is best illustrated in the following table.

Council has total cash and investments of \$19,785,000 which are subject to restrictions as follows:

	30 June 2015 \$'000	30 June 2014 \$'000
Total cash and investments	19,785	17,423
Less: Items specifically restricted by external regulation	<u>(11,779)</u>	<u>(11,154)</u>
	8,006	6,269
Less: Amounts subject to restrictions made by Council to cover long term projects and commitments - Internal restrictions	<u>(4,695)</u>	<u>(3,824)</u>
Unrestricted cash and investments	<u><u>3,311</u></u>	<u><u>2,445</u></u>

Unrestricted Current Ratio

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

2015	2014	2013
2.29	1.42	2.58

b) Debt Service Cover Ratio

At 30 June 2015 Council had outstanding loans of \$5,136,000 compared with \$5,400,000 at 30 June 2014. 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 2.11 for the year ended 30 June 2015 compared to 10.25 for the year ended 30 June 2014 and 10.41 for the year ended 30 June 2013. 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 2015, Council's own source operating revenue ratio was approximately 63.87% compared to 64.64% in 2014 and 57.59% in 2013. 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.

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 8.45% in 2015 compared to 7.76% in 2014 and 8.85% in 2013. The benchmark is less than 10% for rural councils.

Internally Restricted Assets

Council sets aside in the form of specific cash or investments amounts to cover future expenditure that is considered necessary for efficient long term operations. This cash is restricted for use only 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 2015, Council had internally restricted assets totalling \$4,695,000 compared to \$3,827,000 at 30 June 2014. 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 \$5,709,000 in 2015 compared to \$9,335,000 for the previous year.

The cash flows from operating activities have decreased significantly from the prior year as a result of an increase in payments for materials and contracts of \$5,730,000, offset by an increase in other receipts of \$1,304,000.

Cash flows from investing activities

Net cash used in investing activities amounted to \$8,833,000 for the year ended 30 June 2015, compared to \$8,191,000 for the previous year.

The movement is primarily attributable to an increase in receipts from the sale of Infrastructure, Property, Plant & Equipment of \$589,000 offset by an increase in the purchase of investments of \$5,267,000 offset by a decrease in the purchase of infrastructure, property, plant and equipment of \$4,037,000 from the prior year.

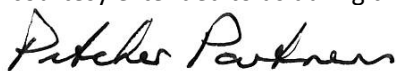
Cash flows from financing activities

Net cash provided by financing activities amounted to \$264,000 for the year ended 30 June 2015 compared to \$242,000 in 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 Chief Financial Officer 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 Acting General Manager, Chief Financial Officer 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
25 November 2015