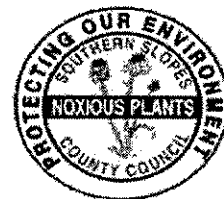


Southern Slopes County Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2016

*To enhance the environment and provide a more
agriculturally productive region for future
generations, through effective weed management*



Southern Slopes County Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include (a) those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and (b) those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must (a) adopt a corporatisation model and (b) apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Southern Slopes County Council

Special Purpose Financial Statements
For the year ended 30 June 2016

Statement by Councillors and Management

Made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- * the NSW Government Policy Statement "Application of National Competition Policy to Local Government",
- * the Division of Local Government Guidelines "Pricing & Costing for Council Business - A Guide to Competitive Neutrality",
- * The Local Government Code of Accounting Practice and Financial Reporting.

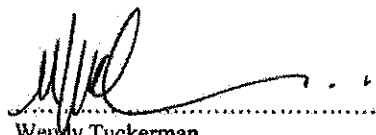
To the best of our knowledge and belief, these Reports:

- * 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 the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on 6 September 2016.


.....
Cecil Burgess
Chairperson


.....
Wendy Tuckerman
Administrator Hilltops Council


.....
Jason Corcoran
A/g General manager


.....
Ian Percival
Responsible accounting officer

Southern Slopes County Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2016

\$ '000	Noxious weeds	
	Category 2	
	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	–	–
User charges	755	686
Fees	–	–
Interest	15	16
Grants and contributions provided for non-capital purposes	216	199
Profit from the sale of assets	–	3
Other income	18	10
Total income from continuing operations	1,004	914
Expenses from continuing operations		
Employee benefits and on-costs	591	513
Borrowing costs	–	–
Materials and contracts	212	185
Depreciation and impairment	70	75
Loss on sale of assets	1	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	75	75
Total expenses from continuing operations	949	848
Surplus (deficit) from continuing operations before capital amounts	55	66
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	55	66
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	55	66
Less: corporate taxation equivalent (30%) [based on result before capital]	(17)	(20)
SURPLUS (DEFICIT) AFTER TAX	39	46
Plus opening retained profits	667	601
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	17	20
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	722	667
Return on capital %	28.4%	28.4%
Subsidy from Council	–	–

Southern Slopes County Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Noxious weeds	
	Category 2	
	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	278	234
Investments	428	356
Receivables	59	71
Inventories	10	11
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	775	672
Non-current assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	194	232
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible assets	-	-
Other	-	-
Total non-current assets	194	232
TOTAL ASSETS	969	904
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Payables	40	38
Borrowings	-	-
Provisions	207	199
Total current liabilities	247	237
Non-current liabilities		
Payables	-	-
Borrowings	-	-
Provisions	-	-
Total non-current liabilities	-	-
TOTAL LIABILITIES	247	237
NET ASSETS	722	667
EQUITY		
Retained earnings	722	667
Revaluation reserves	-	-
Council equity interest	722	667
Non-controlling equity interest	-	-
TOTAL EQUITY	722	667

Southern Slopes County Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

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

Southern Slopes County Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared business activities

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

Category 1

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

None

Category 2

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

Environment – noxious weeds

The control and eradication of noxious weeds

Monetary amounts

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

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector 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:

Southern Slopes County Council

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

Note 1. Significant accounting policies (continued)

Notional rate applied (%)

Corporate income tax rate – 30%

Income tax

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

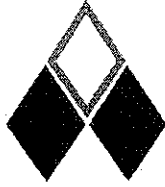
While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

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

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

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

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



Auswild & Co

CHARTERED ACCOUNTANTS

ABN: 29 725 771 792

Independent auditor's report to the Councillors of the Southern Slopes County Council and the Chief Executive Officer of the Office of Local Government

We have audited the accompanying financial report, being a special purpose financial report, of the Southern Slopes County Council, which comprises the statement by councillors and management, balance sheet as at 30th June, 2016, and the income statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Councils' Responsibility for the Financial Report

The council is responsible for the preparation and fair presentation of the financial report and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial requirements of National Competition Policy reporting and are appropriate to meet the needs of the council. The council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that it is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report 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 members. 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial report 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 report.

The financial report has been prepared for distribution to the council and the Office of Local Government for the purpose of fulfilling council's financial reporting requirements under National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the council or the Office of Local Government or for any purpose other than that for which it was prepared.

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

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E: mail@auswildca.com.au

Liability limited by a scheme
approved under Professional
Standards Legislation

Independence

In conducting our audit we have met the independence requirements of the Australian professional accounting bodies.

Audit Opinion

In our opinion, the special purpose financial report presents fairly, in all material respects the financial position of Southern Slopes County Council as at 30 June, 2016 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

AUSWILD & CO.



G.J. BRADLEY
Principal
Registered Auditor No: 1249

CANBERRA
8th September, 2016