

Central Tablelands Water

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2016

"Developing a commercial focus as it operates in partnership with the communities it serves, fostering their development and growth, while maintaining both its level of service and its prices at an acceptable level"



Central Tablelands Water

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 Central Tablelands Water.
- (ii) Central Tablelands Water 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 *****.
Council has the power to amend and reissue these financial statements.
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Central Tablelands Water

General Purpose Financial Statements

for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

Central Tablelands Water

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Members 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 10 August 2016.



David Somervaille
CHAIRMAN



Kevin Walker
DEPUTY CHAIRMAN



Gavin Rhodes
GENERAL MANAGER



Raelene Mulligan
RESPONSIBLE ACCOUNTING
OFFICER

Central Tablelands Water

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
1,209	Rates and annual charges	3a	1,216	1,205
3,740	User charges and fees	3b	3,941	3,706
176	Interest and investment revenue	3c	206	206
51	Other revenues	3d	197	52
55	Grants and contributions provided for operating purposes	3e,f	56	57
145	Grants and contributions provided for capital purposes	3e,f	287	204
Other income:				
43	Net gains from the disposal of assets	5	–	24
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
5,419	Total income from continuing operations		5,903	5,454
Expenses from continuing operations				
1,571	Employee benefits and on-costs	4a	1,766	1,594
198	Borrowing costs	4b	198	222
811	Materials and contracts	4c	769	998
1,883	Depreciation and amortisation	4d	1,822	1,808
–	Impairment	4d	–	–
811	Other expenses	4e	765	758
–	Net losses from the disposal of assets	5	51	–
5,274	Total expenses from continuing operations		5,371	5,380
145	Operating result from continuing operations		532	74
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
145	Net operating result for the year		532	74
145	Net operating result attributable to Council		532	74
–	Net operating result attributable to non-controlling interests		–	–
–	Net operating result for the year before grants and contributions provided for capital purposes		245	(130)

¹ Original budget as approved by Council – refer Note 16

Central Tablelands Water

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)		532	74
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	854	828
Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(222)
Total items which will not be reclassified subsequently to the operating result		854	606
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	–	2
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	2
Total other comprehensive income for the year		854	608
Total comprehensive income for the year		1,386	682
Total comprehensive income attributable to Council		1,386	682
Total comprehensive income attributable to non-controlling interests		–	–

Central Tablelands Water

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	873	404
Investments	6b	7,000	6,000
Receivables	7	354	317
Inventories	8	349	335
Other	8	35	25
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		8,611	7,081
Non-current assets			
Investments	6b	–	–
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	56,274	56,665
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	10	57
Total non-current assets		56,284	56,722
TOTAL ASSETS		64,895	63,803
LIABILITIES			
Current liabilities			
Payables	10	282	251
Borrowings	10	409	383
Provisions	10	874	813
Total current liabilities		1,565	1,447
Non-current liabilities			
Payables	10	–	–
Borrowings	10	2,345	2,754
Provisions	10	7	10
Total non-current liabilities		2,352	2,764
TOTAL LIABILITIES		3,917	4,211
Net assets		60,978	59,592
EQUITY			
Retained earnings	20	32,563	32,031
Revaluation reserves	20	28,415	27,561
Council equity interest		60,978	59,592
Non-controlling equity interests		–	–
Total equity		60,978	59,592

Central Tablelands Water

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)		32,031	27,561	59,592	–	59,592
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		32,031	27,561	59,592	–	59,592
c. Net operating result for the year		532	–	532	–	532
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	854	854	–	854
Other comprehensive income		–	854	854	–	854
Total comprehensive income (c&d)		532	854	1,386	–	1,386
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		32,563	28,415	60,978	–	60,978

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		31,943	26,967	58,910	–	58,910
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		31,943	26,967	58,910	–	58,910
c. Net operating result for the year		74	–	74	–	74
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	828	828	–	828
– Transfers to Income Statement	20b (ii)	–	2	2	–	2
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(222)	(222)	–	(222)
Other comprehensive income		–	608	608	–	608
Total comprehensive income (c&d)		74	608	682	–	682
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		14	(14)	–	–	–
Equity – balance at end of the reporting period		32,031	27,561	59,592	–	59,592

Central Tablelands Water

Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
1,209	Rates and annual charges		1,216	1,205
3,740	User charges and fees		3,903	4,057
176	Investment and interest revenue received		193	211
200	Grants and contributions		359	289
51	Other		414	34
Payments:				
(1,571)	Employee benefits and on-costs		(1,712)	(1,611)
(811)	Materials and contracts		(782)	(1,079)
(198)	Borrowing costs		(198)	(222)
(811)	Other		(947)	(1,017)
<u>1,985</u>	Net cash provided (or used in) operating activities	11b	<u>2,446</u>	<u>1,867</u>
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		–	50
288	Sale of infrastructure, property, plant and equipment		232	260
Payments:				
–	Purchase of investment securities		(1,000)	(1,002)
(2,132)	Purchase of infrastructure, property, plant and equipment		(826)	(1,093)
<u>(1,844)</u>	Net cash provided (or used in) investing activities		<u>(1,594)</u>	<u>(1,785)</u>
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(383)	Repayment of borrowings and advances		(383)	(359)
<u>(383)</u>	Net cash flow provided (used in) financing activities		<u>(383)</u>	<u>(359)</u>
(242)	Net increase/(decrease) in cash and cash equivalents		469	(277)
620	Plus: cash and cash equivalents – beginning of year	11a	404	681
<u>378</u>	Cash and cash equivalents – end of the year	11a	<u>873</u>	<u>404</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	7,000	6,000
Total cash, cash equivalents and investments			<u>7,873</u>	<u>6,404</u>

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

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Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of infrastructure, property, plant and equipment,

(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:

Annual Charges, Grants and Contributions

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 water user annual charges are an enforceable debt linked to the rateable property.

A provision for the impairment on water user and annual charges has not been established as unpaid charges 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.

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 are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- Water supply

(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 councils.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Finance leases

Council does not operate any finance leases.

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 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.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) Types of investments

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

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

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

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.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(h) Receivables

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

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

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

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

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

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

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

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

(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

Council has no land held for resale.

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

Acquisition of assets

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

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

- **Water networks** (Internal valuation)
- **Operational land** (External valuation)
- **Buildings – non specialised** (External valuation)
- **Plant and equipment**
(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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 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

Plant and equipment

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

Buildings and Land Improvements

Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

Water Assets

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

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 and equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 8 years
- Other plant and equipment	5 to 15 years

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Water Assets	
- Dams	100 years
- Reservoirs	25 to 100 years
- Bores	30 years
- Mains pipes : PVC	100 years
- Mains pipes : Other	50 to 80 years
- Pumps and Telemetry	10 to 20 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.

(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) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and

licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(m) Investment property

Investment property comprises land and/or buildings Council does not own any Investment Property.

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

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

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

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

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(o) 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.

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

(p) 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.

(q) 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.

(r) 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.

(s) 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.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

(t) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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.

Central Tablelands Water

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA on 24th February 2016 and covers the period ended 30th 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 \$32,927.89.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 45,031.52 as at 30 June 2016.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

(u) 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.

(v) 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).

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Goods and Services Tax (GST)

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

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

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

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

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

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

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

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

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

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

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

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

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

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

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

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

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

(x) Rounding of amounts

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

(y) 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.

(z) Disclaimer

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	–	1	1	191	179	166	(191)	(178)	(165)	–	–	–	–
Water supplies	5,419	5,902	5,453	5,083	5,192	5,214	336	710	239	56	57	64,895	63,803
Total functions and activities	5,419	5,903	5,454	5,274	5,371	5,380	145	532	74	56	57	64,895	63,803
Operating result from continuing operations	5,419	5,903	5,454	5,274	5,371	5,380	145	532	74	56	57	64,895	63,803

Note 2(b). Council Functions / Activities - Component Descriptions

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

WATER SUPPLIES

Comprising the water supply systems servicing the towns and villages within the Blayney, Cabonne & Weddin Local Government Areas.

Central Tablelands Water

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			
Nil			
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Residential		778	771
Commercial		210	212
Rural		148	147
Industrial		22	20
Other		58	55
Total annual charges		1,216	1,205
TOTAL RATES AND ANNUAL CHARGES		1,216	1,205
Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Residential		1,861	1,695
Commercial		482	468
Rural		674	677
Industrial		501	435
Bulk supplies to council		89	190
Other		160	131
Total user charges		3,767	3,596
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67		123	67
Section 603 certificates		20	17
Total fees and charges – statutory/regulatory		143	84
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Special meter readings and reconnection fees		31	26
Total fees and charges – other		31	26
TOTAL USER CHARGES AND FEES		3,941	3,706

Central Tablelands Water

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)		9	9
– Interest earned on investments (interest and coupon payment income)		197	197
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>206</u>	<u>206</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		9	9
General Council cash and investments		197	197
<u>Total interest and investment revenue recognised</u>		<u>206</u>	<u>206</u>
(d) Other revenues			
Rental income – other council properties		19	18
Diesel rebate		1	1
Employee contributions to motor vehicles		22	17
Insurance discounts		11	13
Investments - recoup		118	–
Pipeline Project Income		23	–
Miscellaneous		3	3
<u>TOTAL OTHER REVENUE</u>		<u>197</u>	<u>52</u>

Central Tablelands Water

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)				
Nil				
Specific purpose				
Pensioners' rates subsidies:				
– Water	56	57	–	–
Total specific purpose	56	57	–	–
Total grants	56	57	–	–
Grant revenue is attributable to:				
– State funding	56	57	–	–
	56	57	–	–
\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 64 – water supply contributions	–	–	214	189
Total developer contributions ¹⁷	–	–	214	189
Other contributions:				
Developer charges – mains extensions	–	–	73	15
Total other contributions	–	–	73	15
Total contributions	–	–	287	204
TOTAL GRANTS AND CONTRIBUTIONS	56	57	287	204

Central Tablelands Water

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		1,280	1,080
Travel expenses		4	3
Employee leave entitlements (ELE)		182	229
Superannuation – defined contribution plans		106	96
Superannuation – defined benefit plans		47	47
Workers' compensation insurance		25	25
Fringe benefit tax (FBT)		25	21
Payroll tax		48	48
Training costs (other than salaries and wages)		30	30
Sick leave insurance		10	9
Safety and protective clothing		8	6
Employee Assistance Program		1	–
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>1,766</u>	<u>1,594</u>
Number of 'full-time equivalent' employees (FTE) at year end		20	18
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		198	222
Total interest bearing liability costs expensed		<u>198</u>	<u>222</u>
(ii) Other borrowing costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>198</u>	<u>222</u>
(c) Materials and contracts			
Raw materials and consumables		504	492
Contractor and consultancy costs		244	485
Auditors remuneration ⁽¹⁾		21	19
Legal expenses:			
– Legal expenses: other		–	2
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>769</u>	<u>998</u>
Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		18	17
– Other audit and assurance services		3	2
Remuneration for audit and other assurance services		<u>21</u>	<u>19</u>
Total Auditor remuneration		<u>21</u>	<u>19</u>

Central Tablelands Water

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
Plant and equipment		–	–	169	160
Office equipment		–	–	9	10
Furniture and fittings		–	–	1	1
Infrastructure:					
– Buildings – non-specialised		–	–	22	21
– Water supply network		–	222	1,574	1,562
Intangible assets	25	–	–	47	54
Total depreciation and impairment costs		–	222	1,822	1,808
Less: IPP&E impairments (to)/from equity	9a	–	(222)	–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	1,822	1,808

\$ '000	Notes	Actual 2016	Actual 2015
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(e) Other expenses

Other expenses for the year include the following:

Advertising	14	5
Bank charges	28	27
Demand management (water wise programme) expenses	–	7
Member expenses – chairperson's fee	15	15
Member expenses – member fees	55	54
Member expenses (incl. chairperson) – other (excluding fees above)	14	24
Donations, contributions and assistance to other organisations (Section 356)	12	12
Electricity and heating	307	355
Groundwater and unregulated access fees	36	32
Insurance	96	96
Postage	20	14
Printing and stationery	18	17
Subscriptions and publications	25	23
Telephone and communications	28	24
WBC alliance expenses	36	20
Other	61	33
TOTAL OTHER EXPENSES	765	758

Central Tablelands Water

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		232	260
Less: carrying amount of plant and equipment assets sold/written off		(179)	(214)
Net gain/(loss) on disposal		53	46
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(104)	(22)
Net gain/(loss) on disposal		(104)	(22)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		–	50
Less: carrying amount of financial assets sold/redeemed/matured		–	(50)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(51)	24

Central Tablelands Water

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		873	–	404	–
Total cash and cash equivalents		873	–	404	–
Investments (Note 6b)					
– Long term deposits		7,000	–	6,000	–
Total investments		7,000	–	6,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		7,873	–	6,404	–
Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:					
Cash and cash equivalents					
a. 'At fair value through the profit and loss'		873	–	404	–
Investments					
a. 'Loans and receivables'	6(b-iii)	7,000	–	6,000	–
Investments		7,000	–	6,000	–
Note 6(b-i)					
Reconciliation of investments classified as 'loans and receivables'					
Balance at the beginning of the year		6,000	–	5,000	–
Additions		1,000	–	1,000	–
Balance at end of year		7,000	–	6,000	–
Comprising:					
– Long term deposits		7,000	–	6,000	–
Total		7,000	–	6,000	–
Note 6(b-ii)					
Reconciliation of investments classified as 'available for sale'					
Balance at the beginning of the year		–	–	48	–
Additions		–	–	2	–
Disposals (sales and redemptions)		–	–	(50)	–
Balance at end of year		–	–	–	–

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

Central Tablelands Water

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

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	7,873	–	6,404	–
attributable to:				
Internal restrictions (refer below)	7,373	–	5,904	–
Unrestricted	500	–	500	–
	7,873	–	6,404	–

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

External restrictions

Nil

Internal restrictions

Plant and vehicle replacement	68	119	(87)	100
Infrastructure replacement	5,147	1,765	(432)	6,480
Employees leave entitlement	380	53	(6)	427
Development assistance reserve	309	57	–	366
Total internal restrictions	5,904	1,994	(525)	7,373
TOTAL RESTRICTIONS	5,904	1,994	(525)	7,373

Central Tablelands Water

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					
User charges and fees		216	–	159	–
Accrued revenues					
– Interest on investments		53	–	40	–
– Other income accruals		–	–	1	–
Amounts due from other councils		25	–	41	–
Government grants and subsidies		41	–	57	–
Installations and private works		19	–	19	–
Total		354	–	317	–
Less: provision for impairment					
Nil					
<u>TOTAL NET RECEIVABLES</u>		<u>354</u>	<u>–</u>	<u>317</u>	<u>–</u>

Externally restricted receivables

There are no restrictions applicable to the above assets.

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.

Central Tablelands Water

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					
Chemicals		74	–	68	–
Loose tools		68	–	58	–
Stores and materials		207	–	209	–
Total inventories at cost		349	–	335	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		349	–	335	–
(b) Other assets					
Prepayments		35	–	25	–
TOTAL OTHER ASSETS		35	–	25	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Inventory write downs

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period					as at 30/6/2016					
	At cost	At fair value	Accumulated		Carrying value	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value	
			depreciation	impairment									depreciation	impairment		
Capital work in progress	346	–	–	–	346	322	–	–	(344)	–	324	–	–	–	–	324
Plant and equipment	–	1,139	538	–	601	322	(179)	(169)	–	–	–	1,173	598	–	–	575
Office equipment	–	48	35	–	13	7	–	(9)	–	–	–	55	44	–	–	11
Furniture and fittings	–	35	30	–	5	4	–	(1)	–	–	–	38	30	–	–	8
Land:																
– Operational land	–	2,326	–	–	2,326	–	–	–	–	–	–	2,326	–	–	–	2,326
Infrastructure:																
– Buildings – non-specialised	–	810	287	–	523	14	–	(22)	–	–	–	824	309	–	–	515
– Water supply network	–	120,553	67,702	–	52,851	144	(104)	(1,574)	344	854	–	122,785	70,270	–	–	52,515
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	346	124,911	68,592	–	56,665	813	(283)	(1,775)	–	854	324	127,201	71,251	–	–	56,274

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.

Central Tablelands Water

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

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

\$ '000	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								
WIP	324	–	–	324	346	–	–	346
Plant and equipment	–	1,173	598	575	–	1,139	538	601
Office equipment	–	55	44	11	–	48	35	13
Furniture and fittings	–	38	30	8	–	35	30	5
Land								
– Operational land	–	2,326	–	2,326	–	2,326	–	2,326
Buildings	–	824	309	515	–	810	287	523
Infrastructure	–	122,785	70,270	52,515	–	120,553	67,702	52,851
Total water supply	324	127,201	71,251	56,274	346	124,911	68,592	56,665
TOTAL RESTRICTED I,PP&E	324	127,201	71,251	56,274	346	124,911	68,592	56,665

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

\$ '000	Notes	Actual 2016	Actual 2015
Impairment losses recognised direct to equity (ARR):			
Water Supply Infrastructure - Dams - Impairment on Sale		–	(222)
Total impairment losses		–	(222)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	–	(222)

Central Tablelands Water

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		100	–	75	–
Goods and services – capital expenditure		34	–	47	–
Payments received In advance		81	–	62	–
Accrued expenses:					
– Salaries and wages		2	–	2	–
– Other expenditure accruals		65	–	65	–
Total payables		282	–	251	–
Borrowings					
Loans – secured ¹		409	2,345	383	2,754
Total borrowings		409	2,345	383	2,754
Provisions					
Employee benefits:					
Annual leave		186	–	177	–
Long service leave		688	7	636	10
Total provisions		874	7	813	10
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		1,565	2,352	1,447	2,764

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.

\$ '000	Actual 2016	Actual 2015
(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	502	537
	502	537

Note 10b. Description of and movements in provisions

Class of provision	2015			2016		
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	177	99	(90)	–	–	186
Long service leave	646	55	(6)	–	–	695
TOTAL	823	154	(96)	–	–	881

a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Central Tablelands Water

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	873	404
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		873	404
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		532	74
Adjust for non-cash items:			
Depreciation and amortisation		1,822	1,808
Net losses/(gains) on disposal of assets		51	(24)
Investment income relating to 'available for sale' investments sold		–	2
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(37)	32
Decrease/(increase) in inventories		(14)	(3)
Decrease/(increase) in other assets		(10)	(1)
Increase/(decrease) in payables		25	(1)
Increase/(decrease) in other accrued expenses payable		–	(7)
Increase/(decrease) in other liabilities		19	–
Increase/(decrease) in employee leave entitlements		58	(13)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		2,446	1,867
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		30	20
Total financing arrangements		30	20
(ii) Secured loan liabilities			

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

Central Tablelands Water

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)			
Nil			
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		10	12
Later than one year and not later than 5 years		33	25
Later than 5 years		–	–
Total non-cancellable operating lease commitments		43	37

b. Non-cancellable operating leases include the following assets:

Computers & Office Equipment

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment property commitments

Nil

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>296</u>	5.27%	-2.95%	2.87%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	5,616			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>5,560</u>	94.19%	95.19%	95.10%
Total continuing operating revenue ⁽¹⁾	5,903			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>8,611</u>	8.10x	7.78x	7.40x
Current liabilities less specific purpose liabilities ^(3, 4)	1,063			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>2,316</u>	3.99x	3.23x	3.76x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	581			
5. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>7,873</u>	23.50 mths	17.9 mths	17.1 mths
Payments from cash flow of operating and financing activities	335			

WATER AVAILABILITY & USER CHARGES RATIO

Council has operated under a "user pays" system since January 1994 and has not raised rates since that time. Since Council does not have any rates within it's income base, the ratios shown below have more relevance:

6. Annual Water Charges Coverage Ratio

Annual Water Charges	<u>4,983</u>	88.73%	91.87%	90.34%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	5,616			

7. Annual Water Charges, Interest & Extra Charges Outstanding Percentage

Annual Water & Extra Charges Outstanding	<u>216</u>	4.20%	3.19%	2.67%
Annual Water & Extra Charges Collectible	5,142			

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.

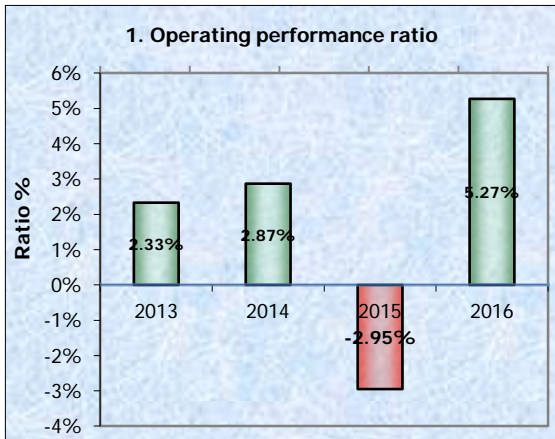
⁽³⁾ Refer to Note 10(a).

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

Central Tablelands Water

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

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



Purpose of operating performance ratio

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



Commentary on 2015/16 result

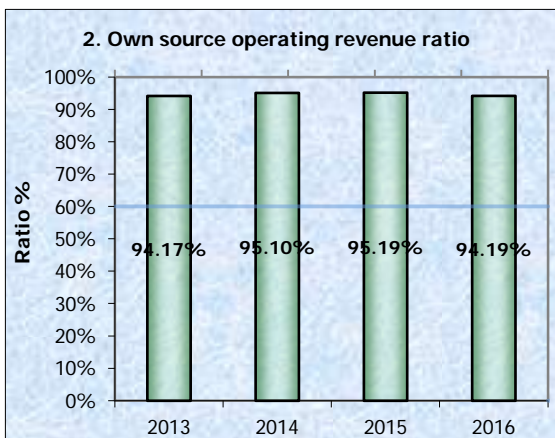
2015/16 ratio 5.27%

Council's Operating Performance Ratio increased from -2.95% in FY14/15 to 5.27% in FY15/16. Council meets the benchmark for this ratio being greater than 0%.

Benchmark: ——— Minimum $\geq 0.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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



Commentary on 2015/16 result

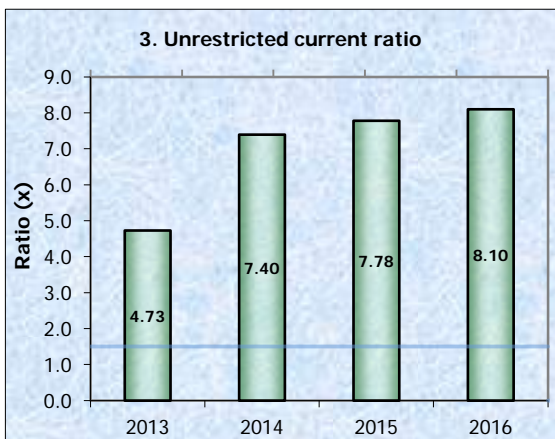
2015/16 ratio 94.19%

Council's Own Source Operating Revenue Ratio for FY15/16 is 94.19%. As Council receives very limited grant funding it relies on own source funding to operate.

Benchmark: ——— Minimum $\geq 60.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.



Commentary on 2015/16 result

2015/16 ratio 8.10x

Council's Unrestricted Current Ratio increased slightly from 7.78 to 8.10 times in 2016. The unrestricted current ratio is well within the industry benchmark.

Benchmark: ——— Minimum ≥ 1.50

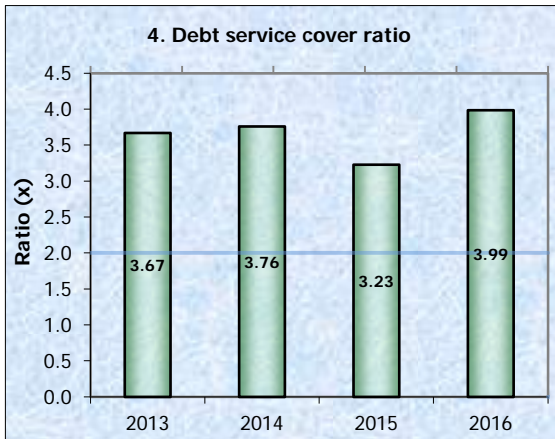
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark

Central Tablelands Water

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

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



Purpose of debt service cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 3.99x

This ratio indicates that Council has adequate operating cash to service its debt.

Benchmark: Minimum ≥ 2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of cash expense cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 23.50 mths

Council's Cash Expense Cover Ratio increased from 17.92 in FY14/15 to 23.50 in FY 15/16. This is a good result for Council as the benchmark is greater than 3 months.

Benchmark: Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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	873	404	873	404
Investments				
– 'Loans and receivables'	7,000	6,000	7,000	6,000
Receivables	354	317	354	317
Total financial assets	8,227	6,721	8,227	6,721
Financial liabilities				
Payables	201	189	201	189
Loans/advances	2,754	3,137	2,754	3,137
Total financial liabilities	2,955	3,326	2,955	3,326

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.

Central Tablelands Water

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 its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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 1% movement in interest rates	8	8	(8)	(8)
2015				
Possible impact of a 1% movement in interest rates	4	4	(4)	(4)

Central Tablelands Water

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 most non-rate debtors.

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

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

	2016	2016	2015	2015
	User charges	Other receivables	User charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	74%	86%	100%	94%
Overdue	26%	14%	0%	6%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	User charges	Other receivables	User charges	Other receivables
Current	Current	160	118	159	149
< 1 year overdue	0 – 30 days overdue	17	1	–	–
1 – 2 years overdue	30 – 60 days overdue	12	–	–	–
2 – 5 years overdue	60 – 90 days overdue	4	19	–	6
> 5 years overdue	> 90 days overdue	23	–	–	3
		216	138	159	158

Central Tablelands Water

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	–	201	–	–	–	–	–	201	201
Loans and advances	–	581	581	581	581	581	427	3,332	2,754
Total financial liabilities	–	782	581	581	581	581	427	3,533	2,955
2015									
Trade/other payables	–	189	–	–	–	–	–	189	189
Loans and advances	–	581	581	581	581	581	1,005	3,910	3,137
Total financial liabilities	–	770	581	581	581	581	1,005	4,099	3,326

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	201		189	
Loans and advances – fixed interest rate	2,754	6.60%	3,137	6.60%
	<u>2,955</u>		<u>3,326</u>	

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 10 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	1,209	1,216	7	1%	F
User charges and fees	3,740	3,941	201	5%	F
Interest and investment revenue	176	206	30	17%	F
Interest and Investment revenue was higher than anticipated for the financial year due to the addition of \$1million in investments, along with slightly higher than expected interest rates.					
Other revenues	51	197	146	286%	F
An increase in other revenues is attributed to the recouping funds previously written off for APHEX investment.					
Operating grants and contributions	55	56	1	2%	F
Capital grants and contributions	145	287	142	98%	F
An increase in Capital grants and contributions income is due to Council receiving an increased number of new water supply connections for the period.					
Net gains from disposal of assets	43	–	(43)	(100%)	U
Council had anticipated a net gain on disposal of assets for the period, although it produced a net loss after disposal of reticulation mains.					

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	1,571	1,766	(195)	(12%)	U
Employee benefits and on-costs are above budget for the financial year. This can be attributed to the employment of two additional full-time staff for the period.					
Borrowing costs	198	198	-	0%	F
Materials and contracts	811	769	42	5%	F
Depreciation and amortisation	1,883	1,822	61	3%	F
Other expenses	811	765	46	6%	F
Net losses from disposal of assets	-	51	(51)	0%	U
Council had initially budgeted a net gain on disposal of assets for the financial year, although resulted in a net loss. The loss is attributed to the disposal of reticulation mains at Nyrang Creek.					

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

Cash flows from operating activities	1,985	2,446	461	23.2%	F
This favourable variation in cash flows from operating activities is attributable to the increase in capital contributions, interest revenue and					
Cash flows from investing activities	(1,844)	(1,594)	250	(13.6%)	F
The variance is attributable to the movement in term deposits for the year.					
Cash flows from financing activities	(383)	(383)	-	0.0%	F

Central Tablelands Water

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					
S64 contributions	–	214	–	–	(214)	–	–	
Total contributions	–	214	–	–	(214)	–	–	–

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S64 plans

Council levies section 64 contributions upon various development across the Council area through the required contributions plans.

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

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

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

Note 19. Interests in other entities

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

Central Tablelands Water

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)		32,031	31,943
a. Net operating result for the year		532	74
b. Transfers between equity		–	14
Balance at end of the reporting period		32,563	32,031
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		28,415	27,561
Total		28,415	27,561
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		27,561	27,043
– Revaluations for the year	9(a)	854	828
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	–	(222)
– Transfer to retained earnings for asset disposals		–	(88)
– Balance at end of year		28,415	27,561
'Available for sale' financial investments revaluation reserve			
– Opening balance		–	(76)
– Transfer of 'available for sale' values to the P&L for disposals		–	2
– Other movements - Transfer of balance to Retained Earnings		–	74
– Balance at end of year		–	–
TOTAL VALUE OF RESERVES		28,415	27,561

(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.

'Available for sale' financial investments revaluation reserve

– The 'available for sale' financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

Central Tablelands Water

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

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Note 21. Financial result and financial position by fund

Central Tablelands Water only operates a Water Fund.

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

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is *****.

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

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

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

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

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

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

Central Tablelands Water

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

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

	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)	167	141
Accumulated amortisation (1/7)	(110)	(55)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	57	86
Movements for the year		
– Purchases	–	26
– Amortisation charges	(47)	(55)
Closing values:		
Gross book value (30/6)	167	167
Accumulated amortisation (30/6)	(157)	(110)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1</u>	<u>10</u>	<u>57</u>
¹: The net book value of intangible assets represent:		
– Software	10	57
	10	57

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/16	–	–	575	575
Office Equipment	30/06/16	–	–	11	11
Furniture & Fittings	30/06/16	–	–	8	8
Operational Land	30/06/16	–	–	2,326	2,326
Buildings - Non Specialised	30/06/16	–	–	515	515
Water Supply Network	30/06/16	–	–	52,515	52,515
Capital Works in Progress	30/06/16	–	–	324	324
Total infrastructure, property, plant and equipment		–	–	56,274	56,274
2015					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/15	–	–	601	601
Office Equipment	30/06/15	–	–	13	13
Furniture & Fittings	30/06/15	–	–	5	5
Operational Land	30/06/15	–	–	2,326	2,326
Buildings - Non Specialised	30/06/15	–	–	523	523
Water Supply Network	30/06/15	–	–	52,851	52,851
Capital Works in Progress	30/06/15	–	–	346	346
Total infrastructure, property, plant and equipment		–	–	56,665	56,665

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

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

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPP&E)

Plant & Equipment, Office Equipment and Furniture & Fittings

Loader, vehicles, trucks, computers, desks, chairs, cupboards, etc. - (Level 3)

Valuation Technique - Cost approach

These assets are valued at cost but are disclosed at fair value in Note 9. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Operational Land - (Level 3)

Valuation Technique - Market approach

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. The last valuation was undertaken at 30 June 2013 and was performed by Scott Fullarton Valuations Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No.2144.

Buildings – Non Specialised

Council Office and Council Depots - (Level 3)

Council's Buildings were last valued on 30 June 2013 by Scott Fullarton Valuations (SFV) Pty Ltd, Director Scott Fullarton, FAPI, Certified Practising Valuer, Registered Valuer No.2144. The valuation was undertaken using the Gross Restatement Method (GRM) under Section 7.1 of the NSW Treasury Policy & Guidelines Paper "Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value - tpp 07-01". The GRM requires that revalued assets be restated into the traditional components of Gross Book Value and Accumulated Depreciation. The SFV schedule provides the Gross Value of each building, improvement and structure, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost.

Market value was utilised to value Council's Administration Office due to the small amount of market data available for sales of comparable office buildings in Blayney, this has been assessed as a level 3 input.

Water Supply Network

Trunk Mains, Reticulation Mains, Filtration Plants, Reservoirs, Pump Stations, Bores, Dams, Telemetry - (Level 3)

The Water Supply Network was last valued on 30 June 2012 'in-house' by Council's Director Operations & Technical Services. The valuation approach used was based on a rate per metre at current cost for trunk & reticulation pipelines, whereas NSW Office of Water Reference Rates were utilised for the Filtration Plants, Pump Stations, Reservoirs, Bores, Dams and Telemetry.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	IPP&E	Total
Opening balance – 1/7/14	56,948	56,948
Purchases (GBV)	1,101	1,101
Disposals (WDV)	(236)	(236)
Depreciation and impairment	(1,754)	(1,754)
FV gains – other comprehensive income	828	828
FV gains – Income Statement ¹	(222)	(222)
Closing balance – 30/6/15	56,665	56,665
Purchases (GBV)	813	813
Disposals (WDV)	(283)	(283)
Depreciation and impairment	(1,775)	(1,775)
FV gains – other comprehensive income	854	854
Closing balance – 30/6/16	56,274	56,274
¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:		
YE 14/15	828	828
YE 15/16	854	854

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

Purchases: Movements include purchases of plant & equipment, office equipment and furniture and fittings.

Level 3 Asset additions for Water infrastructure assets include reticulation main additions in Canowindra and Blayney and pump upgrades. The Blayney Filtration Plant upgrade to the online monitoring also attributed to the movements.

Disposals: Movements in WDV of Asset disposals include disposal of Plant & Equipment, Trajere pipeline disposal

Depreciation Expense: The movement in depreciation and impairment for the year relates to depreciation on Plant & Equipment, Office Equipment, Furniture and Fittings, Buildings and Water Infrastructure Assets for FY15/16.

FV Gains: Movement in FV Gains for the year relates to the FV revaluation adjustment for Level 3 Water Infrastructure Assets applied using NSW Office of Water reference rates for FY15/16.

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant & Equipment	575	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Office Equipment	11	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Furniture & Fittings	8	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Operational Land	2,326	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Buildings - Non Specialised	515	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Water Supply Network	52,521	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life
Capital Works in Progress	324	Refer Note 27(3) above	Increase/decrease in cost of unit or useful life

(5). Highest and best use

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

Central Tablelands Water

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

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	1,216	1,205	1,233	1,234	955
User charges revenue	3,941	3,706	3,696	3,555	2,477
Interest and investment revenue (losses)	206	206	185	260	172
Grants income – operating	56	57	57	58	66
Total income from continuing operations	5,903	5,454	5,434	5,417	3,877
Sale proceeds from I,PP&E	232	260	316	303	262
New loan borrowings and advances	–	–	–	–	–
Outflows:					
Employee benefits and on-cost expenses	1,766	1,594	1,542	1,417	1,519
Borrowing costs	198	222	244	266	286
Materials and contracts expenses	769	998	779	841	692
Total expenses from continuing operations	5,371	5,380	5,150	5,032	4,742
Total cash purchases of I,PP&E	826	1,093	656	964	945
Total loan repayments (incl. finance leases)	383	359	336	315	294
Operating surplus/(deficit) (excl. capital income)	245	(130)	149	130	(1,019)
Financial position figures	2016	2015	2014	2013	2012
Current assets	8,611	7,081	6,434	4,952	3,600
Current liabilities	1,565	1,447	1,412	1,389	1,599
Net current assets	7,046	5,634	5,022	3,563	2,001
Available working capital (Unrestricted net current assets)	956	926	484	539	208
Cash and investments – unrestricted	500	500	5	5	59
Cash and investments – internal restrictions	7,373	5,904	5,724	4,211	3,182
Cash and investments – total	7,873	6,404	5,729	4,216	3,241
Total borrowings outstanding (Loans, advances and finance leases)	2,754	3,137	3,496	3,832	4,147
Total value of I,PP&E (excl. land and earthworks)	125,199	122,931	121,915	118,596	116,183
Total accumulated depreciation	71,251	68,592	67,293	64,011	61,347
Indicative remaining useful life (as a % of GBV)	43%	44%	45%	46%	47%

Source: published audited financial statements of Council (current year and prior year)

Central Tablelands Water

Notes to the Financial Statements

for the year ended 30 June 2016

Note 29. Council information and contact details

Principal place of business:

30 Church Street
BLAYNEY NSW 2799

Contact details

Mailing address:

PO Box 61
BLAYNEY NSW 2799

Opening hours:

9am to 4.30pm
Monday to Friday

Telephone: 02 6391 7200

Facsimile: 02 6368 2451

Internet: www.ctw.nsw.gov.au

Email: water@ctw.nsw.gov.au

Officers

GENERAL MANAGER

Gavin Rhodes

RESPONSIBLE ACCOUNTING OFFICER

Raelene Mulligan

DIRECTOR OPERATIONS & TECHNICAL SERVICES

Leonie Freeth

AUDITORS

Intentus Chartered Accountants

Elected members

CHAIRPERSON

David Somerville (Blayney Shire Council)

DEPUTY CHAIRMAN

Kevin Walker (Cabonne Shire Council)

COUNCILLORS

Geoff Braddon OAM (Blayney Shire Council)

Anthony Durkin (Cabonne Shire Council)

Geoffrey McClelland (Weddin Shire Council)

Alan Griffiths (Weddin Shire Council)

Other information

ABN: 43 721 523 632

**INDEPENDENT AUDITOR'S REPORT
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF
CENTRAL TABLELANDS WATER**

Report on the Financial Statements

We have audited the accompanying financial statements of Central Tablelands Water for the financial year ended 30 June 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, accordingly, we express no opinion on them.

Councils' Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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

Independence

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

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

Audit Opinion

In our opinion:

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



intensus

14 Sale Street
Orange
Dated: 19 September 2016



John O'Malley
Director

19 September 2016

The Chairman
Central Tablelands Water
PO Box 61
BLAYNEY NSW 2799

Dear Mr Chairman

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – Section 417(3)
CENTRAL TABLELANDS WATER YEAR ENDED 30 JUNE 2016**

We advise having completed our audit of the financial statements of Central Tablelands Water for the financial year ended 30 June 2016. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

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

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (General) Regulation 2005 to assist in the understanding of the financial statements and our reports.

Review of Financial Results

(a) Operating Result

As disclosed in Council's Income Statement the year's operations resulted in a net operating surplus of \$532,000 (2015 surplus - \$74,000). Selected items of note in the operating statement include:

- The operating result *before* capital amounts was a surplus of \$245,000 (2015 deficit – \$130,000).
- User Charges and Fees were consistent with the prior year at \$3,941,000 (2015 - \$3,706,000).
- Other revenue of \$197,000 (2015 - \$52,000) was significantly higher following the recovery through litigation, of a portion of previously written off investments, primarily through Lehmann Brothers.
- Grants and Contributions for capital purposes experienced an increase of \$83,000 to \$287,000 (2015 - \$204,000) the increase came mainly through the contribution by Newcrest mining for mains extensions along Newbridge road.
- Employee costs were higher at \$1,766,000 (2015 - \$1,594,000) a contributor to this increase was the recruitment of a new Director of Engineering several months prior to the retirement of her predecessor in order to facilitate a smooth transition.
- Expenses for Materials & Contracts and other expenses were a little lower than 2015 when maintenance was ramped up.

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

b) Financial Position

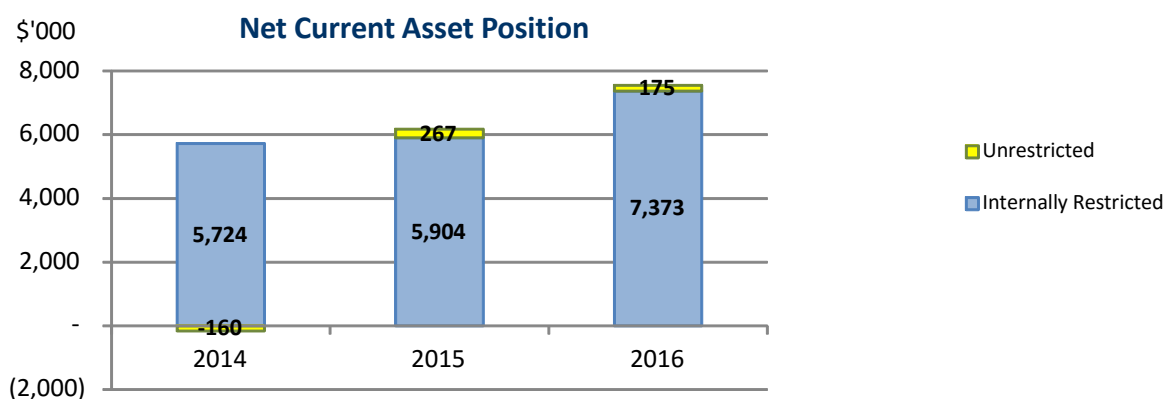
The Statement of Financial Position discloses that for the year ended 30 June 2016 Council's net assets stood at \$60,978,000 (2015 - \$59,592,000), which represents an increase of \$1,386,000. The increase comprises:

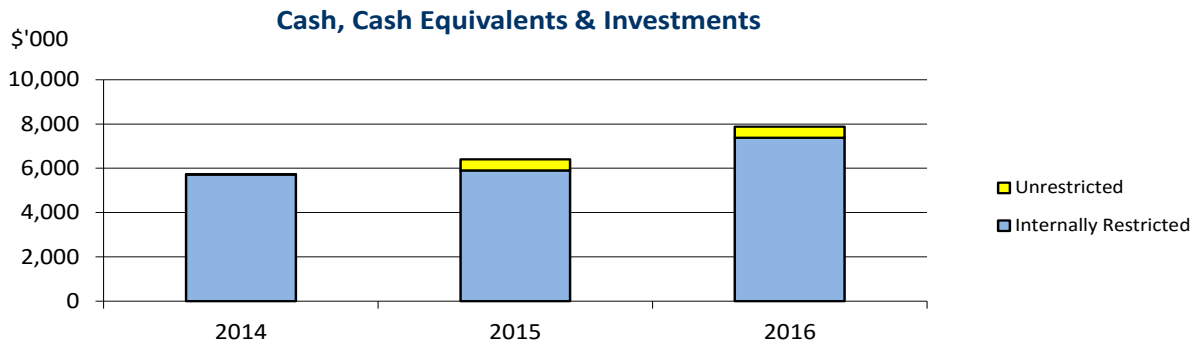
- the net operating result after capital amounts of \$532,000; and
- a \$854,000 net revaluation increment attributable to the indexed revaluation of water infrastructure;

To assess the health of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist, and the effect of the restrictions is summarised below:

	2016 \$'000	2015 \$'000
Net Current Assets	7,046	5,634
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(7,373)	(5,904)
Add: Employee Leave Entitlements to be paid > 12 months	502	537
Unrestricted net current asset surplus/(deficit)	<u>175</u>	<u>267</u>
Unrestricted net current assets comprise: -		
Assets		
Cash	500	500
Receivables	354	317
Inventories	349	335
Other	35	25
Less: General Purpose Liabilities	(1,565)	(1,447)
Plus: Employee Leave Entitlements to be paid > 12 months	502	537
Unrestricted net current asset surplus/(deficit)	<u>175</u>	<u>267</u>

Council has for the second consecutive year reported an unrestricted net current assets position following improved financial performance over the last three years.





Liquidity

Note 6 to the accounts discloses total cash and investments have grown to \$7,873,000 (2015 - \$6,404,000). Of this amount \$7,373,000 (2015 - \$5,904,000) is subject to internal restrictions agreed upon by the Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with their operational plan.

The unrestricted balance of \$500,000 (2014 - \$500,000) represents funds available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements.

(c) Performance Indicators

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

Operating Performance Ratio

This ratio expresses council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of 5.27% (2015 - -2.95%) represents the surplus / (shortfall) between continuing operating revenue and continuing operating expenses.

Unrestricted Current Ratio

The Unrestricted Current Ratio is a measure of Council's liquidity that demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 8.1:1 (2015 - 7.78:1), is stronger again than the prior period indicating healthy liquidity.

Debt Service Cover Ratio

The Debt Service Cover Ratio measures the ability of council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation and impairment, over the principal and interest costs.

At 3.99 times (2015 - 3.23) Central Tablelands Water's ratio indicates that it can comfortably meet its current levels of debt.

Annual Water Charges Coverage Ratio

The Annual & Water Charges Coverage Ratio indicates the proportion of total revenue that is generated by annual and user charges. The ability of the Council to meet user expectations in relation to water services is directly influenced by the discretion it can exercise in the allocation of its resources. A high level of coverage should mean that the Council would have more discretion over the allocation of funds, and also that a small increase in user charges will yield a greater increase in total revenue. Central Tablelands County Council's ratio of 88.73% (2015 - 91.87%) is a little lower than the prior year mainly due to the increased other revenue and capital contributions. The council's pricing structure remains the main determining factor of their income.

Annual Water Charges, Interest & Extra Charges Outstanding Percentage

The percentage is a measure of management efficiency in recovering debts due. Whilst prevailing economic conditions and the timing of billing runs may influence Council's ability to collect revenue, the efficiency, timing and application of collection procedures are still the largest determinants of the outcome.

The ratio for Central Tablelands Water stands at just 4.20% (2015 – 3.19%) which although a little higher, remains impressive in comparison with industry benchmarks.

(d) Cash Flow Statement

The Statement of Cash Flows reports a net increase in cash assets held of \$469,000 (2015 decrease - \$277,000) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	2,446	1,867	579
Investing activities	(1,594)	(1,785)	191
Financing activities	(383)	(359)	(24)
Net increase / (decrease) in cash held	469	(277)	746

Cash flows from operating activities

The cash flows provided by operating activities have increased against the prior financial year. The main contributors being an increase in other revenue coupled with a decrease in material costs.

Cash flows from investing activities

The major cash inflows and outflows from investing activities related to the purchase of investments and purchase of water supply network infrastructure.

Cash flows from financing activities

The net cash flow used in financing activities was \$383,000 (2015 - \$359,000), which related solely to the principal repayment of borrowings during the year.

(e) Comparison of Actual and Budgeted Performance

Council's surplus from ordinary activities after capital amounts of \$532,000 was \$387,000 better than Council's original estimates.

It is beyond the intent of this report to provide a detailed analysis of individual budget variations. Note 16 to Council's financial statements addresses the contributing factors to these variations in detail.

Independence

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

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

Audit Opinion

In our opinion, the special purpose financial statements of Central Tablelands Water are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.



intentus

14 Sale Street
Orange
Dated: 19 September 2016



John O'Malley
Director

Central Tablelands Water

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2016

"Developing a commercial focus as it operates in partnership with the communities it serves, fostering their development and growth, while maintaining both its level of service and its prices at an acceptable level"



Central Tablelands Water

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	4
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	5
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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).
-

Central Tablelands Water

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.

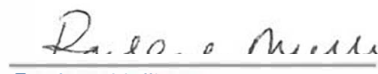
Signed in accordance with a resolution of Council made on 10 August 2016.



David Somervaille
CHAIRMAN



Kevin Walker
DEPUTY CHAIRMAN


Gavin Rhodes
GENERAL MANAGER
Raelene Mulligan
RESPONSIBLE ACCOUNTING
OFFICER

Central Tablelands Water

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,216	1,205
User charges	3,767	3,596
Fees	174	110
Interest	206	206
Grants and contributions provided for non-capital purposes	56	57
Profit from the sale of assets	–	24
Other income	197	52
Total income from continuing operations	5,616	5,250
Expenses from continuing operations		
Employee benefits and on-costs	1,766	1,594
Borrowing costs	198	222
Materials and contracts	769	998
Depreciation and impairment	1,822	1,808
Water purchase charges	–	–
Loss on sale of assets	51	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	765	758
Total expenses from continuing operations	5,371	5,380
Surplus (deficit) from continuing operations before capital amounts	245	(130)
Grants and contributions provided for capital purposes	287	204
Surplus (deficit) from continuing operations after capital amounts	532	74
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	532	74
Less: corporate taxation equivalent (30%) [based on result before capital]	(74)	–
SURPLUS (DEFICIT) AFTER TAX	459	74
Plus opening retained profits	32,031	31,943
Plus/less: prior period adjustments	–	–
Plus/less: other adjustments (Tfr between equity)	–	14
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	74	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	32,563	32,031
Return on capital %	0.8%	0.2%
Subsidy from Council	677	1,619
Calculation of dividend payable:		
Surplus (deficit) after tax	459	74
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	459	74
Potential dividend calculated from surplus	229	37

Central Tablelands Water

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	873	404
Investments	7,000	6,000
Receivables	354	317
Inventories	349	335
Other	35	25
Non-current assets classified as held for sale	–	–
Total current assets	8,611	7,081
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	56,274	56,665
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	10	57
Total non-current assets	56,284	56,722
TOTAL ASSETS	64,895	63,803
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	282	251
Borrowings	409	383
Provisions	874	813
Total current liabilities	1,565	1,447
Non-current liabilities		
Payables	–	–
Borrowings	2,345	2,754
Provisions	7	10
Total non-current liabilities	2,352	2,764
TOTAL LIABILITIES	3,917	4,211
NET ASSETS	60,978	59,592
EQUITY		
Retained earnings	32,563	32,031
Revaluation reserves	28,415	27,561
Council equity interest	60,978	59,592
Non-controlling equity interest	–	–
TOTAL EQUITY	60,978	59,592

Central Tablelands Water

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	9
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

Central Tablelands Water

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. Central Tablelands Water Supplies

Comprising the whole of the operations and net assets of the water supply systems servicing the towns and villages within the Local Government Areas of Blayney, Cabonne and Weddin.

Category 2

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

Council has no Category 2 Business Activities.

Monetary amounts

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

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

Central Tablelands Water

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.

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

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

Central Tablelands Water

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

Note 1. Significant accounting policies (continued)

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 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 businesses are permitted to pay an annual dividend from its water supply 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 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.

Central Tablelands Water

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

Note 2. Water supply business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	17,445
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	229,250
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	174,450
(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	769,800

2016 Surplus	458,500	2015 Surplus	74,000	2014 Surplus	237,300
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	174,450
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	
(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

Central Tablelands Water

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	5,697
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)]	%	70.52%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	52,515
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	3,379
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	835
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)]	%	1.08%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

**INDEPENDENT AUDITOR'S REPORT
ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF
CENTRAL TABLELANDS WATER**

Report on the Financial Statements

We have audited the special purpose financial statements of Central Tablelands Water for the year ended 30 June 2016, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Councils' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(f) **Other Matters**

National Competition Policy

In accordance with the requirements of National Competition Policy guidelines, Central Tablelands Water has prepared special purpose financial statements on its business units for the year ended 30 June 2016. Council has determined that it has one business unit within its operations: Water Supply.

The Office of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unqualified audit report on the special purpose statements for the year ended 30 June 2016 has been issued.

Management Letters

Our most recent management letter was issued on 10 June 2016. Issues raised with management requiring attention have been satisfactorily dealt with.

Revaluation of Assets

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, water infrastructure asset values were indexed. This resulted in a net increase of \$854,000 that was credited directly to Equity (Asset Revaluation Reserve).

Matters Relating to the Electronic Presentation of the Audited Financial Statements

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

Conclusion

- a) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of these statements;
- b) The Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of these statements; and
- c) All information relevant to the conduct of the audit has been obtained.



intentus

14 Sale Street
Orange
Dated: 19 September 2016



John O'Malley
Director

Central Tablelands Water

SPECIAL SCHEDULES

for the year ended 30 June 2016

"Developing a commercial focus as it operates in partnership with the communities it serves, fostering their development and growth, while maintaining both its level of service and its prices at an acceptable level"



Central Tablelands Water

Special Schedules

for the year ended 30 June 2016

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Special Schedules¹

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Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
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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.

Central Tablelands Water

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	179	1	–	(178)
Administration	–	–	–	–
Public order and safety				
Fire service levy, fire protection, emergency services	–	–	–	–
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	–	–	–	–
Other	–	–	–	–
Total public order and safety	–	–	–	–
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	–	–	–	–
Solid waste management	–	–	–	–
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	–	–	–	–
Total environment	–	–	–	–
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	–	–	–	–
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	–	–	–	–
Town planning	–	–	–	–
Other community amenities	–	–	–	–
Total housing and community amenities	–	–	–	–
Water supplies	5,192	5,615	287	710
Sewerage services	–	–	–	–

Central Tablelands Water

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	–	–	–	–
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	–	–	–	–
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	–	–	–	–
Parks and gardens (lakes)	–	–	–	–
Other sport and recreation	–	–	–	–
Total recreation and culture	–	–	–	–
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	–	–	–
Transport and communication				
Urban roads (UR) – local	–	–	–	–
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
Total transport and communication	–	–	–	–
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	–	–	–	–
Total economic affairs	–	–	–	–
Totals – functions	5,371	5,616	287	532
General purpose revenues ⁽¹⁾				–
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	5,371	5,616	287	532

(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

Central Tablelands Water

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	383	2,754	3,137	–	383	–	–	198	409	2,345	2,754
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	383	2,754	3,137	–	383	–	–	198	409	2,345	2,754
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	383	2,754	3,137	–	383	–	–	198	409	2,345	2,754

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).

Central Tablelands Water

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	1,161	1,079
b. Engineering and supervision	261	307
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	64	90
b. Maintenance expenses	26	41
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	408	450
– Reservoirs		
e. Operation expenses	12	15
f. Maintenance expenses	59	41
– Pumping stations		
g. Operation expenses (excluding energy costs)	22	74
h. Energy costs	208	223
i. Maintenance expenses	81	23
– Treatment		
j. Operation expenses (excluding chemical costs)	247	254
k. Chemical costs	192	181
l. Maintenance expenses	235	376
– Other		
m. Operation expenses	296	174
n. Maintenance expenses	107	108
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	1,574	1,562
b. Plant and equipment	169	160
4. Miscellaneous expenses		
a. Interest expenses	198	222
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	5,320	5,380

Central Tablelands Water

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)	778	771
b. Usage charges	1,861	1,694
7. Non-residential charges		
a. Access (including rates)	438	434
b. Usage charges	1,905	1,900
8. Extra charges	174	111
9. Interest income	206	206
10. Other income	198	52
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	56	57
c. Other grants	–	–
12. Contributions		
a. Developer charges	214	190
b. Developer provided assets	–	–
c. Other contributions	73	15
13. Total income	5,903	5,430
14. Gain (or loss) on disposal of assets	(51)	24
15. Operating result	532	74
15a. Operating result (less grants for acquisition of assets)	532	74

Central Tablelands Water

Special Schedule 3 – Water Supply Income Statement (continued)

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

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	502	445
d. Plant and equipment	333	401
17. Repayment of debt	383	359
18. Totals	<u>1,218</u>	<u>1,205</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	4,247	4,221
b. Residential (unoccupied, ie. vacant lot)	45	44
c. Non-residential (occupied)	1,503	1,492
d. Non-residential (unoccupied, ie. vacant lot)	20	20
23. Number of ETs for which developer charges were received	49 ET	31 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 101,140	\$ 102,753

Central Tablelands Water

Special Schedule 4 – Water Supply Statement of Financial Position

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

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,873	–	7,873
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	216	–	216
d. Other	173	–	173
27. Inventories	349	–	349
28. Property, plant and equipment			
a. System assets	–	52,515	52,515
b. Plant and equipment	–	586	586
29. Other assets	–	3,183	3,183
30. Total assets	<u>8,611</u>	<u>56,284</u>	<u>64,895</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	282	–	282
33. Borrowings	409	2,345	2,754
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	874	7	881
35. Total liabilities	<u>1,565</u>	<u>2,352</u>	<u>3,917</u>
36. NET ASSETS COMMITTED	<u>7,046</u>	<u>53,932</u>	<u>60,978</u>
EQUITY			
37. Accumulated surplus			32,563
38. Asset revaluation reserve			28,415
39. TOTAL EQUITY			<u>60,978</u>
Note to system assets:			
40. Current replacement cost of system assets			122,785
41. Accumulated current cost depreciation of system assets			(70,270)
42. Written down current cost of system assets			<u>52,515</u>

Central Tablelands Water

Notes to Special Schedule 3 for the year ended 30 June 2016

Administration ⁽¹⁾

(item 1a of Special Schedule 3) 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 Schedule 3) 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 Schedule 3) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedule 3) 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 Schedule 3) includes all expenses not recorded elsewhere.

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

Impairment losses (item 4d and 4e of Special Schedule 3) 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 Schedule 3) 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 is for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply revenue.

Residential charges ⁽²⁾ (items 6a and 6b of Special Schedule 3) 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 Schedule 3) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

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

Other contributions (item 12c of Special Schedule 3) including capital contributions for water supply 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 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.

Central Tablelands Water

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Buildings	Council Offices/ Administration Centres	27	27	27	27	328	500		100%				0%
	Council Works Depots	10	10	44	44	187	500		100%				0%
	Sub-total	37	37	71	71	515	1,000	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Water supply network	Filtration Plants	2,600	2,600	235	235	6,740	14,000		100%				0%
	Reticulation Mains	3,100	3,100	266	266	13,677	31,000			100%			0%
	Trunk Mains	13,200	13,200	142	142	16,498	49,000			100%			0%
	Bores	400	400	28	28	95	500			50%	50%		0%
	Reservoirs	100	100	59	59	5,896	13,000		100%				0%
	Dams	4,000	4,000	26	26	7,588	21,000			100%			0%
	Pump Stations	150	150	53	53	1,980	5,000		100%				0%
	Telemetry	200	200	37	37	41	400		100%				0%
Sub-total	23,750	23,750	846	846	52,515	133,900	0.0%	24.2%	75.6%	0.2%	0.0%	0.0%	
	TOTAL – ALL ASSETS	23,787	23,787	917	917	53,030	134,900	0.0%	24.8%	75.1%	0.2%	0.0%	0.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Central Tablelands Water

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⁾	<u>480</u>	30.08%	43.82%	15.07%
Depreciation, amortisation and impairment	<u>1,596</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>23,787</u>	44.86%	38.94%	41.14%
Carrying value of infrastructure assets	<u>53,030</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>917</u>	1.00	1.00	1.00
Required asset maintenance	<u>917</u>			
4. Capital expenditure ratio				
Annual capital expenditure	<u>530</u>	0.29	0.48	0.17
Annual depreciation	<u>1,822</u>			

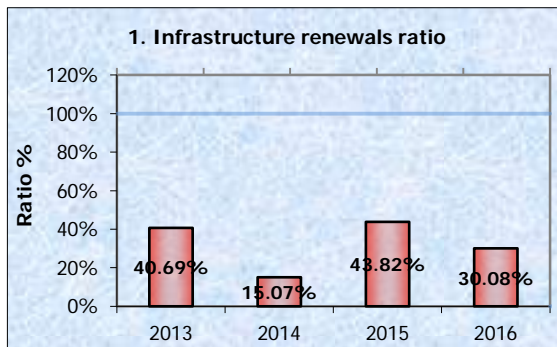
Notes

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

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

Central Tablelands Water

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



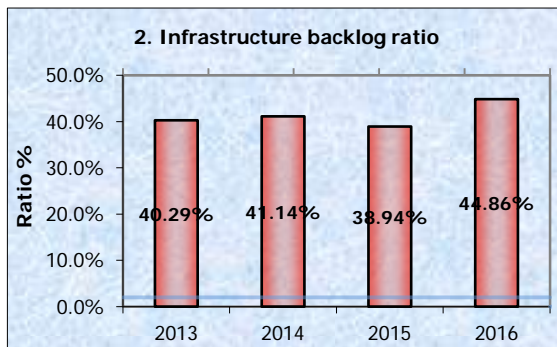
Purpose of asset renewals ratio

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

Commentary on 2015/16 result	
2015/16 Ratio	30.08%
Councils ratio decreased by 13.74% for the year, which is attributed to a lesser amount of water reticulation and trunk mains renewals work being undertaken in FY15/16. Council's Renewals Program is planned to increase significantly in FY16/17.	

Benchmark: Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



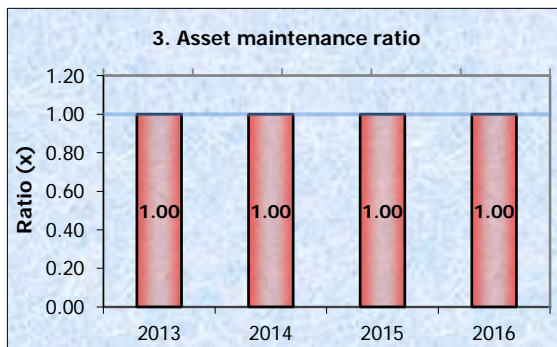
Purpose of infrastructure backlog ratio

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

Commentary on 2015/16 result	
2015/16 Ratio	44.86%
Councils ratio of 44.86 in 2016 is above the industry benchmark. However this ratio will be reduced in the future as Council Capital works program progresses.	

Benchmark: Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



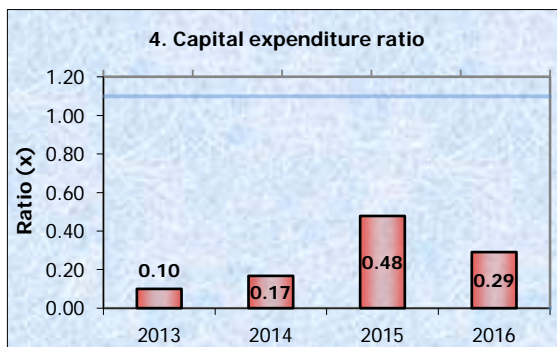
Purpose of asset maintenance ratio

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

Commentary on 2015/16 result	
2015/16 Ratio	1.00 x
Council continues to invest required funds to maintain its assets. Council currently meets the industry benchmark for this ratio.	

Benchmark: Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2015/16 result	
2015/16 Ratio	0.29 x
Council is currently under the industry benchmark for this ratio. It is estimated that this ratio will improve significantly in the future with the progression of Council's fully funded Capital Works program.	

Benchmark: Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark