

Nambucca Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“Nambucca Valley ~ Living at its best”



Nambucca Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 16 September 2016. Council has the power to amend and reissue these financial statements.
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Nambucca Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

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

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

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

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

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



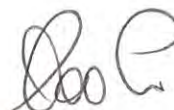
Rhonda Hoban
Mayor



John Ainsworth
Councillor



Michael Coulter
General Manager



Craig Doolan
Responsible Accounting Officer

Nambucca Shire Council

Income Statement

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
18,549	Rates and annual charges	3a	18,373	17,485
6,189	User charges and fees	3b	6,700	6,055
1,195	Interest and investment revenue	3c	1,353	1,589
463	Other revenues	3d	647	637
7,719	Grants and contributions provided for operating purpose	3e, f	9,440	11,504
1,145	Grants and contributions provided for capital purposes	3e f	2,231	10,016
Other income:				
593	Net gains from the disposal of assets	5	—	—
35,853	Total income from continuing operations		38,744	47,286
Expenses from continuing operations				
9,982	Employee benefits and on-costs	4a	9,163	10,212
2,707	Borrowing costs	4b	2,857	2,996
10,819	Materials and contracts	4c	10,958	9,527
8,446	Depreciation and amortisation	4d	8,818	9,832
	Impairment	4d	226	—
2,604	Other expenses	4e	3,388	6,276
	Net losses from the disposal of assets	5	2,701	1,642
34,558	Total expenses from continuing operations		38,111	40,485
1,295	Operating result from continuing operations		633	6,801
1,295	Net operating result for the year		633	6,801
1,295	Net operating result attributable to Council		633	6,801
Net operating result for the year before grants and contributions provided for capital purposes				
150			(1,598)	(3,215)

Original budget as approved by Council – refer Note 15

Nambucca Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		633	6,801
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	5,465	27,748
Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(128)
Other movements in reserves (enter details here)	20b (ii)	(2,097)	(825)
Total items which will not be reclassified subsequently to the operating result		3,368	26,795
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Total items which will be reclassified subsequently to the operating result when specific conditions are met		—	—
Total other comprehensive income for the year		3,368	26,795
Total comprehensive income for the year		4,001	33,596
Total comprehensive income attributable to Council		4,001	33,596
Total comprehensive income attributable to non-controlling interests		—	—

Nambucca Shire Council

Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,804	8,660
Investments	6b	15,796	14,161
Receivables	7	4,290	7,978
Inventories	8	2,826	1,465
Other	8	78	34
Total current assets		29,794	32,298
Non-current assets			
Investments	6b	10,634	11,101
Inventories	8	21	21
Infrastructure, property, plant and equipment	9	430,043	418,986
Intangible assets	25	278	208
Total non-current assets		440,976	430,316
TOTAL ASSETS		470,770	462,614
LIABILITIES			
Current liabilities			
Payables	10	2,613	4,449
Borrowings	10	2,954	2,864
Provisions	10	3,852	3,819
Total current liabilities		9,419	11,132
Non-current liabilities			
Payables	10	364	390
Borrowings	10	43,246	44,393
Provisions	10	569	540
Total non-current liabilities		44,179	45,323
TOTAL LIABILITIES		53,598	56,455
Net assets		417,172	406,159
EQUITY			
Retained earnings	20	299,796	292,150
Revaluation reserves	20	117,376	114,009
Council equity interest		417,172	406,159
Total equity		417,172	406,159

Nambucca Shire Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		292,150	114,009	406,159	–	406,159
a. Correction of prior period errors	20 (c)	4,915	–	4,915		4,915
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–		–
Revised opening balance (as at 1/7/15)		297,065	114,009	411,074	–	411,074
c. Net operating result for the year		633		633	–	633
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)		5,465	5,465		5,465
Other comprehensive income		–	5,465	5,465	–	5,465
Total comprehensive income (c&d)		633	5,465	6,098	–	6,098
e. Distributions to/(contributions from) non-controlling Interests				–	–	–
f. Transfers between equity		2,098	(2,098)	–		–
Equity – balance at end of the reporting period		299,796	117,376	417,172	–	417,172

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		240,399	87,214	327,613	–	327,613
a. Correction of prior period errors	20 (c)	44,125	–	44,125	–	44,125
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		284,524	87,214	371,738	–	371,738
c. Net operating result for the year		6,801	–	6,801	–	6,801
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	27,748	27,748	–	27,748
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(128)	(128)	–	(128)
Other comprehensive income		–	27,620	27,620	–	27,620
Total comprehensive income (c&d)		6,801	27,620	34,421	–	34,421
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		825	(825)	–	–	–
Equity – balance at end of the reporting period		292,150	114,009	406,159	–	406,159

Nambucca Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
<u>Receipts:</u>				
18,549	Rates and annual charges		18,311	17,412
6,189	User charges and fees		6,496	6,233
1,195	Investment and interest revenue received		1,326	1,424
8,864	Grants and contributions		15,108	17,789
	Bonds, deposits and retention amounts received		128	119
463	Other		3,698	4,106
<u>Payments:</u>				
(9,631)	Employee benefits and on-costs		(8,964)	(10,068)
(10,819)	Materials and contracts		(12,704)	(7,199)
(2,707)	Borrowing costs		(2,534)	(2,611)
	Bonds, deposits and retention amounts refunded		(256)	–
(2,604)	Other		(6,062)	(6,499)
9,499	Net cash provided (or used in) operating activities	11b	14,547	20,706
Cash flows from investing activities				
<u>Receipts:</u>				
694	Sale of investment securities		–	–
600	Sale of investment property		–	–
163	Sale of infrastructure, property, plant and equipment		334	176
<u>Payments:</u>				
	Purchase of investment securities		(1,109)	6,812
(9,585)	Purchase of infrastructure, property, plant and equipment		(12,699)	(24,391)
	Purchase of real estate assets		(1,564)	(228)
(8,128)	Net cash provided (or used in) investing activities		(15,038)	(17,631)
Cash flows from financing activities				
<u>Receipts:</u>				
1,500	Proceeds from borrowings and advances		1,500	2,263
<u>Payments:</u>				
(2,905)	Repayment of borrowings and advances		(2,865)	(2,691)
(1,405)	Net cash flow provided (used in) financing activities		(1,365)	(428)
(34)	Net increase/(decrease) in cash and cash equivalents		(1,856)	2,647
45,835	Plus: cash and cash equivalents – beginning of year	11a	8,660	6,013
45,801	Cash and cash equivalents – end of the year	11a	6,804	8,660
Additional Information:				
	plus: Investments on hand – end of year	5b	26,430	25,262
	Total cash, cash equivalents and investments		33,234	33,922

Please refer to Note 11 for information on the following:

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 occurs first.

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 recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

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

Other Income

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

(c) Principles of consolidation

These consolidated financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it controls (as at 30 June 2016) and (ii) all the related operating results (for the financial year ended the 30 June 2016).

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
- Water Supply
- Sewerage Service

Due to their immaterial value and nature the following committees, entities and operations have been excluded from consolidation:

- Section 355 Committees of Management

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

Total income from continuing operations (no GST)	\$139,827
Total expenditure from continuing operations (no GST)	\$119,010
Total net assets held (ie equity)	\$80,361

Note:

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(ii) The Trust Fund

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

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county council.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

- 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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

and that are subject to an insignificant risk of changes in value, and

- Bank overdrafts.

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg loans and receivables) the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Types of Investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and section 212 of the LG (General) Regulation 2005.

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

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

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(i) Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

(ii) Land Held for Resale/Capitalisation of Borrowing Costs

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

Cost is assigned by specific identification and includes the cost of acquisition, and development 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** (internal valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths**
(internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks**
(external valuation)
- **Swimming pools**
(internal valuation)
- **Other open space/recreational assets**
(internal valuation)

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- Other infrastructure

(internal valuation)

- Other assets

(as approximated by depreciated historical cost).

Initial recognition

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

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- To the extent that a net asset class increase reverses a decrease previously recognised via

the profit or loss, then increase is first recognised in profit or loss,

- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

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

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

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

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

Capitalisation thresholds

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

Land

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

Plant & Equipment

Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	> \$20,000
- renovations	> \$20,000
Other Structures	> \$20,000

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Water & Sewer Assets

Reticulation, Treatment Works	Capitalise
Mains, Reservoirs, Pump Stations	Capitalise

- Pump Stations	40 years
- Water Treatment Plant	50 years
- Dams	100 years

Stormwater Assets

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

Sewer Supply

- Reticulation	70 years
- Rising Mains	70 years
- Treatment Works	40 years
- Pump Stations	60 years
- Effluent Pumping Station	60 years

Transport Assets

Road construction & reconstruction	Capitalise
Reseal/Re-sheet & major repairs	> \$20,000

Bridge construction & reconstruction	> \$20,000
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Stormwater Assets

- Drains	85 to 106 years
- Culverts	80 years

Other Infrastructure Assets

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

Other Infrastructure	> \$10,000
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Transportation Assets

- Sealed Roads	18 to 120 years
- Unsealed roads	19 to 84 years
- Bridges	21 to 95 years
- Footpaths	85 to 127 years
- Kerb and Gutter	60 to 84 years

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's 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	3 to 15 years
- Office furniture	5 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	12 years
- Other plant and equipment	5-20 years

Other Equipment

- Bush Fire Equipment	5 years
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Buildings

- Buildings: Operating	15 to 60 years
- Buildings: Community	20 to 60 years

Water Supply

- Headworks/Bores	30 years
- Mains	80 years
- Reservoirs	100 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	60 to 80 years
- Other Open Space/ Recreational Assets	10 to 80 years
- Other Infrastructure	15 to 100 years

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

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

Disposal and derecognition

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(k) Land

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

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

(l) Land under Roads

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

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

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

(m) Intangible Assets

Land Easements – Water Storage Dam

These costs are recognised at cost. The assets are periodically reviewed and are considered to have an indefinite life.

(n) Crown Reserves

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

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

(o) Rural Fire Service Assets

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

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

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

(p) Provisions for close down, restoration and for environmental clean-up costs – including Tips and Quarries

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

(q) Impairment of assets

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

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

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

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

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

(r) Payables

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

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(s) 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.

t) Borrowing costs

Borrowing costs are expensed

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(u) 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.

(v) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 – ie as an expense when they become payable.

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA on 24 February 2016 and covers the period ended 30 June 2015.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$287,056.

The amount of additional contributions included in the total employer contribution advised above is \$688,000.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$322,726 as at 30 June 2016.

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Defined contribution plans

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

(iv) Employee Benefit On-Costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(w) Allocation between current and Non-current assets and liabilities

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

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

Exceptions

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

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

(x) Taxes

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

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

Goods and Services Tax (GST)

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

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

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

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

Operating cash flows within the Cash Flow Statement are on a gross basis, 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 that are recoverable from or payable to the ATO are classified as operating cash flows.

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

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

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

Council has not adopted any of these standards early.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration

(ie payment) to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

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

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

'low value'. There will also be detailed disclosure requirements for all lessees.

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

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

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

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

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

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

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

(z) Rounding of amounts

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

(aa) 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.

(ab) Disclaimer

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

GOVERNANCE

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

ADMINISTRATION

Includes corporate support and other support services, (not otherwise attributed to the listed functions/activities), and any Council policy compliance.

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes inspection, immunisation, food control, health centres, other administration etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); Aboriginal and other community services and administration; youth services; aged and disabled persons services; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes housing, public cemeteries; public conveniences; street lighting; town planning; other community amenities,

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, other.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Nambucca Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		7,153	6,721
Farmland		877	821
Business		1,060	1,013
Total ordinary rates		9,090	8,555
Special rates			
Environmental		376	356
Total special rates		376	356
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		3,541	3,409
Water supply services		850	865
Sewerage services		3,511	3,345
Drainage		142	142
Waste management services (non-domestic)		863	813
Total annual charges		8,907	8,574
TOTAL RATES AND ANNUAL CHARGES		18,373	17,485

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		3,901	3,614
Sewerage services		844	751
Waste management services (non-domestic)		1,079	813
Library		5	4
Other		9	9
Total user charges		5,838	5,191
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		155	164
Planning and building regulation		158	196
Private works – section 67		40	73
Regulatory/ statutory fees		226	233
Section 149 certificates (EPA Act)		49	49
Section 603 certificates		42	34
Town planning-Environmental Compliance Fees		29	–
Septic tank income		73	28
Total fees and charges – statutory/regulatory		772	777
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries		90	87
Total fees and charges – other		90	87
TOTAL USER CHARGES AND FEES		6,700	6,055

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		178	78
– Interest earned on investments (interest and coupon payment income)		1,116	1,189
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		59	322
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,353</u>	<u>1,589</u>

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	178	78
General Council cash and investments	608	847

Restricted investments/funds – external:

Development contributions		
– Section 94	39	49
– Section 64	164	194
Water fund operations	309	470
Sewerage fund operations	195	182
Domestic waste management operations	23	16

Restricted investments/funds – internal:

Internally restricted assets	(163)	(247)
Total interest and investment revenue recognised	<u>1,353</u>	<u>1,589</u>

(d) Other revenues

Fines – parking	86	49
Fines – other	18	17
Legal fees recovery – rates and charges (extra charges)	1	4
Legal fees recovery – other	–	30
Administration	7	3
Bank merchant service fees	16	16
Diesel rebate	59	45
Environmental services	14	15
Insurance – premium rebates	63	97
Lease rentals	300	299
Road closure/compulsory acquisition	23	16
Sales – general	25	5
Special meter reading fees	5	3
Libraries	8	6
Tourism	20	20
Other	2	12
<u>TOTAL OTHER REVENUE</u>	<u>647</u>	<u>637</u>

Nambucca Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,469	2,505	–	–
Financial assistance – local roads component	1,132	1,139	–	–
Pensioners' rates subsidies – general component	483	454	–	–
Total general purpose	4,084	4,098	–	–
Specific purpose				
Water supplies	–	–	32	743
Bushfire and emergency services	180	274	–	–
Community care	211	184	–	–
Community centres	5	16	–	–
Cycleways	–	–	–	103
Economic development	–	2	–	–
Employment and training programs	133	119	–	–
Environmental protection	627	105	–	–
Library	63	63	–	–
LIRS subsidy	130	106	–	–
Museums	9	–	–	–
Noxious weeds	256	172	–	–
Public halls	17	–	–	–
Recreation and culture	69	50	67	908
Street lighting	19	19	–	–
Transport (roads to recovery)	1,535	531	–	–
Transport (other roads and bridges funding)	7	–	–	–
Other – better waste and recycling	85	84	–	–
Other – responsible pet ownership	30	15	–	–
Other – reimbursement – insurance	3	33	–	–
Other – foreshore/beach	–	–	–	53
Other	6	6	–	–
Total specific purpose	3,385	1,779	99	1,807
Total grants	7,469	5,877	99	1,807
Grant revenue is attributable to:				
– Commonwealth funding	5,210	4,341	32	743
– State funding	2,127	1,442	67	1,064
– Other funding	132	94	–	–
	7,469	5,877	99	1,807

Nambucca Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	116	99
S 94A – fixed development consent levies	–	–	267	140
S 64 – water supply contributions	–	–	236	382
S 64 – sewerage service contributions	–	–	238	354
Total developer contributions	–	–	857	975
Other contributions:				
Kerb and gutter	9	–	10	–
Recreation and culture	4	10	–	–
RMS contributions (regional roads, block grant)	1,210	1,686	934	4,891
Sewerage (excl. section 64 contributions)	–	–	6	8
Subdivider dedications	–	–	267	2,301
Water supplies (excl. section 64 contributions)	–	–	58	34
Other – landslip restoration	748	3,900	–	–
Libraries	–	1	–	–
Other – water and sewer cont. to works depot	–	29	–	–
Other – environmental protection	–	1	–	–
Total other contributions	1,971	5,627	1,275	7,234
Total contributions	1,971	5,627	2,132	8,209
TOTAL GRANTS AND CONTRIBUTIONS	9,440	11,504	2,231	10,016

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	8,914	7,655
Add: grants and contributions recognised in the current period but not yet spent:	1,274	3,044
Less: grants and contributions recognised in a previous reporting period now spent:	(3,427)	(1,785)
Net increase (decrease) in restricted assets during the period	(2,153)	1,259
Unexpended and held as restricted assets	6,761	8,914
Comprising:		
– Specific purpose unexpended grants	515	2,231
– Developer contributions	6,246	6,683
	6,761	8,914

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		6,842	6,975
Employee termination costs (where material – other than vested leave paid)		48	328
Travel expenses		456	464
Employee leave entitlements (ELE)		1,226	1,589
Superannuation		895	923
Workers' compensation insurance		217	312
Fringe benefit tax (FBT)		69	58
Training costs (other than salaries and wages)		130	91
Other		46	19
Total employee costs		9,929	10,759
Less: capitalised costs		(766)	(547)
TOTAL EMPLOYEE COSTS EXPENSED		9,163	10,212
Number of 'full-time equivalent' employees (FTE) at year end		113	108
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		116	114
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,538	2,611
Total interest bearing liability costs		2,538	2,611
Less: capitalised costs		–	–
Total interest bearing liability costs expensed		2,538	2,611
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)		–	–
– Remediation liabilities	26	11	23
Interest applicable on interest free (and favourable) loans to Council		308	362
Total other borrowing costs		319	385
TOTAL BORROWING COSTS EXPENSED		2,857	2,996

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		924	1,560
Contractor and consultancy costs		4,386	3,519
– Beach inspections		65	63
– Contractor and consultancy costs – environmental		187	38
– Contractor and consultancy costs – community consultation		15	6
– Contractor and consultancy costs (Water)		75	–
– Contractor and consultancy costs (Sewer)		56	–
– Contractor and consultancy costs – (Labour Hire)		717	211
– Town planning		4	7
– Financial		25	24
– Computer system – civica – authority		176	116
– Waste collection contract		2,888	2,925
– Equipment hire		1,097	722
– Cleaning of council buildings		117	110
Auditors remuneration ⁽¹⁾		45	37
Legal expenses:			
– Legal expenses: planning and development		16	62
– Legal expenses: other		165	127
Total materials and contracts		10,958	9,527
TOTAL MATERIALS AND CONTRACTS		10,958	9,527

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor:

(i) Audit and other assurance services

– Audit and review of financial statements: Council's Auditor

Remuneration for audit and other assurance services**(ii) Taxation services****Remuneration for taxation services****(iii) Other non-assurance services****Remuneration for other services****Total Auditor remuneration****2. Operating lease payments are attributable to:**

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment	—	—	747	676	
Office equipment	—	—	138	139	
Furniture and fittings	—	—	12	13	
Land improvements (depreciable)	—	—	15	15	
Infrastructure:					
– Buildings – non-specialised	—	—	455	480	
– Buildings – specialised	—	—	344	324	
– Other structures	—	—	105	103	
– Roads	226	—	2,500	4,151	
– Bridges	—	128	627	542	
– Footpaths	—	—	97	127	
– Stormwater drainage	—	—	433	412	
– Water supply network	—	—	1,555	1,008	
– Sewerage network	—	—	1,514	1,620	
– Swimming pools	—	—	53	53	
– Other open space/recreational assets	—	—	111	107	
– Other infrastructure	—	—	106	56	
Other assets					
– Heritage collections	—	—	1	3	
– Library books	—	—	57	—	
– Other	—	—	1	38	
Asset reinstatement costs	9 & 26	—	—	42	42
Total depreciation and impairment costs		226	128	8,913	9,909
Less: capitalised costs		—	—	(95)	(77)
Less: IPP&E impairments (to)/from equity	9a	—	(128)	—	—
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		226	—	8,818	9,832

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		100	91
Bad and doubtful debts		12	20
Bank charges		54	54
Contributions/levies to other levels of government		54	58
– Bushfire fighting fund		267	211
– Waste levy		475	349
– Other contributions/levies		44	45
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		102	99
Councillors' expenses (incl. mayor) – other (excluding fees above)		28	32
Donations, contributions and assistance to other organisations (Section 356)		181	102
– SES vehicle expenses		35	32
Electricity and heating		568	663
Fair value decrements – I,PP&E	9(a)	140	3,137
Insurance		645	609
Insurance excess (PI/PL)		10	15
Office expenses (including computer expenses)		118	177
Postage		45	41
Printing and stationery		71	75
Street lighting		221	249
Subscriptions and publications		62	69
Telephone and communications		72	66
Valuation fees		60	59
Total other expenses		3,388	6,276
Less: capitalised costs		–	–
TOTAL OTHER EXPENSES		3,388	6,276

Nambucca Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Plant and equipment			
Proceeds from disposal – plant and equipment		244	176
Less: carrying amount of plant and equipment assets sold/written off		(117)	(160)
Net gain/(loss) on disposal		127	16
Infrastructure			
Proceeds from disposal – infrastructure		90	–
Less: carrying amount of infrastructure assets sold/written off		(2,918)	(1,658)
Net gain/(loss) on disposal		(2,828)	(1,658)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,701)	(1,642)

Nambucca Shire Council

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

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,464	–	2,204	–
Cash-equivalent assets ¹					
– Deposits at call		1,928	–	3,063	–
– Short-term deposits		3,412	–	3,393	–
Total cash and cash equivalents		6,804	–	8,660	–
Investments (Note 6b)					
– Managed funds		4,373	–	4,331	–
– Long term deposits		9,943	7,634	8,356	11,101
– NCD's, FRN's (with maturities > 3 months)		–	3,000	–	–
– Tcorp		1,480	–	1,474	–
Total investments		15,796	10,634	14,161	11,101
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		22,600	10,634	22,821	11,101

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

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

Cash and cash equivalents

a. 'Held to Maturity At Cost'	6,804	–	8,660	–
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Investments**a. 'At fair value through the profit and loss'**

– 'Held for trading' 6(b-i)	–	–	–	–
– 'Designated at fair value on initial recognition' 6(b-i)	5,853	–	5,805	–
b. 'Held to maturity' 6(b-ii)	9,943	10,634	8,356	11,101
c. 'Loans and receivables' 6(b-iii)	–	–	–	–
d. 'Available for sale' 6(b-iv)	–	–	–	–

Investments	15,796	10,634	14,161	11,101
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 6b. investments (continued)

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	5,805	—	6,035	—
Revaluations (through the Income Statement)	59	—	322	—
Additions	1,989	—	532	—
Disposals (sales and redemptions)	(2,000)	—	(1,084)	—
Balance at end of year	5,853	—	5,805	—
Comprising:				
– Managed funds	4,373	—	4,331	—
– Other long term financial assets	1,480	—	1,474	—
Total	5,853	—	5,805	—

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

Balance at the beginning of the year	8,356	11,101	10,771	14,946
Additions	2,850	2,500	3,086	1,500
Disposals (sales and redemptions)	(1,263)	(2,967)	(5,501)	(5,345)
Balance at end of year	9,943	10,634	8,356	11,101
Comprising:				
– Other long term financial assets	9,943	10,634	8,356	11,101
Total	9,943	10,634	8,356	11,101

Note 6(b-iii)**Reconciliation of investments
classified as 'loans and receivables'**

Nil

Note 6(b-iv)**Reconciliation of investments
classified as 'available for sale'**

Nil

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Total cash, cash equivalents and investments	22,600	10,634	22,821	11,101
attributable to:				
External restrictions (refer below)	15,813	10,634	16,830	11,101
Internal restrictions (refer below)	3,772	–	4,940	–
Unrestricted	3,015	–	1,051	–
	22,600	10,634	22,821	11,101

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

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	1,592	1,500	(2,163)	929
Security deposits	689	264	(392)	561
External restrictions – included in liabilities	2,281	1,764	(2,555)	1,490

External restrictions – other

Developer contributions – general (D)	1,360	422	(731)	1,051
Developer contributions – water fund (D)	3,687	356	–	4,043
Developer contributions – sewer fund (D)	1,636	281	(765)	1,152
Specific purpose unexpended grants (F)	2,231	215	(1,931)	515
Water supplies (G)	10,584	1,240	(622)	11,202
Sewerage services (G)	5,683	1,789	(1,213)	6,259
Domestic waste management (G)	469	266		735
External restrictions – other	25,650	4,569	(5,262)	24,957
Total external restrictions	27,931	6,333	(7,817)	26,447

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	311	–	(18)	293
Employees leave entitlement	1,758	330	(336)	1,752
Waste management	1,505	250	(880)	875
Swimming pool	78	35	(21)	92
Stormwater management	135	20	–	155
Public road/reserve sales	45	–	–	45
Other contributions	136	16	(5)	147
On site sewer management	13	–	(13)	–
Office equipment	142	25	(40)	127
Lawn cemetery	8	–	–	8
Land development	(120)	–	(429)	(549)
Environment rate unallocated	628	534	(666)	496
Election	87	30	–	117
Council building reserve	214	–	–	214
Total internal restrictions	4,940	1,240	(2,408)	3,772
TOTAL RESTRICTIONS	32,871	7,573	(10,225)	30,219

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Nambucca Shire Council

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Nil					
Rates and annual charges		970	–	907	–
Interest and extra charges		169	–	160	–
User charges and fees		1,955	–	1,676	–
Accrued revenues					
– Interest on investments		356	–	397	–
– Other income accruals		–	–	9	–
Government grants and subsidies		67	–	3,771	–
Net GST receivable		411	–	561	–
On site sewer m'tment		14	–	11	–
Flood damage (RMS)		41	–	108	–
General		214	–	175	–
Cycleway (RMS)		–	–	19	–
Other debtors – street lighting		–	–	19	–
Other debtors - waste		119	–	122	–
Other debtors		–	–	68	–
Total		4,316	–	8,003	–
Less: provision for impairment					
Rates and annual charges		(26)	–	(25)	–
Total provision for impairment – receivables		(26)	–	(25)	–
<u>TOTAL NET RECEIVABLES</u>		<u>4,290</u>	<u>–</u>	<u>7,978</u>	<u>–</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		1,429	–	1,210	–
Sewerage services					
– Rates and availability charges		481	–	406	–
– Other		401	–	429	–
Domestic waste management		314	–	316	–
Total external restrictions		2,625	–	2,361	–
Internally restricted receivables		–	–	–	–
Unrestricted receivables		1,665	–	5,617	–
TOTAL NET RECEIVABLES		4,290	–	7,978	–

Notes on debtors above:

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

Nambucca Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		1,927	21	363	21
Stores and materials		899	–	1,102	–
Total inventories at cost		2,826	21	1,465	21
(ii) Inventories at net realisable value (NRV)					
Nil		–	–	–	–
Total inventories at net realisable value (NRV)		–	–	–	–
TOTAL INVENTORIES		2,826	21	1,465	21
(b) Other assets					
Prepayments		78	–	34	–
TOTAL OTHER ASSETS		78	–	34	–
Externally restricted assets					
Water					
Stores and materials		37	–	40	–
Total water		37	–	40	–
Sewerage					
Nil		–	–	–	–
Total sewerage		–	–	–	–
Domestic waste management					
Nil		–	–	–	–
Total domestic waste management		–	–	–	–
Other					
Nil		–	–	–	–
Total other		–	–	–	–
Total externally restricted assets		37	–	40	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		2,867	21	1,459	21
TOTAL INVENTORIES AND OTHER ASSETS		2,904	21	1,499	21

Nambucca Shire Council

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

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	76	21	76	21
Industrial/commercial	1,851	–	287	–
Total real estate for resale	1,927	21	363	21
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	1,703	21	134	21
Development costs	224	–	229	–
Total costs	1,927	21	363	21
Less: provision for under recovery	–	–	–	–
Total real estate for resale	1,927	21	363	21
Movements:				
Real estate assets at beginning of the year	363	21	135	21
– Purchases and other costs	1,564	–	228	–
Total real estate for resale	1,927	21	363	21

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2016	2015
Real estate for resale	–	–
	–	–

(c) Inventories recognised as an expense for the year included:

– Real estate for resale	–
– Stores and materials	–
– Trading stock	–

(d) 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.

Nambucca Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period								as at 30/6/2016				
	At cost	At fair value	Accumulated depreciation	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Adjustments and transfers	Revaluation decrements to P&L	Prior year Retained Earnings Cr/(Dr)	Revaluation Reserve Cr/(Dr)	At cost	At fair value	Accumulated depreciation	Carrying value
Capital work in progress	3,739	—	—	3,739	1,794	2,998	—	—	—	(6,899)	—	—	—	1,632	—	—	1,632
Plant and equipment	—	11,693	7,951	3,742	797	462	(117)	(747)	—	—	—	—	—	—	12,245	8,108	4,137
Office equipment	—	1,768	1,222	546	44	3	(2)	(138)	—	—	—	—	—	—	1,776	1,323	453
Furniture and fittings	—	440	391	49	10	—	—	(12)	—	—	—	—	—	—	432	385	47
Land:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Operational land	—	6,700	—	6,700	—	135	(198)	—	—	(93)	—	—	—	—	6,544	—	6,544
— Community land	—	16,077	—	16,077	—	—	(1,688)	—	—	93	—	2,787	365	—	17,634	—	17,634
— Land under roads (post 30/6/08)	—	2,784	—	2,784	—	—	—	—	—	—	—	—	—	—	2,784	—	2,784
Land improvements – depreciable	—	1,014	317	697	—	2	(154)	(15)	—	(326)	(55)	67	—	—	238	22	216
Infrastructure:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Buildings – non-specialised	—	21,995	11,552	10,443	9	5	(144)	(455)	—	464	—	—	—	—	22,123	11,801	10,322
— Buildings – specialised	—	15,696	6,888	8,808	62	—	(21)	(344)	—	157	—	—	—	—	15,849	7,187	8,662
— Other structures	—	5,536	980	4,556	67	99	(115)	(105)	—	89	—	(887)	1,807	—	11,869	6,358	5,511
— Roads	—	132,074	48,851	83,217	3,313	313	(465)	(2,500)	(226)	—	—	—	—	—	133,397	49,513	83,652
— Bridges	—	40,170	13,118	26,924	526	—	—	(627)	—	248	—	—	—	—	40,423	13,224	27,071
— Footpaths	—	8,254	2,119	6,135	—	112	—	(97)	—	190	—	—	—	—	8,556	2,216	6,340
— Bulk earthworks (non-depreciable)	—	43,677	—	43,677	424	61	—	—	—	—	—	—	—	—	44,162	—	44,162
— Stormwater drainage	—	42,011	11,986	30,021	57	24	—	(433)	—	—	—	—	1,291	—	42,092	12,419	29,669
— Water supply network	—	119,824	32,237	87,587	132	258	—	(1,555)	—	—	—	—	1,291	—	122,012	34,299	87,713
— Sewerage network	—	106,965	34,129	72,836	456	61	(46)	(1,514)	—	—	—	—	1,070	—	109,024	36,161	72,863
— Swimming pools	—	4,784	3,449	1,335	21	16	—	(53)	—	—	(85)	1,072	(1,186)	—	2,257	1,137	1,120
— Other open space/recreational assets	—	3,340	1,442	1,898	24	100	(13)	(111)	—	402	—	673	560	—	5,425	1,892	3,533
— Other infrastructure	—	7,398	612	6,786	—	510	(71)	(106)	—	5,675	—	1,194	1,558	—	17,735	2,189	15,546
Other assets:	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Heritage collections	—	120	34	86	—	—	—	(1)	—	—	—	—	—	—	120	35	85
— Library books	—	265	49	216	—	100	—	(57)	—	—	—	—	—	—	364	105	259
— Other	—	13	10	3	—	—	(1)	(1)	—	—	—	5	—	—	7	1	6
Reinstatement, rehabilitation and restoration assets (refer Note 26):	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
— Tip assets	—	434	310	124	—	—	—	(42)	—	—	—	—	—	—	434	352	82
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	3,739	593,032	177,647	418,986	7,736	5,259	(3,035)	(8,913)	(226)	—	(140)	4,911	5,465	1,632	617,502	188,727	430,043

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

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

Nambucca Shire Council

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

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

\$ '000

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Plant and equipment	–	815	210	605	–	747	160	587
Office equipment	–	10	10	–	–	10	10	–
Furniture and fittings	–	2	2	–	–	2	2	–
Land								
– Operational land	–	1,506	–	1,506	–	1,510	–	1,510
– Community land	–	27	–	27	–	20	–	20
Buildings	–	1,028	170	858	–	1,028	148	880
Other structures	–	98	7	91	–	108	2	106
Infrastructure	–	122,012	34,301	87,711	–	119,824	32,238	87,586
Other assets	–	2,577	52	2,525	–	2,577	27	2,550
Total water supply	–	128,075	34,752	93,323	–	125,826	32,587	93,239
Sewerage services								
WIP	105			105	36	–	–	36
Plant and equipment	–	617	366	251	–	572	327	245
Office equipment	–	7	7	–	–	7	7	–
Furniture and fittings	–	7	7	–	–	7	7	–
Land								
– Operational land	–	1,285	–	1,285	–	1,525	–	1,525
– Community land	–	669	–	669	–	45	–	45
Buildings	–	1,165	291	874	–	1,165	269	896
Other structures	–	24	1	23	–	23	–	23
Infrastructure	–	109,024	36,162	72,862	–	106,965	34,130	72,835
Total sewerage services	105	112,798	36,834	76,069	36	110,309	34,740	75,605
Domestic waste management								
Plant and equipment	–	615	609	6	–	615	609	6
Land								
– Operational land	–	625	–	625	–	625	–	625
– Improvements - depreciable	–	–	–	–	–	30	9	21
Buildings	–	201	92	109	–	201	88	113
Other structures	–	5,549	4,098	1,451	–	3,197	269	2,928
Total DWM	–	6,990	4,799	2,191	–	4,668	975	3,693
TOTAL RESTRICTED I,PP&E	105	247,863	76,385	171,583	36	240,803	68,302	172,537

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(i) Impairment losses recognised in the Income Statement:			
– Flood Damage - June 2016 Various Roads		(226)	–
Total impairment losses		(226)	–
(ii) Reversal of impairment losses previously recognised in the Income Statement:			
Total impairment reversals		–	–
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(226)	–
(iii) Impairment losses recognised direct to equity (ARR):			
– Bradley's Bridge - Bridge damage following severe storms		–	(128)
Total impairment losses		–	(128)
(iv) Reversals of impairment losses previously recognised direct to equity (ARR):			
– Taylors Arm Road-Rural sealed road-Landslip following severe storms		–	10
– Lower Parkes Street-Urban sealed road-Landslip following severe storms		–	9
Total impairment reversals		–	19
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	–	(109)

Nambucca Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,652	–	3,601	–
Payments received in advance		310	–	235	–
Accrued expenses:					
– Borrowings		276	–	272	–
– Salaries and wages		148	–	–	–
– Other expenditure accruals		20	–	18	–
Security bonds, deposits and retentions		197	364	299	390
Other		10	–	24	–
Total payables		2,613	364	4,449	390
Borrowings					
Loans – secured ¹		2,954	43,246	2,864	44,393
Total borrowings		2,954	43,246	2,864	44,393
Provisions					
Employee benefits:					
Annual leave		726	–	655	–
Sick leave		938	–	985	–
Long service leave		2,032	57	2,005	39
Other leave		156	–	174	–
Sub-total – aggregate employee benefits		3,852	57	3,819	39
Asset remediation/restoration (future works)	26	–	512	–	501
Total provisions		3,852	569	3,819	540
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		9,419	44,179	11,132	45,323

(i) Liabilities relating to restricted assets

	2016		2015	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	470	23,297	454	23,650
Sewer	1,620	6,215	1,672	7,476
Liabilities relating to externally restricted assets	2,090	29,512	2,126	31,126
Internally restricted assets				
Nil				
Liabilities relating to internally restricted assets	–	–	–	–
Total liabilities relating to restricted assets	2,090	29,512	2,126	31,126
Total liabilities relating to unrestricted assets	7,329	14,667	9,006	14,197
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	9,419	44,179	11,132	45,323

¹ Loans are secured over the general rating income of Council

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

Nambucca Shire Council

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

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

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

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

Provisions – employees benefits	2,568	2,357
	2,568	2,357

Note 10b. Description of and movements in provisions

Class of provision	2015	2016			Unused amounts reversed	Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Annual leave	655	583	(512)			726
Sick leave	985	274	(321)			938
Long service leave	2,044	375	(330)			2,089
Other leave (enter details)	174	(18)				156
Asset remediation	501	22	(11)			512
TOTAL	4,359	1,236	(1,174)	–	–	4,421

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.
- Other provisions represent the AAS30 adjustment of ELE.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	6,804	8,660
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		6,804	8,660
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		633	6,801
Adjust for non-cash items:			
Depreciation and amortisation		8,818	9,832
Net losses/(gains) on disposal of assets		2,701	1,642
Non-cash capital grants and contributions		(267)	(2,301)
Impairment losses recognition – I,PP&E		226	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(59)	(322)
– Write offs relating to the fair valuation of I,PP&E		140	3,137
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		308	362
Unwinding of discount rates on reinstatement provisions		11	23
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		3,687	(1,137)
Increase/(decrease) in provision for doubtful debts		1	2
Decrease/(increase) in inventories		203	–
Decrease/(increase) in other assets		(44)	83
Increase/(decrease) in payables		(1,949)	2,328
Increase/(decrease) in accrued interest payable		4	–
Increase/(decrease) in other accrued expenses payable		150	5
Increase/(decrease) in other liabilities		(67)	107
Increase/(decrease) in employee leave entitlements		51	144
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		14,547	20,706

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Subdivisions		267	2,301
Total non-cash investing and financing activities		267	2,301
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		47	50
Total financing arrangements		47	50
Amounts utilised as at balance date:			
– Credit cards/Corporate cards		7	7
Total financing arrangements utilised		7	7

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

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

(ii) Secured loan liabilities

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

(e) Bank guarantees

(f) Net cash flows attributable to discontinued operations

Please refer to Note 24 for details of cash flows that relate to discontinued operations

Nambucca Shire Council

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

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Structures		2,005	2,510
Roads		3,227	–
Bridges		1,106	–
Investment property			
Total commitments		6,338	2,510
These expenditures are payable as follows:			
Within the next year		6,338	2,510
Total payable		6,338	2,510
Sources for funding of capital commitments:			
Future grants and contributions		1,858	–
Sect 64 and 94 funds/reserves		251	–
Externally restricted reserves		–	154
Internally restricted reserves		2,479	–
Unexpended loans		–	456
New loans (to be raised)		1,500	–
Landslip – Transport NSW		250	1,900
Total sources of funding		6,338	2,510

Details of capital commitments

- * Landslip Remediation
- * South Nambucca Pressure System
- * Upgrade Of Recycled Water System

- * Switchboard & Telemetry Systems
- * Road Construction
- * Bridge Construction

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Nambucca Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 2015 2014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	1,184	3.25%	3.36%	-14.23%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	36,454			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	27,014	69.83%	54.18%	60.87%
Total continuing operating revenue ⁽¹⁾	38,685			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	11,319	2.38x	1.97x	2.70x
Current liabilities less specific purpose liabilities ^(3, 4)	4,761			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	13,085	2.29x	2.47x	1.59x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,722			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	1,113	5.68%	5.68%	4.42%
Rates, annual and extra charges collectible	19,594			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	24,381	8.76 mths	11.6 mths	10.9 mths
Payments from cash flow of operating and financing activities	2,782			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Nambucca Shire Council

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

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	5.28%	4.18%	2.63%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 9.96%	~3.00%	3.12%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	93.05%	93.49%	60.47%
Total continuing operating revenue ⁽¹⁾	prior period: 80.01%	86.82%	44.45%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	-10.12x	-0.93x	1.97x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: -9.54x	-1.13x	1.72x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	1.57x	0.98x	4.73x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 1.57x	0.93x	5.70x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	6.14%	5.97%	5.58%
Rates, annual and extra charges collectible	prior period: 5.82%	5.95%	5.60%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	27.41	13.79	4.82
Payments from cash flow of operating and financing activities	mths	mths	mths
	prior period: 25.52 mths	12.91 mths	3.50 mths

Notes

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

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

Nambucca Shire Council

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

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
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Council has not classified any land or buildings as 'investment properties'.

Nambucca Shire Council

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

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	6,804	8,660	6,804	8,660
Investments				
– 'Designated at fair value on initial recognition'	5,853	5,805	5,853	5,805
– 'Held to maturity'	20,577	19,457	20,577	19,457
Receivables	4,290	7,978	4,290	7,978
Total financial assets	37,524	41,900	37,524	41,900
Financial liabilities				
Payables	2,667	4,604	2,667	4,604
Loans/advances	46,200	47,257	46,200	47,257
Total financial liabilities	48,867	51,861	48,867	51,861

Fair value is determined as follows:

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

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

Nambucca Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 10% movement in market values	585	585	(585)	(585)
Possible impact of a 1% movement in interest rates	318	318	(318)	(318)
2015				
Possible impact of a 10% movement in market values	580	580	(580)	(580)
Possible impact of a 1% movement in interest rates	318	318	(318)	(318)

Nambucca Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	93%	96%	93%	44%
Overdue	7%	4%	7%	56%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
Current	Current	905	3,227	847	3,209
< 1 year overdue	0 – 30 days overdue	65	95	60	3,615
1 – 2 years overdue	30 – 60 days overdue	–	3	–	74
2 – 5 years overdue	60 – 90 days overdue	–	9	–	3
> 5 years overdue	> 90 days overdue	–	12	–	195
		970	3,346	907	7,096

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	25	23
+ new provisions recognised during the year	1	2
Balance at the end of the year	26	25

Nambucca Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	561	1,652	454	–	–	–	–	2,667	2,667
Loans and advances	–	2,954	3,046	2,967	2,836	1,659	32,738	46,200	46,200
Total financial liabilities	561	4,606	3,500	2,967	2,836	1,659	32,738	48,867	48,867
2015									
Trade/other payables	689	3,601	314	–	–	–	–	4,604	4,604
Loans and advances	–	2,865	2,902	2,992	2,911	2,778	32,809	47,257	47,257
Total financial liabilities	689	6,466	3,216	2,992	2,911	2,778	32,809	51,861	51,861

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–	7.22%	–	8.00%
Trade/other payables	2,667	0.00%	4,604	0.00%
Loans and advances – fixed interest rate	46,200	3.12%	47,257	3.70%
	48,867		51,861	

Nambucca Shire Council

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

Note 16 - Material Budget Variations

Council's Original Financial Budget for 15/16 was incorporated as part of its Operational Plan and was adopted by Council on 11 June, 2015.

The Income Statement and Note 2 (a) provides budget information of revenues and expenditures of each of the major activities of the council. Budget figures presented are those adopted by council for the 2015/16 financial year including transactions between activity areas and entities eliminated from the actual figure, and do not include council approved variations throughout the year.

Council continued its cautious approach to forecast Interest & Investment Revenue following the Global Financial Crisis. The original budget was based on a rate of return of 3.27%. In a falling interest rate environment, the diversity of Council's investment portfolio was able to return an average of 3.95% achieving \$288,000 above expected revenue for the year.

The variation in other revenues primarily came from a Workers Compensation Rebate of \$59,000 and additional to budget, Parking Infringement revenue of \$61,000 and POEO notices and orders revenue of \$7,000.

A variation also exists in operating and capital grants & contributions. With regard to grants the actual amount of grants received depends on decisions made by State and Federal Governments after Council's Original Budgets is adopted.

The expected original budget for Roads to Recovery was \$1,075,000 and although shown as a capital item in Council's budget relating to the rehabilitation of roads, is required to be shown as operating in the financial statements in accordance with the Code of Accounting Practice. The actual grant received for Roads to Recovery was \$1,535,000 which further impacted on the variance from the original budget.

Council received a further grant for Better Waste & Recycling of \$84,000 during the year and additional to budget of \$239,000 from the RMS for landslip remediation at Riverside Drive.

There were no net gains from the disposal of assets. Forecast Real Estate sales that were expected to occur again did not eventuate during the year. Therefore the \$430,000 gain expected for 2015/16 from these expected was not realised. This figure was offset slightly by additional \$120,000 profit on sale of plant to that budgeted for the year and the profit of \$32,000 on sale of a portion of EJ Biffin Fields. The loss on the disposal of assets shown in expenses was the net of the above and a loss on write off of assets, in particular \$1,620,000, \$144,000 and \$90,000 through the transfer of ownership of the Scotts Head Reserve, Eungai Community Centre and Reserve in Boundary Street Macksville respectively. In addition, \$773,000 was the written down value of infrastructure assets replaced during the year and not able to be offset via the revaluation reserve.

Variations in employee costs will often arise as employees are engaged in both maintenance and capital works, the proportions of which vary from year to year and some employee costs that were forecasted in relation to capital works were required for maintenance. It is not Council's practice to make detailed calculations between maintenance and capital employee costs as part of its budgeting process. Also, the timing of employees leaving Council's employ and the filling of their positions with a number being long term staff has resulted in a reduction in salary and superannuation costs for 2015/16.

In materials and contracts, the process of calling and accepting tenders during the year can result in substantial changes to the mix of self-constructed and contracted works. Work relating to the flood damage events also contributed to the variance in materials & contracts.

The primary reasons for the \$1,304,000 variation in Other Expenses was asset revaluation decrements for Infrastructure assets of \$660,000, various levies & licenses totaling \$520,000 incorrectly shown in original budget under Materials & Contracts and \$41,000 in additional Postage & Stationary.

Nambucca Shire Council

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

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	800	105	-	21	(358)	-	568	-
Surf club equipment	11	5	-	-	(3)	-	13	-
Section 94 planner	(87)	6	-	-	-	-	(81)	-
S94 contributions – under a plan	724	116	-	21	(361)	-	500	-
S94A levies – under a plan	636	267	-	18	(370)	-	551	-
Total S94 revenue under plans	1,360	383	-	39	(731)	-	1,051	-
S64 contributions	5,323	474	-	164	(766)	-	5,195	-
Total contributions	6,683	857	-	203	(1,497)	-	6,246	-

Nambucca Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Public Recreation

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	800	105	-	21	(358)	-	568	-
Total	800	105	-	21	(358)	-	568	-

CONTRIBUTION PLAN - Surf Club Equipment

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Surf club equipment	11	5	-	-	(3)	-	13	-
Total	11	5	-	-	(3)	-	13	-

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER Section 94

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 94 planner	(87)	6	-	-	-	-	(81)	-
Total	(87)	6	-	-	-	-	(81)	-

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - STREETSCAPE

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Streetscape	636	267	-	18	(370)	-	551	-
Total	636	267	-	18	(370)	-	551	-

Nambucca Shire Council

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

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

"The Local Government Superannuation Scheme-Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employers contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2016 was \$287,056. The last valuation of the Scheme was performed by Mr. Richard Boyfield, FIAA on 24 February 2016. However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 a deficit still exists. Effective from the 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. The annual amount of additional contributions payable until the deficit is extinguished is \$688,000 (until 30 June 2020). Council's expected contributions to the plan for the next annual reporting period is \$335,760.

The share of this deficit that is broadly attributed to Council is estimated to be in the order \$322,726 as at 30 June 2016.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Nambucca Shire Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) HIH Insurance

During the period 1988, 1990, 1991-1993, a portion of Council's public liability cover was insured or re-insured with a member of the HIH Insurance Group of companies.

Council may have to defend public liability claims made during these periods and satisfy any judgements.

(ii) 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.

(iii) S94 and S94A 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.

(iv) Coffs Coast Waste Levy

Nambucca Shire, Bellingen Shire and Coffs Harbour City Council are party to a current agreement for the collection and disposal of waste. The NSW Government introduced a Waste Levy during the term of this agreement; to date Coffs Harbour City Council has paid the Levy. Who is responsible for the payment of the levy and the quantum of any liability is under negotiation. Based on these negotiations Nambucca Shire Council recognises a contingent liability of \$359,500 as at 30 June 2016.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Nambucca Shire Council

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

Note 19. Interests in other entities

\$ '000

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

Nambucca Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		292,150	240,399
a. Correction of prior period errors	20 (c)	4,915	44,125
b. Changes in accounting policies (prior period effects)	20 (d)	—	—
c. Other comprehensive income (excl. direct to reserves transactions)		—	—
d. Net operating result for the year		633	6,801
e. Distributions to/(contributions from) non-controlling Interests		—	—
f. Transfers between equity		2,098	825
g. Other changes (disclosure required)		—	—
Balance at end of the reporting period		299,796	292,150

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

– Infrastructure, property, plant and equipment revaluation reserve	117,376	114,009
Total	117,376	114,009

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		114,009	87,214
– Revaluations for the year	9(a)	5,465	27,748
– (Impairment of revalued assets)/impairment reversals	9(a), (c)	—	(128)
– Transfer to retained earnings for asset disposals		(2,098)	(825)
– Correction of prior period errors	20(c)	—	—
– Balance at end of year		117,376	114,009

TOTAL VALUE OF RESERVES	117,376	114,009
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(iii) Nature and purpose of reserves

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
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(c) Correction of error/s relating to a previous reporting period

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

- Not previously recognised:		
Bulk Earthworks	–	7,783
Roads, Kerb & Guttering, Carpark	–	215
Community Land	2,788	
Other Structures	1,350	
Open Space/Recreational Assets	381	
Other Infrastructure	1,637	

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

- Other Structures Asset Class
- Other Open Space/Recreation Asset Class
- Other Infrastructure Asset Class
- Land Improvement Asset Class
- Other Asset Class
- Swimming Pools Asset Class

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

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

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/14 (the closing date for the comparative figures in this report).

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/14 to reflect the correct value of accumulated depreciation;

Roads,K & G Asset Class (increase)/decrease to accumulated depreciation	–	27,857
Stormwater Asset Class (increase)/decrease to accumulated depreciation	–	10,055
Bridges Asset Class (increase)/decrease to accumulated depreciation	–	(3,085)
Footpaths Asset Class (increase)/decrease to accumulated depreciation	–	1,300
Other Structures Class (increase)/decrease to accumulated depreciation	(2,237)	
Other Open Space/Recreation Asset Class (increase)/decrease to accumulated depreciation	292	
Other Infrastructure Asset Class (increase)/decrease to accumulated depreciation	(443)	
Land Improvement Asset Class (increase)/decrease to accumulated depreciation	68	
Other Asset Class (increase)/decrease to accumulated depreciation	5	
Swimming Pools Asset Class (increase)/decrease to accumulated depreciation	1,074	

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.

These amounted to the following equity adjustments:

– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)	–	44,125
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)	4,915	–
Total prior period adjustments – prior period errors	4,915	44,125

(d) Voluntary changes in accounting policies

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

Nambucca Shire Council

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

Note 21. Financial result and financial position by fund

\$ '000

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
	Other	Water	Sewer	General ¹
Continuing operations				
Income from continuing operations				
Rates and annual charges	—	872	3,600	13,901
User charges and fees	—	3,921	796	1,983
Interest and investment revenue	—	430	238	685
Other revenues	—	257	189	201
Grants and contributions provided for operating purposes	—	83	74	9,283
Grants and contributions provided for capital purposes	—	326	262	1,643
Other income				
Net gains from disposal of assets	—	—	—	—
Total income from continuing operations	—	5,889	5,159	27,696
Expenses from continuing operations				
Employee benefits and on-costs	—	1,218	1,351	6,594
Borrowing costs	—	1,530	236	1,091
Materials and contracts	—	863	1,460	8,635
Depreciation and amortisation	—	1,675	1,582	5,561
Impairment	—	—	—	226
Other expenses	—	—	—	3,388
Net losses from the disposal of assets	—	18	46	2,637
Total expenses from continuing operations	—	5,304	4,675	28,132
Operating result from continuing operations	—	585	484	(436)
Discontinued operations				
Net profit/(loss) from discontinued operations	—	—	—	—
Net operating result for the year	—	585	484	(436)
Net operating result attributable to each council fund	—	585	484	(436)
Net operating result attributable to non-controlling interests	—	—	—	—
Net operating result for the year before grants and contributions provided for capital purposes	—	259	222	(2,079)

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

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

Nambucca Shire Council

Notes to the Financial Statements
as at 30 June 2016

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

\$ '000

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
	Other	Water	Sewer	General ¹
ASSETS				
Current assets				
Cash and cash equivalents	–	2,727	1,622	2,455
Investments	–	6,331	3,767	5,698
Receivables	–	1,429	511	2,350
Inventories	–	37	–	2,789
Other	–	–	–	78
Total current assets	–	10,524	5,900	13,370
Non-current assets				
Investments		6,187	2,022	2,425
Receivables	–	–	371	–
Inventories	–	–	–	21
Infrastructure, property, plant and equipment	–	93,323	76,069	260,651
Intangible assets	–	278	–	–
Total non-current assets	–	99,788	78,462	263,097
TOTAL ASSETS	–	110,312	84,362	276,467
LIABILITIES				
Current liabilities				
Payables	–	117	50	2,446
Borrowings	–	353	1,570	1,031
Provisions	–	–	–	3,852
Total current liabilities	–	470	1,620	7,329
Non-current liabilities				
Payables	–	–	–	735
Borrowings	–	23,297	6,215	13,734
Provisions	–	–	–	569
Total non-current liabilities	–	23,297	6,215	15,038
TOTAL LIABILITIES	–	23,767	7,835	22,367
Net assets	–	86,545	76,527	254,100
EQUITY				
Retained earnings	–	60,290	53,215	186,291
Revaluation reserves	–	26,255	23,312	67,809
Council equity interest	–	86,545	76,527	254,100
Non-controlling interests	–	–	–	–
Total equity	–	86,545	76,527	254,100

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

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

Nambucca Shire Council

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

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

\$ '000

	2016	2016	2015	2015
\$ '000	Current	Non-current	Current	Non-current

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 23. Events occurring after the reporting date

\$ '000

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

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

Accordingly, the 'authorised for issue' date is 16/09/16.

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

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

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

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

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

Council is aware of the following 'non-adjusting events' that merit disclosure:

1. Proposed "hand over" of maintenance responsibility for approximately 30km of the old (existing) Pacific Highway upon completion of the Pacific Highway upgrade through the Nambucca Valley

NSW Roads and Maritime Services has advised Council that they will withdraw their maintenance of the existing Pacific Highway when the new Highway alignment is completed in 2016/2017. On-going maintenance and liability will revert to Council as the roads authority pursuant to the NSW Road Act 1993. There are approximately 13 major bridges or culvert structures on the 30km section of road they intend to hand over. There are also a number of minor roads being constructed as part of the highway upgrade to provide local access which will also revert to Council to maintain. The length of road and bridges constitute about 10% of Council's existing sealed road and bridge infrastructure. The RMS advise there will be an opportunity for a fixed term funding package to be determined. It is unknown the extent to which a hand over funding package will be sufficient to offset the depreciation of this infrastructure. This is a major concern given the scale of the the proposed asset hand over and Council's difficulty in fully funding the depreciation of its assets. Whilst this matter was disclosed as a non-adjusting event in 2015, the RMS has still not determined the "hand over" package and the matter has not been brought to account in Council's budgets and financial statements.

2. Dividend to be sought from any 2015/2016 surplus in the Water Fund

In 2015/2016 the Council's General Fund appropriated a dividend of \$180,522 from the surplus of Council's water supply business. It is proposed to seek a dividend from any surplus from the Fund's 2015/2016 operations. At the date of this disclosure the surplus (if any) for 2015/16 had not been determined.

Nambucca Shire Council

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

Note 23. Events occurring after the reporting date

\$ '000

3. Extension of waste services contract

Nambucca Shire Council is party to a contract with Coffs Harbour City Council and Bellingen Shire Council for the collection of domestic waste. The contract lapsed on 31 May 2016 and for various reasons there has been a delay in tendering for a new contract. Agreement has been reached for an extension of the existing contract. A tender is being prepared for a new contract.

4. "Fit for the Future" requirements

The NSW Government has required Councils to report on various key performance indicators to ascertain their current and future financial well-being. Councils' response to these indicators are being assessed by the independent Pricing and Regulatory Tribunal who will report to the NSW Government. The Government has proposed that many rural councils, including Nambucca Shire Council, be part of a new statutory body known as a Joint Organisations. The Joint Organisation is to be established by legislation and its primary functions will be regional strategic planning, intergovernmental collaboration and regional advocacy. The Government has announced that the Joint Organisations will be operating by September 2016. The Joint Organisations will require funding to operate but at this stage their boundaries and functions have not been finally determined and as such it is impossible to determine the funding commitment which will need to be made by Council.

Nambucca Shire Council

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

Note 24. Discontinued operations

\$ '000

	Actual	Actual
\$ '000	2016	2015

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

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	208	–
Accumulated amortisation (1/7)	–	–
Accumulated impairment (1/7)	–	–
Net book value – opening balance	208	–
Movements for the year		
– Purchases	70	208
Closing values:		
Gross book value (30/6)	278	208
Accumulated amortisation (30/6)	–	–
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1</u>	<u>278</u>	<u>208</u>

¹ The net book value of intangible assets represent:

– Land Easements – Water Storage Dam	278	208
	278	208

Nambucca Shire Council

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Old Coast Road - Nambucca Heads		512	501
Balance at end of the reporting period	10(a)	<u>512</u>	<u>501</u>

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	501	478
Amortisation of discount (expensed to borrowing costs)	11	23
Total – Reinstatement, Rehabilitation and Restoration Provision	<u>512</u>	<u>501</u>

Amount of expected reimbursements

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

Provisions for close down and restoration and for environmental clean up costs – Tips**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.

Nambucca Shire Council

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

Note 27. Fair value measurement (continued)

The Council measures the following assets and liabilities at fair value on a recurring basis.

- Infrastructure, property, plant and equipment
- Financial assets

Fair value hierarchy

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	Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by the Council.

2015	Note	Level 3 Significant unobservable inputs \$'000
Recurring fair value measurements		
Infrastructure, Property, Plant and Equipment		
Plant & Equipment, Office Equipment & Furniture & Fittings	9	4,637
Operational Land	9	6,544
Community Land	9	17,634
Land under Roads	9	2,784
Land Improvements-Depreciable	9	216
Buildings-Non Specialised & Specialised	9	18,984
Other Structures	9	5,511
Roads	9	83,652
Bridges	9	27,071
Footpaths	9	6,340
Bulk Earthworks-non depreciable	9	44,162
Stormwater Drainage	9	29,669
Water Supply Network	9	87,713
Sewer Supply Network	9	72,863
Swimming Pools	9	1,120
Other Open Space/Recreational Assets	9	3,533
Other Infrastructure	9	15,546
Heritage Collections	9	85
Other	9	265
Tip Remediation	9	82
Total		428,411

Nambucca Shire Council

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

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

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

Infrastructure, property, plant and equipment

Plant & Equipment, Office and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at depreciated cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows:

- Plant and Equipment Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment Computers, photocopiers.
- Furniture & Fittings Chairs, desks and display boards.

There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. Operational land was valued by Asset Val (registered valuer) in 2013.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal. There has been no change to the valuation process during the reporting period.

Community Land

Community Land is based on either the Land Value provided by the Valuer-General's unimproved capital value or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. As these rates were not considered to be observable market evidence they have been classified a Level 3. There has been no change to the valuation process during the reporting period. Community Land was valued in 2016.

Buildings – Non specialised and specialised

Non-Specialised & Specialised Buildings were valued externally by Aust Val in 2013. The buildings were inspected and construction method, materials used and condition were noted and considered when providing a value on a depreciated cost basis, useful life and residual value.

Nambucca Shire Council

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

Note 27. Fair value measurement (continued)

No market based evidence (Level 2) could be established; as such these assets were classified as having been valued as Level 3 valuation inputs. Specialised buildings are typically of a unique value to Council and are therefore intrinsically valued at the highest and best purpose.

There has been no change to the valuation process during the reporting period.

Roads (including Bulk Earth Works), Bridges, Drainage and Footpaths

Valuations for this asset class were undertaken in-house by Council's Engineering Department as at 30 June 2015.

The assets included in this valuation include road carriageway which has been separated to its component parts being pavement and where appropriate seal, car parks, footpaths, guardrails, kerb and gutter, retaining walls, culverts, bridges and drainage structures.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. The cost approach was utilised with inputs such as estimated pattern of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally and due to limitations in the historical records of very long lived assets there is some uncertainty regarding the actual design, specifications and dimensions of some assets. Bulk earthworks are considered to have an indefinite useful life and not depreciated. There has been no change to the valuation process during the reporting period.

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 1st July 2008 in accordance with AASB 1051. The class was valued in 2014 using an average unit rate based on the land value provided by the Valuer-General for similar properties. As these rates were not considered to be observable market evidence they have been classified a Level 3 inputs.

Water Supply Network

Assets in this class comprise reservoirs, pumping stations, water treatment works, water bores, rising mains and the reticulation network.

These were valued externally by Collaborative Planning and Engineering Associates in 2012 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, condition, maintenance and break history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water except the years the class is the subject of a full revaluation.

There has been no change to the valuation process during the reporting period.

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Sewer Supply Network

Assets within this class comprise treatment works, pumping stations and sewerage mains. These were valued externally by Collaborative Planning and Engineering Associates in 2012 using the written down replacement cost for each asset by component.

No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class. Valuation took consideration of construction type and materials, age, and maintenance and blockage history. Valuation relies to a varying degree on professional judgement. This is because a substantial part of the network is underground. The available information is also limited by historical records of very long lived assets and there is some uncertainty regarding the actual design, specifications and dimensions of some assets.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Office of Water except the years when the class is the subject of a full revaluation.

There has been no change to the valuation process during the reporting period.

Open Space/Recreational Assets/Other Structures/Other Infrastructure

Assets within this class comprise soft fall surfaces, lighting, playground and sporting equipment plus auxiliary structures. All assets in this class were valued in-house by experienced engineering staff in 2016.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value.

Assets in these classes are subject to regular inspection and maintenance and as such the age of asset typically reflects the condition of the asset and written down replacement cost based on age is not materially different to fair value.

There has been no change to the valuation process during the reporting period.

Swimming Pool

Assets in this class comprise the Council's Aquatic Centre located at Macksville. The swimming pool was valued in-house by experienced staff using the depreciated replacement cost approach in 2016. The approach estimated the replacement cost for each component. Other unobserved inputs (level 3 inputs) that were considered include pattern of consumption, residual value, asset condition and expected useful life. These inputs relied substantially on professional opinion.

These assets require regular extensive maintenance and the swimming pools are resurfaced periodically. These are highly visible assets and it is considered important to keep them in good repair. They have particular risks that can be partially mitigated through good maintenance. The maintenance program increases the probability of the asset achieving its designed life, but does not extend it. For this reason written down replacement cost based on age is not materially different to fair value.

There has been no change to the valuation process during the reporting period.

Heritage Collections

Assets in this class were valued in-house, based on historic values and limited indirect observable inputs. Council holds these assets for their cultural value within the community. These assets do have a market among collectors and market evidence (Level 2 input) is available, however this information is often limited to

Nambucca Shire Council

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

Note 27. Fair value measurement (continued)

similar items and often relate to assets that are not directly comparable. This asset class has therefore been categorised as level 3 unobserved input.

Landfill Remediation

This asset class represents the value of works to remediate the Nambucca Landfill under the terms of the facility's licence. The future service potential of the asset is to enable Nambucca Shire to comply with the life-cycle responsibilities of the land fill operation. There is no market for the asset and it is therefore classed as having a level 3 fair value with unobserved inputs, principally cost, legislative requirements, estimated timing of expense, CPI and discount rules. The best and highest use for the asset is unique to Nambucca Shire Council as the Licence holder.

Reconciliation of Movements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	Note	2016 \$'000	2015 \$'000
Balance at 1 July 2015		419,194	292,686
Total gains or losses for the year			
Recognised in profit or loss – realised	5		
Recognised in profit or loss - unrealised	3 & 4		42,093
Recognised in other comprehensive income- Revaluation Surplus		8,674	68,736
Other movements			
Purchases	9a	12,995	26,541
Purchases – Work in Progress Transfer	9a	1,632	3,739
Sales	9a	(3,035)	(4,691)
Depreciation	9a	(8,913)	(9,910)
Impairment	9a	(226)	
Balance as at 30 June 2016		430,321	419,194

Unobservable Inputs and sensitivities

Asset/Liability Category	Carrying amount (at Fair Value) \$'000	Key unobservable inputs	Expected range of inputs	Description of how changes in inputs will affect the fair value
P & E, Office Equipment & F & F	4,637	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Remaining useful life	From 1 year to 20 years	
		Residual value	From 0% to 40%	
Operational Land	6,544	Price per square metre, Local property prices,	From \$0.28 to \$355 per square metre	Significant changes in the price per square metre would result in significant

Nambucca Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

		alternative use		changes to fair value measurement.
Community Land	17,634	Unimproved Capital Value (price per square metre)	From \$0.10 to \$411.40 per square metre	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land under Roads	2,784	Unimproved Capital Value (price per square metre)	From \$3.60 to \$217.59 per square metre	Significant changes in the price per square metre based on the unimproved capital value would result in significant changes to fair value measurement.
Land Improvements - depreciable	216	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 25 years to 100 years	
		Residual value	From 0% to 100%	
Buildings	18,984	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 20 to 60 years	
		Residual value	From 5% to 21%	
Other Structures	5,511	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 3 years to 80 years	
		Residual value	From 0% to 15%	
Roads	83,652	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 2 years to 34 years	
		Residual value	0%	

Nambucca Shire Council

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

Note 27. Fair value measurement (continued)

Bridges	27,071	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 2 to 80 years	
		Residual value	0%	
Footpaths	6,340	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 40 to 10 years	
		Residual value	0%	
Bulk Earthworks – non depreciable	44,162	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life/ residual value	Held in perpetuity	
		Residual value		
Stormwater Drainage	29,669	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 15 years to 30 years	
		Residual value	0%	
Water Supply Network	87,713	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Mean component remaining useful lives	From 3 years to 53 years	
		Residual value	From 0% to 17%	

Nambucca Shire Council

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

Note 27. Fair value measurement (continued)

Sewer Supply Network	72,863	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		mean component remaining useful lives	From 11 years to 50 years	
		Residual value	0 to 47%	
Swimming Pools	1,120	Gross Replacement Cost	\$4,038,370	Significant changes in the gross replacement value, asset condition, catastrophic failure effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	14	
		Residual value	Nil	
Other Open Space/Recreational Assets	3,533	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	Year to 46 years	
		Residual value	0% to 66%	
Other Infrastructure	15,546	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 8 years to 100 years	
		Residual value	From 5% to 10%	
Heritage Collections	85	Gross Replacement Cost	Total Current replacement value \$520,000	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life - Residual value	Held in perpetuity	
Other	265	Gross Replacement Cost	Varies significantly from asset to asset	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
		Asset Condition	Very poor to excellent	
		Remaining useful life	From 8 years to 100 years	
		Residual value	From 5% to 10%	

Nambucca Shire Council

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

Note 27. Fair value measurement (continued)

Tip Remediation	82	Discount Rate, Regulation change, unit cost assumptions, CPI	6%	Significant changes in the discount rate or cost escalation rate would result in significant changes to fair value measurement. Also timing of work and regulation change.
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Transfers between levels of the hierarchy

There have been no movements between hierarchies in the 2015/2016 financial year.

(5). Highest and best use

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

Nambucca Shire Council

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

Note 28. Council information and contact details

Principal place of business:

44 Princess Street
MACKSVILLE NSW 2447

Contact details
Mailing address:

PO Box 177
MACKSVILLE NSW 2447

Opening hours:

Monday to Friday - 8.30am to 4.00pm

Telephone: 02 6568 2555

Facsimile: 02 6568 2201

Internet: www.nambucca.nsw.gov.au

Email: council@nambucca.nsw.gov.au

Officers
GENERAL MANAGER

Michael Coulter

RESPONSIBLE ACCOUNTING OFFICER

Craig Doolan

PUBLIC OFFICER

Michael Coulter

AUDITORS

Forsyths Business Services Pty Ltd
PO Box 114
ARMIDALE NSW 2350

Elected members
MAYOR

Rhonda Hoban

COUNCILLORS

John Ainsworth
Martin Ballangarry, OAM
Brian Finlayson
Paula Flack
Kim MacDonald
Bob Morrison
Anne Smyth
Elaine South

Other information

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Armidale

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Forsyths Business Services Pty Ltd
ABN 66 182 781 401

INDEPENDENT AUDIT REPORT

Report on the general purpose financial statements

To Nambucca Shire Council

SCOPE

The financial statements comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413(2)(C) of the *Local Government Act 1993* for Nambucca Shire Council (the Council), for the year ended 30th June 2016.

Councils' responsibility for the financial statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1993* and regulations and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that is free of 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 to the Council based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements is free from material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 and accordingly, we express no opinion on them.

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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

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

INDEPENDENCE

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

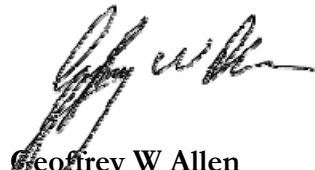
AUDIT OPINION

In our opinion:

- (a) the accounting records of the Council have been kept in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
- (b) the general purpose financial statements:
 - (i) have been prepared in accordance with the requirements of Division 2 of Part 3 of the *Local Government Act 1993*;
 - (ii) are consistent with the Council's accounting records; and
 - (iii) presents fairly, in all material respects, the Council's financial position as at 30th June 2016 and the results of its operations for the year then ended;
- (c) we have been able to obtain all information relevant to the conduct of our audit; and
- (d) no material deficiencies in the records or the financial statements were detected in the course of the audit.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

31 October 2016
92 Rusden Street Armidale

31 October 2016

The Mayor
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Forsyth's Business Services Pty Ltd
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Dear Sir

AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2016

We are pleased to report that we have completed the audit of Council's records for the year ended 30th June 2016 and have reported on the general purpose financial statements and special purpose financial statements and underlying accounting records as required by the provisions of Section 417(2) of the *Local Government Act 1993*.

Under Section 417(3) of the *Local Government Act 1993* we are also required to report on the conduct of the audit.

Councils Responsibilities

The Council is responsible for preparing financial statements that gives a true and fair view of the financial position and performance of the Council, and that comply with Accounting Standards in Australia, 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.

Audit Objectives

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 and Statement of Cash Flows and the Original Budget disclosures in Notes 2 and 16 to the financial statements 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.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

We performed procedures to assess whether in all material respects the financial statements 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 statements, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial statements. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the Council.

We have issued our audit opinion on the basis of foregoing comments.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

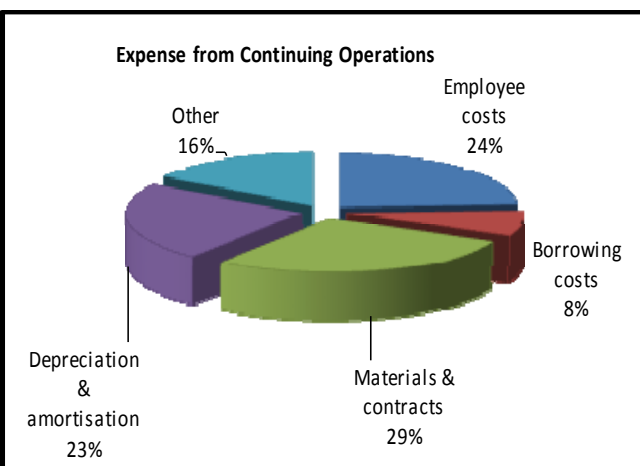
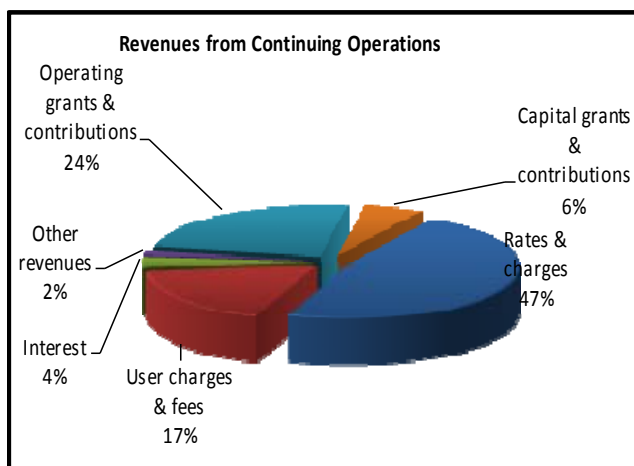
This auditor's report relates to the financial statements of Nambucca Shire Council for the year ended 30th June 2016 included on Nambucca Shire Council's web site. Council is responsible for the integrity of it's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Additional Reporting Requirements

In accordance with Section 417(3) of the *Local Government Act 1993* we make the following comments in relation to the results and financial trends.

The combined income statement for the year ended 30 June 2016 discloses the following result:

INCOME STATEMENT	Budget	Actual	Actual	Variance	
	2016	2016	2015	Actual	Budget
	\$'000	\$'000	\$'000	%	%
INCOME FROM CONTINUING OPERATIONS					
Rates & annual charges	18,549	18,373	17,485	5.1%	-0.9%
User charges & fees	6,189	6,700	6,055	10.7%	8.3%
Interest	1,195	1,353	1,589	-14.9%	13.2%
Other revenues from ordinary activities	463	647	637	1.6%	39.7%
Grants & contributions for operating purposes	7,719	9,440	11,504	-17.9%	22.3%
Grants & contributions for capital purposes	1,145	2,231	10,016	-77.7%	94.8%
Gain from sale of assets	593	0	0	0.0%	0.0%
Total income from continuing operations	35,853	38,744	47,286	-18.1%	8.1%
EXPENSES FROM CONTINUING OPERATIONS					
Employee benefits & oncosts	9,982	9,163	10,212	-10.3%	-8.2%
Borrowing costs	2,707	2,857	2,996	-4.6%	5.5%
Materials and contracts	10,819	10,958	9,527	15.0%	1.3%
Depreciation & amortisation	8,446	8,818	9,832	-10.3%	4.4%
Other expenses from ordinary activities	2,604	3,388	6,276	-46.0%	30.1%
Loss from disposal of assets	0	2,701	1,642	64.5%	0.0%
Impairment losses	0	226	0	0.0%	0.0%
Total Expenses from continuing operations	34,558	38,111	40,485	-5.9%	10.3%
NET OPERATING RESULT FOR YEAR	1,295	633	6,801	-90.7%	-51.1%
NET OPERATING RESULT BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	150	(1,598)	(3,215)	-50.3%	-1165.3%



The operating result of \$0.6m is after recognising grants and contributions for capital expenditure purposes of \$2.2m. The expenditure of these grants is not recognised as part of the operating result but is recorded in the statement of financial position and when excluded council achieved a deficit of \$1.6m.

Operating revenues decreased by 18.1% during the year mainly as a result of decreases in operational grants & contributions, capital grants & contributions and interest which were partially offset by increases in rates & annual charges, user charges & fees and other revenue.

- Grants & contributions for operational purposes decreased mainly due to the receipt of contributions in relation to landslips in the prior year offset by an additional roads to recovery funding during the year.
- Capital grants & contributions decreased mainly due to a decrease in RMS contributions and subdivider dedications.
- Interest revenue decreased due to lower cash and investment balances during the year.
- Rates & annual charges increased due to rate pegging increases during the year and a special rate variation.
- User charges & fees increased due mainly to increased water usage charges and waste management charges as a result in increased dumping due to the State highway development.
- Other revenue increased slightly due to an increase in parking fines and increased diesel rebates.

Operating expenses decreased by 5.9% during the year due to decreases in employee benefits & on costs, borrowing costs, depreciation & amortisation and other expenses which were partially offset by increases in materials & contracts and losses on disposal of assets.

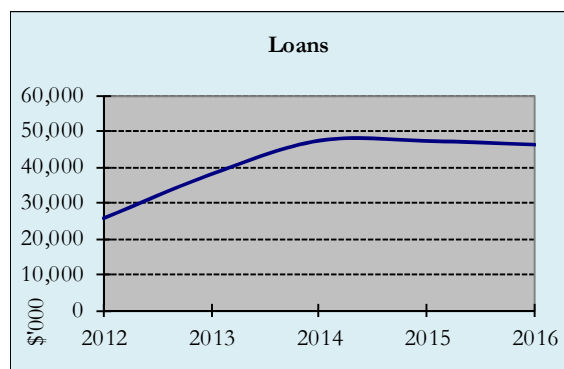
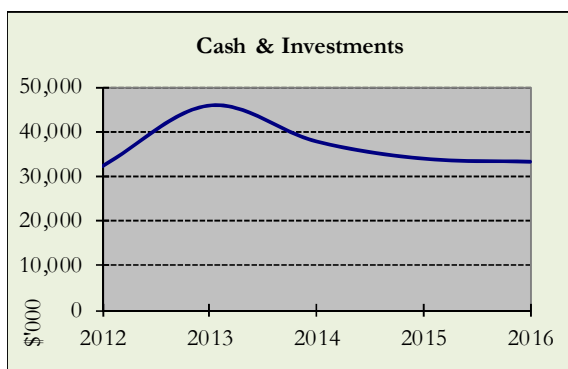
- Employee costs decreased mainly due to a reduction in the redundancy payments and a decrease leave expense during the year.
- Borrowing costs decreased due to the decrease in borrowings during the year.
- Depreciation & amortisation decreased as a result of the revaluation of roads and related infrastructure during the prior year.
- Other expenses decreased due to revaluation decrements in the prior year as a result of the revaluations of roads.
- The increase in the loss on the disposal of assets was mainly due to lower than expected real estate sales and the write off of the Scotts Head Reserve, Eungai Community Centre and Reserve during the year
- Materials and contracts increased mainly as a result of an increase in contractor work in relation to flood damage.

The operating surplus for the year of \$0.6m compares with the original budget deficit of \$1.3m. The variance between the actual results and the original budget is primarily due to the following:

Large Budget Variations >10% and > \$0.5m		Comment
Interest & Investment revenues	\$158,000	Favourable variance due to conservative budgeting.
Other revenues from ordinary activities	\$184,000	Favourable variance due to an unbudgeted workers compensation rebate and additional parking infringement revenue.
Operating Grants	\$1,721,000	Favourable variance to budget mainly due to the receipt of funding for flood damage works.
Capital Grants	\$1,086,000	Capital grants were favourable to budget mainly due to additional Roads to Recovery funding during the year.
Other expenses from ordinary activities	(\$784,000)	Unfavourable to budget due to asset revaluation decrements for infrastructure assets during the year.
Loss from disposal of assets	(\$2,701,000)	Unfavourable to budget mainly due to lower than expected real estate sales and the write off of the Scotts Head Reserve, Eungai Community Centre and Reserve during the year.

The following schedule of assets and liabilities has been extracted from the statement of financial position as at 30 June 2016. This schedule discloses the consolidated assets and liabilities of all functions.

SCHEDULE OF ASSETS & LIABILITIES	2016 \$'000	2015 \$'000	Variance
CURRENT ASSETS			
Cash and cash equivalents	6,804	8,660	-21.4%
Investments	15,796	14,161	11.5%
Receivables	4,290	7,978	-46.2%
Inventories	2,826	1,465	92.9%
Other	78	34	129.4%
TOTAL CURRENT ASSETS	29,794	32,298	-7.8%
CURRENT LIABILITIES			
Payables	2,613	4,449	-41.3%
Borrowings	2,954	2,864	3.1%
Provisions	3,852	3,819	0.9%
TOTAL CURRENT LIABILITIES	9,419	11,132	-15.4%
NET CURRENT ASSETS	20,375	21,166	-3.7%
NON-CURRENT ASSETS			
Cash and cash equivalents	10,634	11,101	-4.2%
Inventories	21	21	0.0%
Intangible Assets	278	208	33.7%
Infrastructure, Property Plant & Equipment	430,043	418,986	2.6%
TOTAL NON-CURRENT ASSETS	440,976	430,316	2.5%
NON-CURRENT LIABILITIES			
Payables	364	390	-6.7%
Provisions	569	540	5.4%
Borrowings	43,246	44,393	-2.6%
TOTAL NON-CURRENT LIABILITIES	44,179	45,323	-2.5%
NET ASSETS	417,172	406,159	2.7%



Cash and investments have decreased from \$33.9m to \$33.2m during the year. Inventory increased due to the purchase of real estate during the year. Receivables decreased due to a reduction in grant project debtors in relation to the land slip works at Riverside Drive at year end.

Payables have decreased mainly due to a reduction in payables in relation to project work activities at year end.

The total borrowings decreased by \$1.0m due to new borrowings of \$1.5m being off-set by scheduled repayments of \$2.9m during the year.

The increase in infrastructure, property, plant and equipment of \$10.9m is due to capital expenditure of \$13.0m (including the new dam project), revaluation of operational land and building of \$9.8m which were partially offset by depreciation, impairment and disposals of \$11.8m.

NET CURRENT ASSETS

The Net Current Asset position at year end is an important financial indicator as it discloses the working capital available to Council to fund day to day operations and finance infrastructure and new community projects. However, included in Current Assets are assets which are “Restricted” by regulation or other externally imposed requirements and therefore are not available other than for their restricted purpose. The following table discloses unrestricted net current assets by function:

	Water \$'000	Sewerage \$'000	Dom Waste \$'000	General \$'000	Total \$'000
Current Assets	10,524	5,900	1,049	12,321	29,794
Current Liabilities	470	1,620	-	7,329	9,419
Net Current Assets	10,054	4,280	1,049	4,992	20,375
Plus: Employee Entitlements Payable >12mths	-	-	-	2,568	2,568
Total Funds before Restrictions	10,054	4,280	1,049	7,560	22,943
LESS: Restricted Cash & Investments (Included in Revenue)					
Developer Contributions	4,043	1,152	-	1,051	6,246
Unexpended Loans	-	-	-	929	929
Security Deposits	-	-	-	561	561
Unexpended Grants	-	-	-	515	515
	4,043	1,152	-	3,056	8,251
NET FUNDS AVAILABLE	6,011	3,128	1,049	4,504	14,692
LESS Internal Restrictions	-	-		3,772	3,772
Net Funds After All Restrictions	6,011	3,128	1,049	732	10,920

INTERNAL RESTRICTIONS	Opening \$'000	Transfer to \$'000	Transfer from \$'000	Closing \$'000
Council Building Reserve	214	-	-	214
Election	87	30	-	117
Employee Entitlements	1,758	330	336	1,752
Environmental rate unallocated	628	534	666	496
Lawn cemetery	8	-	-	8
Onsite -sewer maintenance	13	-	13	-
Land Development	(120)	-	429	(549)
Office Equipment	142	25	40	127
Plant Replacement	311	-	18	293
Public Road/Reserves Sales	45	-	-	45
Stormwater Management	135	20	-	155
Swimming Pool	78	35	21	92
Waste Management	1,505	250	880	875
Other	136	16	5	147
	4,940	1,240	2,408	3,772

After Funding both external and internal restrictions Council's general fund has unrestricted funds of \$0.7m (2015: \$1.9m) which is considered adequate to cover working capital requirements.

Council has set aside \$1.8m to fund the employee leave entitlements provision. This amount represents 43% of the total liability and is considered adequate given the existing staff levels and age profiles.

LOCAL GOVERNMENT INDUSTRY PERFORMANCE INDICATORS

The Code of Accounting Practice requires the mandatory disclosure of certain performance indicators. These financial indicators are useful in assessing performance, financial position and the likely financial burden to be placed on ratepayers.

The key financial indicators disclosed in the Financial Statements are:

RATIO	PURPOSE	2016	2015	2014	2013	2012	Benchmarks
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	3.3%	3.4%	-14.2%	-13.3%	-9.5%	>-4%
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	69.8%	54.2%	60.9%	42.7%	55.3%	>60%
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	2.38	2.00	2.70	1.71	2.02	>1.5
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	2.29	2.47	1.59	1.94	2.43	>2.0
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	5.7%	5.7%	4.4%	4.9%	5.8%	<10%
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	8.76	11.61	10.89	15.88	5.38	>3

Operating performance

An operating performance surplus of 3.3% indicates that Councils operating revenue, excluding capital grants and contributions are sufficient to cover operating expenditure, especially depreciation of infrastructure assets. This compares to the Group 11 Councils average deficit of 0.36% and a State average deficit of 0.58% for 2015. The benchmark is that councils should average breakeven or better over a three year period.

Owned source operating revenue

A ratio of 69.8% for the 2016 year highlights Council's dependence on grants and contributions and compares to a Group 11 average of 66.8% and a State average of 67% for 2015. The benchmark is to average greater than 60% over a three year period.

Unrestricted Ratio

The unrestricted ratio excludes all current assets and liabilities that are restricted to specific purposes such as water, sewer, domestic waste management functions and specific purpose unexpended grants and contributions and adjusting for employee entitlements not expected to be settled within 12 months. This ratio is before setting aside cash to fund internal restrictions relative to the general function. The ratio of 2.38 as at 30 June 2016 indicates that there is \$2.38 of unrestricted current assets for every \$1.00 of current liabilities. Council's ratio of 2.38 compares to the average of 3.98 for the Group 11 Councils and is lower than the State average of 3.92 for 2015. However, the ratio is higher than the benchmark of greater than 1.5.

Debt service cover ratio

The debt service cover ratio of 2.29 times indicates that council has \$2.29 before interest and depreciation to pay interest and principal repayments on current borrowings. This compares to the Group 11 average of 9.4 and the State average of 104.1 for 2015. The benchmark for sustainability is to have a ratio of greater than 2.0.

Outstanding rate ratio

The outstanding rate ratio of 5.7% compares favourably to the average of 6.4% for Group 11 Councils and the State average of 5.91% and the State average of 6.25% for 2015. This ratio is an indicator of Council's activity to collect outstanding rate revenues. The benchmark for rural Council's is to have an outstanding rates ratio of less than 10%. The ratio is an indicator of Council's debt collection activities.

Cash expense ratio

The ratio indicates that Council can pay 8.76 months of its expenses without additional cash inflows. This compares to the Group 11 average of 13.5 and the state average of 11.4 for 2015. The benchmark is to have reserves to meet at least 3 months of operating expenditure.

The key financial indicators by fund disclosed in the Financial Statements are:

RATIO	PURPOSE	Water	Sewer	General	
OPERATING PERFORMANCE RATIO	To assess councils ability to meet operating expenditure within operating revenue.	5.3% 10.0%	4.2% 3.0%	2.6% 3.1%	2016 2015
OWN SOURCE OPERATING REVENUE	To assess the degree of reliance on external funding sources.	93.1% 80.0%	93.5% 86.6%	60.5% 44.5%	2016 2015
UNRESTRICTED CURRENT RATIO	To assess the adequacy of working capital after excluding all restricted assets and liabilities.	-10.12 -9.54	-0.93 -1.13	1.97 1.72	2016 2015
DEBT SERVICE COVER RATIO	To assess the availability of operating cash to service debt including interest, principal and lease payments.	1.57 1.57	0.98 0.93	4.73 5.70	2016 2015
OUTSTANDING RATES	To assess the impact of uncollected rates and charges on liquidity and the adequacy of recovery efforts.	6.1% 5.8%	6.0% 6.0%	5.6% 5.6%	2016 2015
CASH EXPENSE COVER RATIO	To assess the number of months council can pay its expenses without additional cash inflow.	27.41 25.52	13.79 12.91	4.82 8.5	2016 2015

Operating performance

An operating performance ratio by fund shows that the all funds have sufficient operating revenue, excluding capital grants and contributions to cover operating expenditure.

Owned source operating revenue

The ratios show the Councils reliance on grant and contribution funding. The water fund showing the impact of the off-river storage project in the prior year.

Unrestricted Ratio

The unrestricted ratios show that the general fund has sufficient working capital, however there is a need for the sewer and funds to build up reserves.

Debt service cover ratio

The debt service cover ratio by fund shows that the general fund may have potential to increase borrowings to fund infrastructure backlogs, but the water and sewer fund have limited potential.

Outstanding rate ratio

The outstanding rate ratio by fund shows that the outstanding rates are consistent across the funds.

Cash expense ratio

This ratio shows that the general fund has low cash reserves and there is a need to build up reserves.

Infrastructure Asset Performance Indicators

With the emphasis on “Fit for the Future” we have included comments on unaudited infrastructure asset performance measures disclosed in the Special Schedule 7 are as follows:

RATIO	PURPOSE	2016	2015	2014	2013	2012	Benchmarks
BUILDING AND INFRASTRUCTURE RENEWALS RATIO	To assess the proportion spent on infrastructure renewals vs infrastructure deterioration.	84.74%	59.57%	49.97%	67.03%	91.88%	>100%
INFRASTRUCTURE BACKLOG RATIO	To assess the infrastructure backlog against the total value of councils infrastructure.	2.9%	3.4%	22.0%	31.0%	29.0%	<20%
ASSET MAINTENANCE RATIO	To assess the actual vs required annual maintenance expenditure.	181.0%	146.0%	93.0%	69.0%	55.0%	>100%

Building and Infrastructure renewals ratio

The building and infrastructure renewals ratio outlines Council’s performance with renewing its infrastructure assets against the level of estimated infrastructure asset deterioration (as represented by depreciation expense). For 2016 Council spent \$0.85 for every \$1 in estimated asset deterioration. The Group 11 average for the asset renewal ratio was \$0.96 and the State average of \$0.92 for 2015. The benchmark is to have a three year average of greater than \$1.00.

The current trend in the ratio highlights that Council expended less on asset renewals compared to the estimated reduction in asset condition over the past five years and therefore, based on this ratio, Council’s overall infrastructure has deteriorated over that period.

Council should aim to ensure infrastructure spending keeps pace with “wear and tear” and Council should seek to improve asset condition.

Infrastructure backlog ratio

An infrastructure backlog ratio 2.9% indicates that the infrastructure backlog represents 2.9% of the value of Councils infrastructure and compares to a Group 11 average of 3.1% and State average of 8.7% for 2015. The benchmark is a ratio less than 20% and greater than 2%.

Asset maintenance ratio

The Asset Maintenance ratio of 181% indicates that Council has been undertaking sufficient maintenance to keep pace with required maintenance requirements as determine by council’s engineers and maintenance staff. This compares to a Group 11 average of 104.6% and State average of 100.7% for 2015. A ratio of greater than 100% is considered acceptable.

Changes in cash and investments reflected in the Statement of financial position is also evident in the following table extracted from the Statement of Cash Flows.

CASH MOVEMENTS	Actual 2016	Actual 2015	Variance
	\$'000	\$'000	%
CASH INFLOWS			
Operating Receipts	45,067	47,083	-4.3%
Proceeds from Assets Sales	334	176	89.8%
Proceeds form sale of investments	0	6,812	0.0%
Proceeds from Borrowings	1,500	2,263	-33.7%
TOTAL RECEIPTS	46,901	56,334	-16.7%
CASH OUTFLOWS			
Operating Payments	30,520	26,378	15.7%
Purchase of Assets	12,699	24,391	-47.9%
Purchase of investments	1,109	-	0.0%
Repayment of Loans	2,865	2,691	6.5%
Purchase of real estate assets	1,564	228	586.0%
TOTAL PAYMENTS	48,757	53,688	-9.2%
TOTAL CASH MOVEMENT	(1,856)	2,646	-170.1%
Cash and cash equivalents	6,804	8,660	-21.4%
Investments	26,430	14,161	86.6%
Total Cash & Investments on Hand	33,234	22,821	45.6%

Total cash and investments decreased from \$33.9m in 2015 to \$33.3m. Cash flow from operations of \$14.6m and borrowing of \$1.5m funded the purchase and construction of assets of \$12.7m, purchase of real estate of \$1.6m and loan repayments of \$2.9m.

Cash outflows for purchase and construction of assets of \$12.7m included \$4.1m for road and bridge construction, \$4.7m for capital work in progress, \$3.6m for other structures and \$1.1m on replacement plant.

In assessing the replacement rate of depreciating assets it is also important to note that Special Schedule No 7, which is an unaudited statement prepared in conjunction with the financial report, discloses that the estimated cost to all assets to a “satisfactory standard” is \$10.2m.

SPECIAL PURPOSE FINANCIAL STATEMENTS

Council is required to report the financial results of identified Business Units in accordance with National Competition Policy guidelines. The reports are known as Special Purpose Financial Statements and are subject to audit. Council has identified Water and Sewer functions as Category 1 Business Units.

WATER SUPPLY FUNCTION

The Special Purpose Financial Statements disclose that the Water Supply function recorded an operating deficit (before capital funding) of \$329,000 after allowing for depreciation of \$1,675,000.

The Net Current Asset position records a positive balance of \$10,054,000 (2015: \$9,525,000) which provides a strong working capital balance to meet medium term funding requirements and pay dividends.

SEWERAGE SERVICES

The Special Purpose Financial Statements disclose that the Sewerage Services function recorded an operating deficit (before capital funding) of \$3,000 after allowing for depreciation of \$1,582,000.

The current level of Net Current Assets of \$4,280,000 (2015: \$3,765,000) is very strong and is considered more than adequate to meet medium term funding requirements.

GENERAL

Reporting obligations under the Local Government Act


It is pleasing to report that Council's systems and records have been well maintained during the year and the audited financial statements will be submitted to the Office of Local Government within the prescribed time provided for in Division 2 of the *Local Government Act 1993*.

Matters of a technical nature have been documented in a management letter to the General Manager. We take this opportunity of thanking the General Manager and his staff for their co-operation and assistance during the course of the audit.

Under section 419 of the *Local Government Act 1993*, Council is required to give public notice of a Council meeting for the purpose of presenting the audited financial statements and the auditor's report. A principal of this firm is available to attend this meeting to address any questions in respect of the audit report or the conduct of the audit if the Council so determines.

Yours faithfully

FORSYTHS BUSINESS SERVICES PTY LTD



Geoffrey W Allen
Principal

Nambucca Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

“Nambucca Valley ~ Living at its best”



Nambucca Shire Council

Special Schedules for the year ended 30 June 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Nambucca Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	560	–	–	(560)
Administration	2,149	246	6	(1,897)
Public order and safety				
Fire service levy, fire protection, emergency services	905	180	114	(611)
Beach control	146	17	5	(124)
Enforcement of local government regulations	–	–	–	–
Animal control	229	63	–	(166)
Other	–	–	–	–
Total public order and safety	1,280	260	119	(901)
Health	238	121	–	(117)
Environment				
Noxious plants and insect/vermin control	310	256	–	(54)
Other environmental protection	969	688	–	(281)
Solid waste management	4,792	5,624	–	832
Street cleaning	190	–	–	(190)
Drainage	13	143	–	130
Total environment	6,274	6,711	–	437
Community services and education				
Social protection (welfare)	337	193	–	(144)
Aged persons and disabled	4	18	–	14
Children's services	134	109	–	(25)
Total community services and education	475	320	–	(155)
Housing and community amenities				
Public cemeteries	117	90	–	(27)
Public conveniences	299	–	–	(299)
Street lighting	228	19	–	(209)
Town planning	561	151	–	(410)
Total housing and community amenities	1,205	260	–	(945)
Water supplies	5,262	5,521	326	585
Sewerage services	4,586	4,853	262	529

Nambucca Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	669	77	–	(592)
Museums	45	5	–	(40)
Community centres and halls	361	36	–	(325)
Other cultural services	148	9	–	(139)
Swimming pools	614	–	–	(614)
Parks and gardens (lakes)	1,267	245	–	(1,022)
Other sport and recreation	252	23	173	(56)
Total recreation and culture	3,356	395	173	(2,788)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	416	158	–	(258)
Total mining, manufacturing and const.	416	158	–	(258)
Transport and communication				
Urban roads (UR) – local	2,174	–	–	(2,174)
Urban roads – regional	372	419	192	239
Sealed rural roads (SRR) – local	3,382	3,083	761	462
Sealed rural roads (SRR) – regional	1,362	–	20	(1,342)
Unsealed rural roads (URR) – local	832	–	–	(832)
Unsealed rural roads (URR) – regional	1,177	–	–	(1,177)
Bridges on SRR – local	1,569	130	3	(1,436)
Parking areas	87	87	–	–
Footpaths	141	–	–	(141)
Aerodromes	–	–	10	10
Other transport and communication	719	75	224	(420)
Total transport and communication	11,815	3,794	1,210	(6,811)
Economic affairs				
Other economic affairs	495	77	135	(283)
Total economic affairs	495	77	135	(283)
Totals – functions	38,111	22,716	2,231	(13,164)
General purpose revenues ⁽¹⁾		13,797		13,797
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	38,111	36,513	2,231	633

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Nambucca Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)
for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Financial institutions	1,577	40,206	41,783	–	1,578	–	–	2,650	1,620	38,585	40,205
Other	1,287	5,110	6,397	1,500	1,287	–	–	18	1,334	5,276	6,610
Total loans	2,864	45,316	48,180	1,500	2,865	–	–	2,668	2,954	43,861	46,815
Other long term debt											
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	2,864	45,316	48,180	1,500	2,865	–	–	2,668	2,954	43,861	46,815

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Nambucca Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act 1993*] for the year ended 30 June 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
Bridges	615	56	401
Totals	615	56	401

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
Bridges	Sewer	30/06/06	30/06/06	20	30/06/26	6.50%	615	56	401
Totals							615	56	401

Nambucca Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	434	467
b. Engineering and supervision	349	323
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	398	291
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	212	170
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	231	265
i. Maintenance expenses	31	79
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	114	99
– Other		
m. Operation expenses	268	489
n. Maintenance expenses	46	32
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	1,623	1,024
b. Plant and equipment	50	41
4. Miscellaneous expenses		
a. Interest expenses	1,530	1,555
b. Revaluation decrements	–	26
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	20	21
5. Total expenses	5,306	4,882

Nambucca Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	776	816
b. Usage charges	2,823	2,690
7. Non-residential charges		
a. Access (including rates)	96	71
b. Usage charges	1,098	946
8. Extra charges	7	7
9. Interest income	423	596
10. Other income	257	213
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	32	743
b. Grants for pensioner rebates	83	50
c. Other grants	–	–
12. Contributions		
a. Developer charges	236	382
b. Developer provided assets	–	125
c. Other contributions	58	34
13. Total income	5,889	6,673
14. Gain (or loss) on disposal of assets	(18)	(1)
15. Operating result	565	1,790
15a. Operating result (less grants for acquisition of assets)	533	1,047

Nambucca Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	—	—
b. New assets for growth	258	10,817
c. Renewals	132	358
d. Plant and equipment	—	—
17. Repayment of debt	332	314
18. Totals	722	11,489
Non-operating funds employed		
19. Proceeds from disposal of assets	—	—
20. Borrowing utilised	—	—
21. Totals	—	—
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	5,550	5,501
b. Residential (unoccupied, ie. vacant lot)	668	656
c. Non-residential (occupied)	482	471
d. Non-residential (unoccupied, ie. vacant lot)	58	58
23. Number of ETs for which developer charges were received	31 ET	52 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 149,315	\$ 151,677

Nambucca Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	4,043	—	4,043
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	5,015	6,187	11,202
26. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	1,429	—	1,429
c. User charges	—	—	—
d. Other	—	—	—
27. Inventories	37	—	37
28. Property, plant and equipment			
a. System assets	—	92,983	92,983
b. Plant and equipment	—	340	340
29. Other assets	—	278	278
30. Total assets	10,524	99,788	110,312
LIABILITIES			
31. Bank overdraft	—	—	—
32. Creditors	117	—	117
33. Borrowings	353	23,297	23,650
34. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
35. Total liabilities	470	23,297	23,767
36. NET ASSETS COMMITTED	10,054	76,491	86,545
EQUITY			
37. Accumulated surplus			60,290
38. Asset revaluation reserve			26,255
39. TOTAL EQUITY			86,545
Note to system assets:			
40. Current replacement cost of system assets			128,075
41. Accumulated current cost depreciation of system assets			(34,752)
42. Written down current cost of system assets			93,323

Nambucca Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	640	596
b. Engineering and supervision	36	219
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	154	157
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	123	143
e. Maintenance expenses	307	262
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	–	–
h. Energy costs	120	149
i. Effluent management	4	1
j. Biosolids management	63	15
k. Maintenance expenses	820	602
– Other		
l. Operation expenses	236	261
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	1,551	1,655
b. Plant and equipment	31	33
4. Miscellaneous expenses		
a. Interest expenses	544	622
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	23	20
5. Total expenses	4,652	4,735

Nambucca Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	3,156	3,043
7. Non-residential charges		
a. Access (including rates)	373	320
b. Usage charges	773	686
8. Trade waste charges		
a. Annual fees	23	25
b. Usage charges	71	65
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	238	243
11. Other income	189	131
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	74	75
c. Other grants	—	—
13. Contributions		
a. Developer charges	238	354
b. Developer provided assets	18	259
c. Other contributions	6	9
14. Total income	5,159	5,210
15. Gain (or loss) on disposal of assets	(46)	—
16. Operating result	461	475
16a. Operating result (less grants for acquisition of assets)	461	475

Nambucca Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	61	358
c. Renewals	456	218
d. Plant and equipment	–	–
18. Repayment of debt	1,619	1,602
19. Totals	2,136	2,178
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	5,157	5,136
b. Residential (unoccupied, ie. vacant lot)	350	322
c. Non-residential (occupied)	452	534
d. Non-residential (unoccupied, ie. vacant lot)	31	28
24. Number of ETs for which developer charges were received	32 ET	61 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 134,982	\$ 136,939

Nambucca Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	1,152	—	1,152
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	4,237	2,022	6,259
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	481	—	481
c. User charges	—	—	—
d. Other	30	371	401
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	75,939	75,939
b. Plant and equipment	—	130	130
30. Other assets	—	—	—
31. Total assets	5,900	78,462	84,362
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	50	—	50
34. Borrowings	1,570	6,215	7,785
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	1,620	6,215	7,835
37. NET ASSETS COMMITTED	4,280	72,247	76,527
EQUITY			
38. Accumulated surplus			53,215
39. Asset revaluation reserve			23,312
40. TOTAL EQUITY			76,527
Note to system assets:			
41. Current replacement cost of system assets			112,903
42. Accumulated current cost depreciation of system assets			(36,834)
43. Written down current cost of system assets			76,069

Nambucca Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

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

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

Notes:

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

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

Nambucca Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016
as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/Admin Centre	–	–	20	20	1,465	3,085		90%		10%	0%
	Council Works Depot	–	–	10	18	702	1,594		25%	75%		0%
	Council Public Halls	–	–	48	48	4,200	10,181			100%		0%
	Libraries	–	–	53	38	1,036	1,669		100%			0%
	Museum	70	–	6	6	346	698		20%	70%	10%	0%
	Other - Buildings	–	–	18	18	3,278	4,882				100%	0%
	Other - Bush Fire/SES Bldgs	–	–	181	181	1,837	3,300		40%	60%		0%
	Other - Swimming Pool Bldgs	–	–	–	4	2,054	3,076		60%	40%		0%
	Other - Child Care Centres	–	–	5	5	547	841		60%	40%		0%
	Amenities/Toilets	140	–	15	15	3,519	8,645	15%	15%	65%	5%	0%
	Sub-total	210	–	356	353	18,984	37,971	3.4%	26.2%	55.4%	15.0%	0.0%
Other	Other structures	5	–	2	2	5,511	11,869	11%	26%	54%	8%	1%
	Sub-total	5	–	2	2	5,511	11,869	11.0%	26.0%	54.0%	8.0%	1.0%
Roads	Roads - Sealed	1,794	–	268	268	8,471	13,101	23%	31%	32%	14%	0%
	Roads - Pavement	4,334	–	–	–	60,153	93,546	5%	59%	29%	7%	0%
	Roads - Unsealed	–	–	467	532	3,009	7,438	11%	44%	44%		1%
	Kerk & Gutter	–	–	60	60	10,705	17,598	10%	31%	59%		0%
	Carparks	–	–	–	–	1,315	1,715	6%	89%	5%		0%
	Bulk earthworks	–	–	–	–	44,161	44,161	100%				0%
	Bridges - Concrete	–	–	–	–	11,378	16,611	4%	85%	11%		0%
	Bridges - Timber	2,108	–	338	315	2,596	7,445		38%	33%	29%	0%
	Bridges - Composite	162	–	–	28	13,097	16,367	18%	75%	6%		1%
	Footpaths	–	–	28	–	6,340	8,556	12%	69%	19%		0%
	Other (enter details...)	45	–	–	–	–	–	15%	20%	60%	5%	
	Sub-total	8,443	–	1,161	1,203	161,225	226,538	26.1%	46.2%	22.9%	4.7%	0.1%

Nambucca Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)
as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Reticulation	–	–	50	271	14,980	26,545		50%	30%	20%	0%
	Trunk Mains	–	–	50	127	15,332	27,120		9%	85%	6%	0%
	Mains/Meters	–	–	–	46	3,636	3,698			100%		0%
	Pipelines/Pipes	–	–	–	–	1,127	1,156			100%		0%
	Reservoirs	–	–	34	86	6,115	11,118		8%	92%		0%
	Water Treatment Plant	–	–	–	114	1,646	5,219			100%		0%
	Bores	77	–	–	7	2,057	2,738		20%	80%		0%
	Dams	–	–	–	72	40,882	41,330	100%				0%
	Other (Pump Stations)	–	–	–	24	1,938	3,087	100%	100%			0%
	Sub-total	77	–	134	747	87,713	122,011	33.9%	16.6%	43.9%	5.7%	0.0%
Sewerage network	Sewerage rising (Pipelines)	–	–	–	5	5,942	8,765		90%	10%		0%
	Gravity/Rising Mains	–	–	50	149	37,342	48,494		80%	20%		0%
	Pump Stations	10	–	50	299	14,244	26,459		30%	65%	5%	0%
	Treatment Works	–	–	–	563	15,307	25,193	20%		80%		0%
	Effluent Pumping Station	–	–	–	4	28	112			100%		0%
	Sub-total	10	–	100	1,020	72,863	109,023	4.6%	50.1%	44.1%	1.2%	0.0%

Nambucca Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)
as at 30 June 2016

\$'000		Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
Asset class									1	2	3	4	5
Stormwater drainage	Stormwater Conduits		–	–	–	–	17,714	24,944	3%	97%			0%
	Inlets & Junction Pits		–	–	10	10	3,960	5,541		50%	50%		0%
	Culverts		696	–	116	116	7,995	11,607	4%	39%	51%	6%	0%
	Sub-total		696	–	126	126	29,669	42,092	2.9%	74.8%	20.6%	1.7%	0.0%
Open space/recreational	Swimming pools		–	–	–	–	1,120	2,257	27%	55%	18%		0%
	Other Open Space		323	–	28	28	3,533	5,425	30%	22%	42%	5%	1%
	Sub-total		323	–	28	28	4,653	7,682	29.1%	31.7%	34.9%	3.5%	0.7%
Other infrastructure assets	Retaining Walls		–	–	–	–	6,874	7,292	44%	50%	6%		0%
	Boat Ramps/Jetties, Boardwalk		344	–	31	30	1,779	2,644	1%	53%	35%	11%	0%
	Landslips		–	–	–	–	4,587	4,679	97%	3%			0%
	Other		84	–	–	–	2,306	3,120		22%	20%	58%	0%
	Sub-total		428	–	31	30	15,546	17,735	43.8%	33.1%	11.2%	11.8%	0.0%
	TOTAL – ALL ASSETS		10,192	–	1,938	3,509	396,164	574,921	20.8%	40.4%	33.8%	5.0%	0.1%

Notes:

^a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

Nambucca Shire Council

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators *				
consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	6,886	84.74%	59.57%	49.97%
Depreciation, amortisation and impairment	8,126			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	10,192	2.89%	3.44%	21.76%
Carrying value of infrastructure assets	352,218			
3. Asset maintenance ratio				
Actual asset maintenance	3,509	1.81	1.46	0.93
Required asset maintenance	1,938			

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Nambucca Shire Council

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

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	10.48%	32.30%	123.27%
Depreciation, amortisation and impairment			
prior period:	35.52%	13.46%	74.83%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	0.09%	0.01%	5.27%
Carrying value of infrastructure assets			
prior period:	1.65%	0.04%	5.68%
3. Asset maintenance ratio			
Actual asset maintenance	5.57	10.20	1.02
Required asset maintenance			
prior period:	2.86	7.09	1.00

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Nambucca Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	9,436	9,905
Plus or minus adjustments ⁽²⁾	b	(5)	23
Notional general income	$c = (a + b)$	9,431	9,928
Permissible income calculation			
Special variation percentage ⁽³⁾	d	5.00%	5.50%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	472	546
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	9,903	10,474
Plus (or minus) last year's carry forward total	l	13	12
Less valuation objections claimed in the previous year	m	(4)	(6)
Sub-total	$n = (l + m)$	9	6
Total permissible income	$o = k + n$	9,911	10,480
Less notional general income yield	p	9,905	10,441
Catch-up or (excess) result	$q = o - p$	6	39
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	6	1
Less unused catch-up ⁽⁵⁾	s	—	(9)
Carry forward to next year	$t = q + r - s$	12	31

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

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ABN 66 182 781 401

NAMBUCCA SHIRE COUNCIL INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Nambucca Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for preparation and fair presentation of Special No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant preparation and fair presentation of Special Schedule No. 8 that is free from material mistreatment, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Audit Standard require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 and is free from material misstatement.

An audit involves performing procedures to obtain audit evidences about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement on Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

Nambucca Shire Council
INDEPENDENT AUDITORS' REPORT - SPECIAL SCHEDULE No. 8

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of the expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit Opinion


In our opinion Special Schedule No. 8 of Nambucca Shire Council for the year ending 30 June 2017 is properly drawn up in all material respects, in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

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

Forsyths

Forsyths Business Services Pty Ltd



Geoff Allen
Principal

31 October 2016
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INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Nambucca Shire Council

SCOPE

We have audited the special purpose financial statements of Nambucca Shire Council for the year ended 30th June 2016 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Financial Statements. The financial statements include the financial results of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

The special purpose financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the report was prepared.

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

INDEPENDENCE

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

AUDIT OPINION

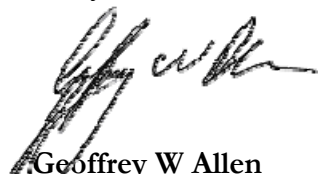
In our opinion, the Special Purpose Financial Statements of the Nambucca Shire Council for the year ended 30th June 2016 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

31 October 2016
92 Rusden Street Armidale

Nambucca Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

"Nambucca Valley ~ Living at its best"



Nambucca Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

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Background

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

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

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

Nambucca Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

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



Rhonda Hoban
Mayor



John Ainsworth
Councillor



Michael Coulter
General manager



Craig Doolan
Responsible accounting officer

Nambucca Shire Council

Income Statement of Council's Water Supply Business Activity
for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	872	887
User charges	3,921	3,636
Interest	430	603
Grants and contributions provided for non-capital purposes	83	50
Other income	257	213
Total income from continuing operations	5,563	5,389
Expenses from continuing operations		
Employee benefits and on-costs	1,218	1,119
Borrowing costs	1,530	1,555
Materials and contracts	863	1,096
Depreciation and impairment	1,675	1,065
Loss on sale of assets	18	1
Calculated taxation equivalents	20	21
Debt guarantee fee (if applicable)	568	259
Other expenses	–	26
Total expenses from continuing operations	5,892	5,142
Surplus (deficit) from continuing operations before capital amounts	(329)	247
Grants and contributions provided for capital purposes	326	1,284
Surplus (deficit) from continuing operations after capital amounts	(3)	1,531
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(3)	1,531
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(74)
SURPLUS (DEFICIT) AFTER TAX	(3)	1,457
Plus opening retained profits	59,951	58,156
Plus/less: other adjustments – T'fer to Ret.Earnings-Asset Disposals/Sales	(46)	5
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	20	21
– Debt guarantee fees	568	259
– Corporate taxation equivalent	–	74
Less:		
– Tax equivalent dividend paid	(20)	(21)
– Surplus dividend paid	(180)	–
Closing retained profits	60,290	59,951
Return on capital %	1.3%	1.9%
Subsidy from Council	656	1,014
Calculation of dividend payable:		
Surplus (deficit) after tax	(3)	1,457
Less: capital grants and contributions (excluding developer contributions)	(90)	(902)
Surplus for dividend calculation purposes	–	555
Potential dividend calculated from surplus	–	277

Nambucca Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	3,600	3,429
User charges	773	686
Liquid trade waste charges	23	24
Interest	238	243
Grants and contributions provided for non-capital purposes	74	75
Other income	189	131
Total income from continuing operations	4,897	4,588
Expenses from continuing operations		
Employee benefits and on-costs	1,351	1,494
Borrowing costs	236	259
Materials and contracts	1,460	1,274
Depreciation and impairment	1,582	1,688
Loss on sale of assets	46	–
Calculated taxation equivalents	23	20
Debt guarantee fee (if applicable)	202	108
Total expenses from continuing operations	4,900	4,843
Surplus (deficit) from continuing operations before capital amounts	(3)	(255)
Grants and contributions provided for capital purposes	262	622
Surplus (deficit) from continuing operations after capital amounts	259	367
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	259	367
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	259	367
Plus opening retained profits	52,719	52,244
Plus/less: other adjustments – T'fer to Ret.Earnings-Asset Disposals/Sales	35	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	23	20
– Debt guarantee fees	202	108
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	(23)	(20)
– Surplus dividend paid	–	–
Closing retained profits	53,215	52,719
Return on capital %	0.3%	0.0%
Subsidy from Council	1,281	2,279
Calculation of dividend payable:		
Surplus (deficit) after tax	259	367
Less: capital grants and contributions (excluding developer contributions)	(24)	(268)
Surplus for dividend calculation purposes	235	99
Potential dividend calculated from surplus	118	50

Nambucca Shire Council

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

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	9,058	8,729
Receivables	1,429	1,210
Inventories	37	40
Total current assets	10,524	9,979
Non-current assets		
Investments	6,187	5,542
Infrastructure, property, plant and equipment	93,323	93,239
Intangible assets	278	208
Total non-current assets	99,788	98,989
TOTAL ASSETS	110,312	108,968
LIABILITIES		
Current liabilities		
Payables	117	122
Borrowings	353	332
Total current liabilities	470	454
Non-current liabilities		
Borrowings	23,297	23,650
Total non-current liabilities	23,297	23,650
TOTAL LIABILITIES	23,767	24,104
NET ASSETS	86,545	84,864
EQUITY		
Retained earnings	60,290	59,951
Revaluation reserves	26,255	24,913
Council equity interest	86,545	84,864
TOTAL EQUITY	86,545	84,864

Nambucca Shire Council

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

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	5,389	5,003
Receivables	511	434
Total Current Assets	5,900	5,437
Non-current assets		
Investments	2,022	2,316
Receivables	371	401
Infrastructure, property, plant and equipment	76,069	75,605
Total non-current assets	78,462	78,322
TOTAL ASSETS	84,362	83,759
LIABILITIES		
Current liabilities		
Payables	50	53
Borrowings	1,570	1,619
Total current liabilities	1,620	1,672
Non-current liabilities		
Borrowings	6,215	7,476
Total non-current liabilities	6,215	7,476
TOTAL LIABILITIES	7,835	9,148
NET ASSETS	76,527	74,611
EQUITY		
Retained earnings	53,215	52,719
Revaluation reserves	23,312	21,892
Council equity interest	76,527	74,611
TOTAL EQUITY	76,527	74,611

Nambucca Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
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2	Water Supply Business Best-Practice Management disclosure requirements	11-12
3	Sewerage Business Best-Practice Management disclosure requirements	13-15

Nambucca Shire Council

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

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supplies

Comprising the whole of the operations and assets of the water supply function.

b. Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment service.

Category 2

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

NIL

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars.

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

(i) Taxation-equivalent charges

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

Nambucca Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

Income tax

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

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

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

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

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

The 30% rate applied is the equivalent company tax rate prevalent as at balance date.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

Nambucca Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

(iii) Return on investments (Rate of Return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

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

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

Nambucca Shire Council

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

Note 2. Water supply business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	588,000
(ii)	Number of assessments multiplied by \$3/assessment	20,274
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	20,274
(iv)	Amounts actually paid for tax equivalents	19,598

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	—
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	182,466
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	897,120

2016 Surplus	(93,000)	2015 Surplus	554,900	2014 Surplus	435,400
		2015 Dividend	180	2014 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	—
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	180
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Nambucca Shire Council

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

Note 2. Water supply business best-practice management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	5,434
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	78.44%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	93,323
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,083
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	390
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.79%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	32

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

Nambucca Shire Council

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

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

2016

1. Calculation and payment of tax-equivalents

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

(i) Calculated tax equivalents	225,000
(ii) Number of assessments multiplied by \$3/assessment	17,970
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,970
(iv) Amounts actually paid for tax equivalents	22,669

2. Dividend from surplus

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	117,500
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	161,730
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	19,000

2016 Surplus	235,000	2015 Surplus	99,000	2014 Surplus	(315,000)
		2015 Dividend	—	2014 Dividend	

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	19,000
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i) Completion of strategic business plan (including financial plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	YES
DSP with commercial developer charges [item 2 (e) in table 1]	YES
Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii) Complete performance reporting form (by 15 September each year)	YES
(iv) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	YES

Nambucca Shire Council

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

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

2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,921
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	76,069
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,503
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	517
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.10%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	10,291
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.53%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	907
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.48%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Nambucca Shire Council

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

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

2016

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

NWI F22	Net debt to equity (water and sewerage)	%	5.38%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		1.78
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		2,514
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		1,413
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	952
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	157
	Grants for pensioner rebates (w11b + s12b)		

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

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INDEPENDENT AUDIT REPORT
Report on the special purpose financial statements

To Nambucca Shire Council

SCOPE

We have audited the special purpose financial statements of Nambucca Shire Council for the year ended 30th June 2016 comprising the Statement by Councillors and Management, Income Statement of Business Activities, Balance Sheet by Business Activities, and Note 1 to the Financial Statements. The financial statements include the financial results of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year.

Councils' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

Knowledge with integrity

Liability limited by a scheme approved under the Professional Standards Legislation

The special purpose financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government or for any purpose other than for which the report was prepared.

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

INDEPENDENCE

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

AUDIT OPINION

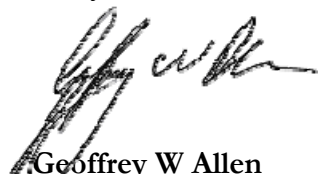
In our opinion, the Special Purpose Financial Statements of the Nambucca Shire Council for the year ended 30th June 2016 are presented fairly, in all material respects, in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

Forsyths

Forsyths Business Services Pty Ltd



Geoffrey W Allen
Principal

31 October 2016
92 Rusden Street Armidale