



*Walgett Shire Council*

*Financial Statement*

*For year ending 30 June 2018*



# Walgett Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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**“Rivers, Plains and Opals”**



# Walgett Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	66
– On the Conduct of the Audit (Sect 417 [3])	69

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### Overview

Walgett Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

77 Fox Street  
Walgett NSW 2832

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.walgett.nsw.gov.au](http://www.walgett.nsw.gov.au).

# Walgett Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

### Understanding Council's financial statements

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#### 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 2018.

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

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

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

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. 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.

## Walgett Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

### Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

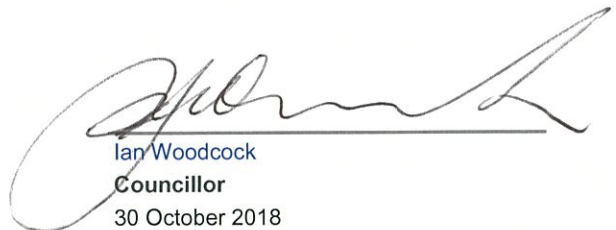
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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 30 October 2018.



Manuel Martinez  
Mayor  
30 October 2018



Ian Woodcock  
Councillor  
30 October 2018



Paul Mann  
General Manager  
30 October 2018



Michael Urquhart  
Responsible Accounting Officer  
30 October 2018

## Walgett Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
8,724	Rates and annual charges	3a	8,679	8,499
5,157	User charges and fees	3b	7,315	9,134
706	Interest and investment revenue	3c	777	1,076
2,324	Other revenues	3d	1,097	949
10,337	Grants and contributions provided for operating purposes	3e,f	12,642	15,011
8,793	Grants and contributions provided for capital purposes	3e,f	4,493	2,747
<b>Other income:</b>				
	Net gains from the disposal of assets	5	39	–
<b>36,041</b>	<b>Total income from continuing operations</b>		<b>35,042</b>	<b>37,416</b>
<b>Expenses from continuing operations</b>				
8,207	Employee benefits and on-costs	4a	8,273	8,066
153	Borrowing costs	4b	260	204
9,025	Materials and contracts	4c	12,288	9,511
4,701	Depreciation and amortisation	4d	7,610	7,085
2,693	Other expenses	4e	3,235	2,885
–	Net losses from the disposal of assets	5	–	1,796
<b>24,779</b>	<b>Total expenses from continuing operations</b>		<b>31,666</b>	<b>29,547</b>
<b>11,262</b>	<b>Operating result from continuing operations</b>		<b>3,376</b>	<b>7,869</b>
<b>11,262</b>	<b>Net operating result for the year</b>		<b>3,376</b>	<b>7,869</b>
11,262	Net operating result attributable to Council		3,376	7,869
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
<b>2,469</b>			<b>(1,117)</b>	<b>5,122</b>

## Walgett Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>3,376</b>	<b>7,869</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	2,104	14,001
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,104</b>	<b>14,001</b>
<b>Total other comprehensive income for the year</b>		<b>2,104</b>	<b>14,001</b>
<b>Total comprehensive income for the year</b>		<b>5,480</b>	<b>21,870</b>
Total comprehensive income attributable to Council		5,480	21,870

## Walgett Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	19,442	10,851
Investments	6b	5,000	14,500
Receivables	7	2,816	4,286
Inventories	8	861	1,061
Other	8	—	3
<b>Total current assets</b>		<b>28,119</b>	<b>30,701</b>
<b>Non-current assets</b>			
Investments	6b	10,000	8,000
Receivables	7	168	711
Infrastructure, property, plant and equipment	9	274,024	264,478
<b>Total non-current assets</b>		<b>284,192</b>	<b>273,189</b>
<b>TOTAL ASSETS</b>		<b>312,311</b>	<b>303,890</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	2,251	2,704
Income received in advance	11	238	222
Borrowings	11	617	617
Provisions	12	2,215	2,080
<b>Total current liabilities</b>		<b>5,321</b>	<b>5,623</b>
<b>Non-current liabilities</b>			
Borrowings	11	3,379	3,288
Provisions	12	3,298	146
<b>Total non-current liabilities</b>		<b>6,677</b>	<b>3,434</b>
<b>TOTAL LIABILITIES</b>		<b>11,998</b>	<b>9,057</b>
<b>Net assets</b>		<b>300,313</b>	<b>294,833</b>
<b>EQUITY</b>			
Accumulated surplus	13	109,943	106,567
Revaluation reserves	13	190,370	188,266
<b>Total equity</b>		<b>300,313</b>	<b>294,833</b>



## Walgett Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
<b>Opening balance</b>		106,567	188,266	<b>294,833</b>	98,698	174,265	<b>272,963</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		<b>3,376</b>	–	<b>3,376</b>	7,869	–	<b>7,869</b>
<b>Net operating result for the year</b>		<b>3,376</b>	–	<b>3,376</b>	<b>7,869</b>	–	<b>7,869</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9a	–	2,104	<b>2,104</b>	–	14,001	<b>14,001</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>2,104</b>	<b>2,104</b>	<b>–</b>	<b>14,001</b>	<b>14,001</b>
<b>Total comprehensive income</b>		<b>3,376</b>	<b>2,104</b>	<b>5,480</b>	<b>7,869</b>	<b>14,001</b>	<b>21,870</b>
<b>Equity – balance at end of the reporting period</b>		<b>109,943</b>	<b>190,370</b>	<b>300,313</b>	<b>106,567</b>	<b>188,266</b>	<b>294,833</b>

## Walgett Shire Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,693	Rates and annual charges		8,741	8,536
5,121	User charges and fees		8,228	8,325
704	Investment and interest revenue received		829	1,054
19,132	Grants and contributions		18,761	17,758
–	Bonds, deposits and retention amounts received		63	36
2,330	Other		3,002	1,816
<b>Payments:</b>				
(8,198)	Employee benefits and on-costs		(9,215)	(7,881)
(8,784)	Materials and contracts		(13,675)	(10,028)
(145)	Borrowing costs		(179)	(207)
(2,722)	Other		(572)	(2,563)
<b>16,131</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>15,983</b>	<b>16,846</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
250	Sale of investment securities		75,000	65,510
779	Sale of infrastructure, property, plant and equipment		354	170
–	Deferred debtors receipts		30	–
<b>Payments:</b>				
–	Purchase of investment securities		(67,500)	(79,010)
(20,697)	Purchase of infrastructure, property, plant and equipment		(15,367)	(9,228)
–	Deferred debtors and advances made		–	(8)
<b>(19,668)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(7,483)</b>	<b>(22,566)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
3,335	Proceeds from borrowings and advances		700	–
<b>Payments:</b>				
(617)	Repayment of borrowings and advances		(609)	(595)
<b>2,718</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>91</b>	<b>(595)</b>
<b>(819)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,591</b>	<b>(6,315)</b>
12,591	Plus: cash and cash equivalents – beginning of year	14a	10,851	17,166
<b>11,772</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>19,442</b>	<b>10,851</b>

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
<b>1</b>	Basis of preparation	10
<b>2(a)</b>	Council functions/activities – financial information	14
<b>2(b)</b>	Council functions/activities – component descriptions	15
<b>3</b>	Income from continuing operations	16
<b>4</b>	Expenses from continuing operations	21
<b>5</b>	Gains or losses from the disposal of assets	25
<b>6(a)</b>	Cash and cash equivalent assets	25
<b>6(b)</b>	Investments	26
<b>6(c)</b>	Restricted cash, cash equivalents and investments – details	26
<b>7</b>	Receivables	28
<b>8</b>	Inventories and other assets	29
<b>9(a)</b>	Infrastructure, property, plant and equipment	31
<b>9(b)</b>	Externally restricted infrastructure, property, plant and equipment	33
<b>10</b>	Investment property	34
<b>11</b>	Payables and borrowings	35
<b>12</b>	Provisions	37
<b>13</b>	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	41
<b>14</b>	Statement of cash flows – additional information	41
<b>15</b>	Commitments for expenditure	42
<b>16</b>	Contingencies and other liabilities/assets not recognised	43
<b>17</b>	Financial risk management	48
<b>18</b>	Material budget variations	52
<b>19</b>	Fair value measurement	54
<b>20</b>	Related party transactions	58
<b>21</b>	Financial result and financial position by fund	60
<b>22(a)</b>	Statement of performance measures – consolidated results	62
<b>22(b)</b>	Statement of performance measures – by fund	63
	<b>Additional council disclosures (unaudited)</b>	
<b>23</b>	Council information and contact details	65

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 30 October 2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars except where otherwise stated.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

##### **(a) New and amended standards adopted by Council**

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

##### **(b) Significant accounting estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also 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 the 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 include:

- i estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- ii estimated tip remediation provisions – refer Note 12,
- iii employee benefit provisions – refer Note 12.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

##### ***Significant judgements in applying the Council's accounting policies***

- i Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

##### **Monies and other assets received by Council**

###### **(a) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets 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. Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water Supply Fund
  - Walgett Water Supply Service
  - Lightning Ridge Water Supply Service
  - Collarenebri Water Supply Service
  - Village Water Supply Service
- Sewerage Fund
  - Walgett Sewerage Service
  - Lightning Ridge Sewerage Service
  - Collarenebri Sewerage Service
- Domestic Waste Management Fund

###### **(b) The Trust Fund**

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports. Trust monies and other assets held by Council but not considered to be under the control of Council are excluded from these financial 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.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

##### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

##### New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

##### Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

##### Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## 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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	11,867	14,701	287	251	11,580	14,450	6,045	8,744	3,328	556
Administration	744	1,120	4,321	3,975	(3,577)	(2,855)	31	42	6,723	7,190
Public Order & Safety	184	217	436	491	(252)	(274)	161	44	1,496	1,496
Health	283	259	39	33	244	226	275	18	–	–
Environment	2,348	2,388	1,532	1,426	816	962	877	–	3,987	5,330
Community Services & Education	199	178	688	769	(489)	(591)	197	178	1,690	1,703
Housing & Community Amenities	345	226	2,984	1,674	(2,639)	(1,448)	305	–	4,550	4,503
Water Supplies	2,610	2,678	2,229	2,143	381	535	200	3,047	30,942	23,112
Sewerage Services	991	988	688	554	303	434	10	–	25,108	17,469
Recreation & Culture	552	139	2,639	4,205	(2,087)	(4,066)	657	20	23,050	22,971
Mining, manufacturing & construction	538	236	26	78	512	158	–	–	–	–
Transport & Communication	13,507	13,713	12,974	13,191	533	522	5,501	3,287	211,437	196,810
Economic Affairs	874	573	2,823	757	(1,949)	(184)	557	–	–	7
Other	–	–	–	–	–	–	–	–	–	22,743
<b>Total functions and activities</b>	<b>35,042</b>	<b>37,416</b>	<b>31,666</b>	<b>29,547</b>	<b>3,376</b>	<b>7,869</b>	<b>14,816</b>	<b>15,380</b>	<b>312,311</b>	<b>303,890</b>



## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Governance**

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

##### **Administration**

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

##### **Public Order & Safety**

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

##### **Health**

Includes food control, health centres etc.

##### **Environment**

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

##### **Community Services & Education**

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

##### **Housing & Community Amenities**

Housing is owned by Council and rented to doctors and council staff who move to the Walgett Shire area. Council also provides and maintains Community Amenities at various locations within the shire to facilitate recreational and tourism functions within the shire.

##### **Water Supplies**

Council operates reticulated water supplies in Walgett, Lightning Ridge and Collarenebri. Supplies exist in the localities of Carinda, Rowena, Grawin and Cumborah.

##### **Sewerage Services**

Sewerage services are operated by Council in Walgett, Lightning Ridge and Collarenebri.

##### **Recreation & Culture**

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

##### **Mining, manufacturing & construction**

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

##### **Transport & Communication**

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

##### **Economic Affairs**

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

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	1,204	1,196
Farmland	3,661	3,617
Business	322	313
<b>Total ordinary rates</b>	<b>5,187</b>	<b>5,126</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,249	1,214
Water supply services	1,381	1,319
Sewerage services	862	840
<b>Total annual charges</b>	<b>3,492</b>	<b>3,373</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>8,679</b>	<b>8,499</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

**Accounting policy for rates and annual charges**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

<b>(b) User charges and fees</b>	<b>2018</b>	<b>2017</b>
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services	611	507
Sewerage services	1	–
<b>Total specific user charges</b>	<b>612</b>	<b>507</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Inspection services	8	9
Planning and building regulation	30	24
Private works – section 67	48	357
Regulatory/ statutory fees	46	41
Registration fees	4	2
Section 603 certificates	9	8
<b>Total fees and charges – statutory/regulatory</b>	<b>145</b>	<b>441</b>

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	1	5
Cemeteries	56	55
Lease rentals	66	80
Leaseback fees – Council vehicles	28	30
Park rents	1	–
Quarry revenues	150	174
RMS (formerly RTA) charges (state roads not controlled by Council)	5,626	7,282
Sundry sales	36	24
Swimming centres	2	3
Tourism	156	114
Other - Administration charge (Other businesses)	436	419
<b>Total fees and charges – other</b>	<b>6,558</b>	<b>8,186</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>7,315</b>	<b>9,134</b>

**Accounting policy for user charges and fees**

User charges and fees are recognised as revenue when the service has been provided.

**(c) Interest and investment revenue****Interest**

– Overdue rates and annual charges (incl. special purpose rates)	59	66
– Cash and investments	718	777
<b>Dividend income</b>	–	233
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>777</b>	<b>1,076</b>

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

Overdue rates and annual charges (general fund)	23	26
General Council cash and investments	481	805

**Restricted investments/funds – external:**

Water fund operations	99	88
Sewerage fund operations	116	104
Domestic waste management operations	58	53

<b>Total interest and investment revenue recognised</b>	<b>777</b>	<b>1,076</b>
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**Accounting policy for interest and investment revenue**

Interest income is recognised using the effective interest rate at the date that interest is earned.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
<b>(d) Other revenues</b>		
Rental income – council properties	145	116
Fines	11	14
Legal fees recovery – rates and charges (extra charges)	107	155
Commissions and agency fees	74	72
Diesel rebate	61	76
Insurance claim recoveries	22	109
Maintain water and sewer aboriginal communities	303	294
Sales of inventories	314	–
Sales – general	27	18
FESL	2	63
Other	31	32
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>1,097</u></b>	<b><u>949</u></b>

#### Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	4,178	5,919	–	–
Financial assistance – local roads component	1,946	2,774	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	52	51	–	–
<b>Total general purpose</b>	<b>6,176</b>	<b>8,744</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	12	12	–	–
– Sewerage	10	11	–	–
– Domestic waste management	25	25	–	–
Water supplies	–	–	188	492
Aged care	–	1	–	–
Bushfire and emergency services	4	31	157	–
Child care	33	33	–	–
Community care	89	66	89	137
Employment and training programs	31	27	–	–
Environmental protection	5	18	151	–
Flood restoration	549	500	–	–
Heritage and cultural	–	17	–	–
Levee rehabilitation	–	–	854	1,000
Library	19	34	–	–
Library – special projects	22	7	–	–
LIRS subsidy	84	202	–	–
Public halls	–	–	33	20
Recreation and culture	–	–	410	–
Regional and local infrastructure	–	–	365	415
Street lighting	31	30	–	–
Traffic route subsidy	59	58	–	–
Transport (roads to recovery)	1,740	1,994	–	–
Transport (other roads and bridges funding)	1,327	705	2,117	–
Youth services	107	77	–	–
Other	–	51	129	673
<b>Total specific purpose</b>	<b>4,147</b>	<b>3,899</b>	<b>4,493</b>	<b>2,737</b>
<b>Total grants</b>	<b>10,323</b>	<b>12,643</b>	<b>4,493</b>	<b>2,737</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,836	1,998	1,078	876
– State funding	8,487	10,645	3,415	1,861
	<b>10,323</b>	<b>12,643</b>	<b>4,493</b>	<b>2,737</b>

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Business development	29	—	—	—
Crown Lands Non Cash	—	—	—	10
Roads and bridges	30	—	—	—
RMS contributions (regional roads, block grant)	2,258	2,363	—	—
Other	2	5	—	—
<b>Total other contributions – cash</b>	<b>2,319</b>	<b>2,368</b>	<b>—</b>	<b>10</b>
<b>Total other contributions</b>	<b>2,319</b>	<b>2,368</b>	<b>—</b>	<b>10</b>
<b>Total contributions</b>	<b>2,319</b>	<b>2,368</b>	<b>—</b>	<b>10</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>12,642</b>	<b>15,011</b>	<b>4,493</b>	<b>2,747</b>

**Accounting policy for contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

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 un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	3,352	4,210
Add: operating grants recognised in the current period but not yet spent	1,564	2,173
Less: operating grants recognised in a previous reporting period now spent	(1,453)	(3,031)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>3,463</b>	<b>3,352</b>

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		6,142	6,204
Travel expenses		21	45
Employee leave entitlements (ELE)		1,238	1,209
ELE on-costs		200	–
Superannuation		650	641
Workers' compensation insurance		221	329
Fringe benefit tax (FBT)		83	99
Training costs (other than salaries and wages)		76	81
Protective clothing		66	52
Other		5	5
<b>Total employee costs</b>		<b>8,702</b>	<b>8,665</b>
Less: capitalised costs		(429)	(599)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>8,273</b>	<b>8,066</b>
Number of 'full-time equivalent' employees (FTE) at year end		99	104
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		116	116

**Accounting policy for employee benefits and on-costs**

Employee benefit expenses are recorded when the service has been provided by the employee.

**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.

**Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

<b>(b) Borrowing costs</b>		<b>2018</b>	<b>2017</b>
<b>(i) Interest bearing liability costs</b>			
Interest on loans		176	204
<b>Total interest bearing liability costs expensed</b>		<b>176</b>	<b>204</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	84	–
<b>Total other borrowing costs</b>		<b>84</b>	<b>–</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>260</b>	<b>204</b>

**Accounting policy for borrowing costs**

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. Other borrowing costs are expensed.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	7,240	5,110
Contractor and consultancy costs	16,462	11,522
Auditors remuneration <sup>(2)</sup>	63	121
Legal expenses:		
– Legal expenses: debt recovery	146	157
– Legal expenses: other	25	30
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	31	27
<b>Total materials and contracts</b>	<b>23,967</b>	<b>16,967</b>
Less: capitalised costs	(11,679)	(7,456)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>12,288</b>	<b>9,511</b>

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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.

**1. Operating lease payments are attributable to:**

Computers	31	27
	<b>31</b>	<b>27</b>

**2. Auditor remuneration**

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

**Auditors of the Council – NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	63	52
<b>Remuneration for audit and other assurance services</b>	<b>63</b>	<b>52</b>
<b>Total Auditor-General remuneration</b>	<b>63</b>	<b>52</b>

**Non NSW Auditor-General audit firms:****(i) Audit and other assurance services**

Internal Audit	–	69
<b>Remuneration for audit and other assurance services</b>	<b>–</b>	<b>69</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>–</b>	<b>69</b>
<b>Total Auditor remuneration</b>	<b>63</b>	<b>121</b>



# Walgett Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		971	1,067
Office equipment		28	28
<b>Infrastructure:</b>			
– Buildings – non-specialised		117	168
– Buildings – specialised		379	373
– Other structures		1,068	832
– Roads		3,792	2,776
– Stormwater drainage		170	170
– Water supply network		654	564
– Sewerage network		148	187
<b>Other assets:</b>			
– Other		86	920
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets		164	–
– Quarry assets		33	–
<b>Total depreciation and amortisation costs</b>	9 & 12	<b>7,610</b>	<b>7,085</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT /</u></b>			
<b><u>REVALUATION DECREMENT COSTS EXPENSED</u></b>		<b>7,610</b>	<b>7,085</b>

#### Accounting policy for depreciation, amortisation and impairment expenses

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

##### Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

##### Impairment of financial assets

Council assesses at the end of each reporting period 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.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	76	60
Bad and doubtful debts	101	7
Bank charges	19	17
Contributions/levies to other levels of government	1	–
– CMCC noxious weeds	103	101
– Emergency services levy (includes FRNSW, SES, and RFS levies)	12	13
– NSW fire brigade levy	41	40
– NSW rural fire service levy	211	206
– Regional library	148	144
– Other contributions/levies	–	2
Councillor expenses – mayoral fee	20	18
Councillor expenses – councillors' fees	104	110
Councillors' expenses (incl. mayor) – other (excluding fees above)	38	41
Donations, contributions and assistance to other organisations (Section 356)	11	12
– Community and tourism programs	421	386
– Donations, contributions and assistance	35	34
– RSPCA	18	–
– Other donations, contributions and assistance	17	19
Election expenses	–	40
Electricity and heating	365	346
Insurance	603	432
Office expenses (including computer expenses)	43	47
Printing and stationery	111	97
Rate discount	–	99
Street lighting	193	159
Subscriptions and publications	90	38
Swimming pools	218	189
Telephone and communications	107	123
Tourism expenses (excluding employee costs)	49	35
Valuation fees	61	39
Other	19	31
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>3,235</u></b>	<b><u>2,885</u></b>

#### Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		254	170
Less: carrying amount of plant and equipment assets sold/written off		(240)	(157)
<b>Net gain/(loss) on disposal</b>		<b>14</b>	<b>13</b>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		100	–
Less: carrying amount of infrastructure assets sold/written off		–	(33)
<b>Net gain/(loss) on disposal</b>		<b>100</b>	<b>(33)</b>
<b>Financial assets</b>	6		
Proceeds from disposal/redemptions/maturities – financial assets		75,000	65,510
Less: carrying amount of financial assets sold/redeemed/matured		(75,000)	(65,510)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Buildings (specialised and non-specialised)</b>			
Proceeds from disposal – Buildings (specialised and non-specialised)		–	–
Less: carrying amount of Buildings (specialised and non-specialised) as		(46)	–
<b>Net gain/(loss) on disposal</b>		<b>(46)</b>	<b>–</b>
<b>Other structures</b>			
Proceeds from disposal – Other structures		–	–
Less: carrying amount of Other structures assets sold/written off		(1)	(215)
<b>Net gain/(loss) on disposal</b>		<b>(1)</b>	<b>(215)</b>
<b>Roads, bridges and footpaths</b>			
Proceeds from disposal – Roads, bridges and footpaths		–	–
Less: carrying amount of Roads, bridges and footpaths assets written off		(28)	(1,561)
<b>Net gain/(loss) on disposal</b>		<b>(28)</b>	<b>(1,561)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>39</b>	<b>(1,796)</b>

**Accounting policy for disposal of assets**

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

## Note 6(a). Cash and cash equivalent assets

<b>Cash and cash equivalents</b>		
Cash on hand and at bank	3,677	1,556
Cash-equivalent assets		
– Deposits at call	4,765	3,295
– Short-term deposits	11,000	6,000
<b>Total cash and cash equivalents</b>	<b>19,442</b>	<b>10,851</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow 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 which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
Held to maturity'	5,000	10,000	14,500	8,000
<b>Total investments</b>	<b>5,000</b>	<b>10,000</b>	<b>14,500</b>	<b>8,000</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>24,442</u></b>	<b><u>10,000</u></b>	<b><u>25,351</u></b>	<b><u>8,000</u></b>
<b>Held to maturity investments</b>				
Long term deposits	5,000	10,000	14,500	8,000
<b>Total</b>	<b>5,000</b>	<b>10,000</b>	<b>14,500</b>	<b>8,000</b>

**Accounting policy for investments****Classification**

Council classifies its financial assets in the following categories: loans and receivables; held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

**Held to maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

**Recognition and de-recognition**

Regular investments and redemptions of financial assets are recognised at trade-date: the date on which Council commits to the investment or redemption. Investments are recognised at fair value for all financial assets not carried at fair value through profit and loss.

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

**Impairment of available for sale investments**

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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

<b>Total cash, cash equivalents and investments</b>	<b>24,442</b>	<b>10,000</b>	<b>25,351</b>	<b>8,000</b>
<b>attributable to:</b>				
External restrictions (refer below)	7,174	10,000	7,514	8,000
Internal restrictions (refer below)	11,056	–	12,085	–
Unrestricted	6,212	–	5,752	–
	<b>24,442</b>	<b>10,000</b>	<b>25,351</b>	<b>8,000</b>

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>Details of restrictions</b>		
<b>External restrictions – included in liabilities</b>		
Specific purpose unexpended loans – general	1,337	1,331
<b>External restrictions – included in liabilities</b>	<b>1,337</b>	<b>1,331</b>
<b>External restrictions – other</b>		
Specific purpose unexpended grants	3,463	3,352
Water supplies	3,187	2,703
Sewerage services	6,394	5,971
Domestic waste management	2,793	2,157
<b>External restrictions – other</b>	<b>15,837</b>	<b>14,183</b>
<b>Total external restrictions</b>	<b>17,174</b>	<b>15,514</b>
<b>Internal restrictions</b>		
Plant and vehicle replacement	2,854	3,484
Infrastructure replacement	1,619	3,074
Employees leave entitlement	635	545
Carry over works	23	23
Rehabilitation	150	100
General manager contract provisions	18	18
FAG advance 2018/19	2,868	2,958
Shire Signage	200	200
Local Environmental Plan Update	20	20
Lightning Ridge Urban Expansion Plan	17	17
Regional Infrastructure Program	27	27
Council Elections	22	10
RMCC Contract Warranty	350	350
Tourism, Marketing & Promotion	407	297
Arts Along the Highway	30	30
Economic Development	485	485
Corporate Restructure	11	11
Matching Government Grants	56	–
Property Maintenance	48	48
Postponed Major Projects	598	–
Lightning Ridge VIC Disability Facilities	146	146
Council Administration Centre Facilities Upgrade	245	100
Walgett Animal Pound	175	87
Other	52	55
<b>Total internal restrictions</b>	<b>11,056</b>	<b>12,085</b>
<b>TOTAL RESTRICTIONS</b>	<b>28,230</b>	<b>27,599</b>

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	1,088	–	653	404
Interest and extra charges	29	–	36	15
User charges and fees	991	–	1,207	179
Accrued revenues				
– Interest on investments	192	–	222	–
Deferred debtors	30	168	30	198
Government grants and subsidies	670	–	2,031	–
Net GST receivable	–	–	113	–
<b>Total</b>	<b>3,000</b>	<b>168</b>	<b>4,292</b>	<b>796</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(182)	–	(6)	(83)
User charges and fees	(2)	–	–	–
<b>Total provision for impairment – receivables</b>	<b>(184)</b>	<b>–</b>	<b>(6)</b>	<b>(85)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>2,816</u></b>	<b><u>168</u></b>	<b><u>4,286</u></b>	<b><u>711</u></b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	262	–	112	149
– Other	256	–	98	130
<b>Sewerage services</b>				
– Rates and availability charges	121	–	56	73
– Other	3	–	4	–
<b>Domestic waste management</b>	<b>100</b>	<b>60</b>	<b>105</b>	<b>65</b>
<b>Total external restrictions</b>	<b>742</b>	<b>60</b>	<b>375</b>	<b>417</b>
<b>Unrestricted receivables</b>	<b>2,074</b>	<b>108</b>	<b>3,911</b>	<b>294</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>2,816</u></b>	<b><u>168</u></b>	<b><u>4,286</u></b>	<b><u>711</u></b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			91	105
+ new provisions recognised during the year			93	–
– amounts already provided for and written off this year			–	(14)
<b>Balance at the end of the year</b>			<b>184</b>	<b>91</b>

**Accounting policy for receivables****Recognition and measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

# Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 7. Receivables (continued)

#### Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>Inventories at cost</b>				
Real estate for resale (refer below)	132	–	132	–
Stores and materials	729	–	929	–
<b>Total inventories at cost</b>	<b>861</b>	<b>–</b>	<b>1,061</b>	<b>–</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>861</u></b>	<b><u>–</u></b>	<b><u>1,061</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>				
Prepayments	–	–	3	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>3</u></b>	<b><u>–</u></b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 8. Inventories and other assets (continued)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	132	–	132	–
<b>Total real estate for resale</b>	<b>132</b>	<b>–</b>	<b>132</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	132	–	132	–
<b>Total costs</b>	<b>132</b>	<b>–</b>	<b>132</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>132</b>	<b>–</b>	<b>132</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	132	–	314	–
– Purchases and other costs	–	–	182	–
– Transfers in from (out to) Note 9	–	–	(182)	–
– Transfer between current/non-current	–	–	(182)	–
<b>Total real estate for resale</b>	<b>132</b>	<b>–</b>	<b>132</b>	<b>–</b>

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

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

	2018	2017
Real estate for resale	132	132
	<b>132</b>	<b>132</b>

**Accounting policy****Raw materials and stores**

Raw materials and stores are stated at the lower of cost and net realisable value. Costs are assigned to items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.



## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 9(a). Infrastructure, property, plant and equipment

Asset class  \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	577	–	577	994	2,845	–	–	(148)	–	–	–	4,268	–	4,268
Plant and equipment	12,314	7,521	4,793	1,598	–	(240)	(971)	–	–	–	910	12,469	6,379	6,090
Office equipment	1,382	1,203	179	66	–	–	(28)	–	–	–	–	1,448	1,231	217
<b>Land:</b>														
– Operational and Community land	2,592	–	2,592	28	–	–	–	–	–	–	344	2,964	–	2,964
<b>Infrastructure:</b>														
– Buildings – non-specialised	7,078	2,796	4,282	–	–	–	(117)	–	1	–	33	5,275	1,076	4,199
– Buildings – specialised	20,344	10,898	9,446	45	123	(46)	(379)	–	100	–	1,318	18,800	8,193	10,607
– Other structures	35,405	17,464	17,941	53	231	(1)	(1,068)	25	–	(1,277)	–	34,886	18,982	15,904
– Roads, bridges and footpaths	138,203	66,175	72,028	3,104	2,416	(28)	(3,792)	123	9	–	2	143,029	69,167	73,862
– Bulk earthworks (non-depreciable)	88,342	–	88,342	716	–	–	–	–	(9)	–	–	89,049	–	89,049
– Stormwater drainage	14,376	5,041	9,335	–	–	–	(170)	–	–	–	–	14,376	5,211	9,165
– Water supply network	43,186	15,793	27,393	–	–	–	(654)	–	–	–	563	44,162	16,860	27,302
– Sewerage network	28,949	9,946	19,003	–	–	–	(148)	–	–	–	395	29,550	10,300	19,250
<b>Other assets:</b>														
– Other	12,265	3,698	8,567	–	–	–	(86)	–	(101)	(184)	–	11,986	3,790	8,196
<b>Reinstatement, rehabilitation and restoration assets</b> (refer Note 12):														
– Tip assets	–	–	–	–	2,970	–	(164)	–	–	–	–	2,970	164	2,806
– Quarry assets	–	–	–	–	178	–	(33)	–	–	–	–	178	33	145
<b><u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</u></b>	<b>405,013</b>	<b>140,535</b>	<b>264,478</b>	<b>6,604</b>	<b>8,763</b>	<b>(315)</b>	<b>(7,610)</b>	<b>–</b>	<b>–</b>	<b>(1,461)</b>	<b>3,565</b>	<b>415,410</b>	<b>141,386</b>	<b>274,024</b>

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

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9(a). Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	3 to 10	Playground equipment	2 to 15
Office furniture	5 to 10	Benches, seats etc.	5 to 10
Computer equipment	3		
Vehicles	3 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	3 to 8	Buildings: masonry	50 to 100
Other plant and equipment	3 to 20	Buildings: other	20 to 40
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	40 to 100	Drains	100
Bores	20 to 40	Culverts	100
Reticulation pipes: PVC	54 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 65		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	8 to 10	Bulk earthworks	Infinite
Sealed roads: structure	100	Swimming pools	50
Unsealed roads	100	Unsealed roads	100
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	50		
Kerb, gutter and footpaths	50		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9(a). Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment (continued)

###### Land under roads

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

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

###### Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

###### Rural Fire Service assets

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

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

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	575	—	575	36	—	36
Infrastructure	44,162	16,860	27,302	43,186	15,793	27,393
<b>Total water supply</b>	<b>44,737</b>	<b>16,860</b>	<b>27,877</b>	<b>43,222</b>	<b>15,793</b>	<b>27,429</b>
<b>Sewerage services</b>						
WIP	42	—	42	6	—	6
Infrastructure	29,550	10,300	19,250	28,949	9,946	19,003
<b>Total sewerage services</b>	<b>29,592</b>	<b>10,300</b>	<b>19,292</b>	<b>28,955</b>	<b>9,946</b>	<b>19,009</b>
<b>Domestic waste management</b>						
Other structures	302	46	256	—	—	—
Other assets	855	376	479	—	—	—
<b>Total DWM</b>	<b>1,157</b>	<b>422</b>	<b>735</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>75,486</b>	<b>27,582</b>	<b>47,904</b>	<b>72,177</b>	<b>25,739</b>	<b>46,438</b>

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 10. Investment property

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

\$ '000	2018	2017
<b>Leasing arrangements – Council as lessor</b>		
Some Council property is leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	31	–
Later than 1 year but less than 5 years	94	–
<b>Total minimum lease payments receivable</b>	<b>125</b>	<b>–</b>

Council leases its photocopiers over a 60 month period at \$2,617.01 per month (Ex GST). The lease agreement expires on the 30th June 2022.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,114	–	1,516	–
Accrued expenses:				
– Borrowings	16	–	19	–
– Salaries and wages	296	–	242	–
– Other expenditure accruals	405	–	521	–
Security bonds, deposits and retentions	99	–	36	–
ATO – net GST payable	44	–	–	–
Ratepayer prepayments	277	–	370	–
<b>Total payables</b>	<b>2,251</b>	<b>–</b>	<b>2,704</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	238	–	222	–
<b>Total income received in advance</b>	<b>238</b>	<b>–</b>	<b>222</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	617	3,379	617	3,288
<b>Total borrowings</b>	<b>617</b>	<b>3,379</b>	<b>617</b>	<b>3,288</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>3,106</b>	<b>3,379</b>	<b>3,543</b>	<b>3,288</b>

## (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	242	–	225	–
Payables and borrowings relating to externally restricted assets	242	–	225	–
<b>Total payables and borrowings relating to restricted assets</b>	<b>242</b>	<b>–</b>	<b>225</b>	<b>–</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>2,864</b>	<b>3,379</b>	<b>3,318</b>	<b>3,288</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>3,106</b>	<b>3,379</b>	<b>3,543</b>	<b>3,288</b>

## (b) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	3,905	(609)	700	–	–	3,996
<b>TOTAL</b>	<b>3,905</b>	<b>(609)</b>	<b>700</b>	<b>–</b>	<b>–</b>	<b>3,996</b>

<sup>1</sup> 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 17.

# Walgett Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
<b>(c) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Credit cards/purchase cards	20	20
<b>Total financing arrangements</b>	<b>20</b>	<b>20</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	10	5
<b>Total drawn financing arrangements</b>	<b>10</b>	<b>5</b>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	10	15
<b>Total undrawn financing arrangements</b>	<b>10</b>	<b>15</b>

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

#### Accounting policy for payables and borrowings

##### Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

##### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

##### Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	1,071	–	1,042	–
Sick leave	114	–	116	–
Long service leave	920	150	895	146
Other leave (time in lieu.)	26	–	27	–
<b>Sub-total – aggregate employee benefits</b>	<b>2,131</b>	<b>150</b>	<b>2,080</b>	<b>146</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	84	3,148	–	–
<b>Sub-total – asset remediation/restoration</b>	<b>84</b>	<b>3,148</b>	<b>–</b>	<b>–</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>2,215</u></b>	<b><u>3,298</u></b>	<b><u>2,080</u></b>	<b><u>146</u></b>

## (a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	84	3,050	–	–
<b>Provisions relating to externally restricted assets</b>	<b>84</b>	<b>3,050</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to restricted assets</b>	<b>84</b>	<b>3,050</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>2,131</b>	<b>248</b>	<b>2,080</b>	<b>146</b>
<b>TOTAL PROVISIONS</b>	<b><u>2,215</u></b>	<b><u>3,298</u></b>	<b><u>2,080</u></b>	<b><u>146</u></b>

\$ '000	2018	2017
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## (b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,114	1,389
	<b><u>1,114</u></b>	<b><u>1,389</u></b>

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 12. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
At beginning of year	1,042	116	1,041	27	2,226
Additional provisions	29	(2)	29	—	56
Amounts used (payments)	293	(2)	29	(1)	319
Remeasurement effects	(293)	2	(29)	—	(320)
Total ELE provisions at end of year	1,071	114	1,070	26	2,281

2017	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
At beginning of year	938	119	929	46	2,032
Additional provisions	51	6	51	—	108
Amounts used (payments)	(487)	(24)	(98)	(19)	(628)
Remeasurement effects	540	15	159	—	714
Total ELE provisions at end of year	1,042	116	1,041	27	2,226

2018	Other provisions	
	Asset remediation	Total
At beginning of year	—	—
Changes to provision:		
Additional provisions	3,148	3,148
Unwinding of discount	84	84
Total other provisions at end of year	3,232	3,232

2017	Other provisions	
	Asset remediation	Total
At beginning of year	—	—
Total other provisions at end of year	—	—



## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

##### **Accounting policy for provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### **Employee benefits**

###### **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

###### **Other long-term employee benefit obligations**

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

##### **Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries**

###### ***Restoration***

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

###### ***Rehabilitation***

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

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

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000

##### 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.

#### Note 14. Statement of cash flows – additional information

\$ '000

Notes

2018

2017

##### (a) Reconciliation of cash assets

Total cash and cash equivalent assets	6a	19,442	10,851
<b>Balance as per the Statement of Cash Flows</b>		<b>19,442</b>	<b>10,851</b>

##### (b) Reconciliation of net operating result to cash provided from operating activities

<b>Net operating result from Income Statement</b>		<b>3,376</b>	<b>7,869</b>
Adjust for non-cash items:			
Depreciation and amortisation		7,610	7,085
Net losses/(gains) on disposal of assets		(39)	1,796
Unwinding of discount rates on reinstatement provisions		84	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		1,890	(1,269)
Increase/(decrease) in provision for doubtful debts		93	(14)
Decrease/(increase) in inventories		200	(92)
Decrease/(increase) in other assets		3	3
Increase/(decrease) in payables		(402)	964
Increase/(decrease) in accrued interest payable		(3)	(3)
Increase/(decrease) in other accrued expenses payable		(62)	486
Increase/(decrease) in other liabilities		30	(173)
Increase/(decrease) in employee leave entitlements		55	194
Increase/(decrease) in other provisions		3,148	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>15,983</b>	<b>16,846</b>

# Walgett Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 15. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	–	347
<b>Total commitments</b>	<b>–</b>	<b>347</b>
<b>These expenditures are payable as follows:</b>		
Later than one year and not later than 5 years	–	347
<b>Total payable</b>	<b>–</b>	<b>347</b>
<b>Sources for funding of capital commitments:</b>		
Internally restricted reserves	–	347
<b>Total sources of funding</b>	<b>–</b>	<b>347</b>
<b>Details of capital commitments - 2017</b>		
Caterpillar Grader		
<b>(b) Operating lease commitments (non-cancellable)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	24	24
Later than one year and not later than 5 years	72	96
<b>Total non-cancellable operating lease commitments</b>	<b>96</b>	<b>120</b>

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

Photocopiers leased under a five year operating maintenance agreement

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

#### **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.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised

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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised (continued)

##### LIABILITIES NOT RECOGNISED: (continued)

##### 1. Guarantees (continued)

##### (i) Defined benefit superannuation contribution plans (continued)

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was **\$ 66,640.92**.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is **\$43,152.04**.

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.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised (continued)

##### LIABILITIES NOT RECOGNISED: (continued)

##### 1. Guarantees (continued)

##### (i) Defined benefit superannuation contribution plans (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

\* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around **0.11%** of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

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.

##### (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.

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised (continued)

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##### **LIABILITIES NOT RECOGNISED: (continued)**

##### **1. Guarantees (continued)**

##### **(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.

##### **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) Potential land acquisitions due to planning restrictions imposed by Council**

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

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

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



## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 16. Contingencies and other liabilities/assets not recognised (continued)

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##### **ASSETS NOT RECOGNISED:**

##### **(i) Land under roads**

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

##### **(ii) Infringement notices/fines**

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

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

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

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

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 17. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	19,442	10,851	19,442	20,851
Investments				
– 'Held to maturity'	15,000	22,500	15,000	12,500
Receivables	2,984	4,997	2,984	4,653
<b>Total financial assets</b>	<b>37,426</b>	<b>38,348</b>	<b>37,426</b>	<b>38,004</b>
<b>Financial liabilities</b>				
Payables	2,251	2,704	2,251	2,687
Loans/advances	3,996	3,905	3,996	3,905
<b>Total financial liabilities</b>	<b>6,247</b>	<b>6,609</b>	<b>6,247</b>	<b>6,592</b>

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.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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
<b>2018</b>				
Possible impact of a 1% movement in interest rates	271	271	(271)	(271)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	255	255	(255)	(255)

# Walgett Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 17. 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 – where applicable, land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	85%	0%	91%
Overdue	100%	15%	100%	9%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>			2018	2017
<b>Rates and annual charges</b>				
Current			–	–
< 1 year overdue			529	639
1 – 2 years overdue			279	196
2 – 5 years overdue			230	175
> 5 years overdue			50	47
			<b>1,088</b>	<b>1,057</b>
<b>Other receivables</b>				
Current			1,775	3,668
0 – 30 days overdue			2	63
31 – 60 days overdue			32	103
61 – 90 days overdue			1	7
> 91 days overdue			270	190
			<b>2,080</b>	<b>4,031</b>

# Walgett Shire Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 17. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables		99	–	–	–	99	2,251
Loans and advances	5.03%	–	667	3,454	1,075	5,196	3,996
<b>Total financial liabilities</b>		<b>99</b>	<b>667</b>	<b>3,454</b>	<b>1,075</b>	<b>5,295</b>	<b>6,247</b>
<b>2017</b>							
Trade/other payables		36	2,687	–	300	3,023	2,704
Loans and advances	6.23%	–	770	2,779	786	4,335	3,905
<b>Total financial liabilities</b>		<b>36</b>	<b>3,457</b>	<b>2,779</b>	<b>1,086</b>	<b>7,358</b>	<b>6,609</b>

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 28 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>8,724</b>	<b>8,679</b>	<b>(45)</b>	<b>(1%)</b>	<b>U</b>
<b>User charges and fees</b>	<b>5,157</b>	<b>7,315</b>	<b>2,158</b>	<b>42%</b>	<b>F</b>
Council undertook additional ordered works for the Roads & Maritime Services on the Castlereagh, Gwydir and Kamilaroi Highways during the year and this resulted in increased user charges, well above the original budget estimate.					
<b>Interest and investment revenue</b>	<b>706</b>	<b>777</b>	<b>71</b>	<b>10%</b>	<b>F</b>
The revised investment policy has been the catalyst for increased investment income during the year. The policy allows improved flexibility in terms of investment periods, institution balances, and this coupled with increased available funds has resulted in interest returns above the original estimate.					
<b>Other revenues</b>	<b>2,324</b>	<b>1,097</b>	<b>(1,227)</b>	<b>(53%)</b>	<b>U</b>
Council adopted a new method of treating gravel sales in 2017-18. The initial budget projected a higher sales volume on the sale of gravel than was actually achieved.					
<b>Operating grants and contributions</b>	<b>10,337</b>	<b>12,642</b>	<b>2,305</b>	<b>22%</b>	<b>F</b>
A review of the grants indicates some grants were classified incorrectly as capital in the budget when in fact they they were operational.					
<b>Capital grants and contributions</b>	<b>8,793</b>	<b>4,493</b>	<b>(4,300)</b>	<b>(49%)</b>	<b>U</b>
The original budget made provision for a number of capital grants for construction of assets, however, a number of these were not realised. In addition to this some grants have been classified incorrectly as operational in the budget process.					

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>8,207</b>	<b>8,273</b>	<b>(66)</b>	<b>(1%) U</b>
<b>Borrowing costs</b>	<b>153</b>	<b>260</b>	<b>(107)</b>	<b>(70%) U</b>
Provision not made in original budget for all borrowing costs.				
<b>Materials and contracts</b>	<b>9,025</b>	<b>12,288</b>	<b>(3,263)</b>	<b>(36%) U</b>
Increased expenditure associated with operational grants and user charges.				
<b>Depreciation and amortisation</b>	<b>4,701</b>	<b>7,610</b>	<b>(2,909)</b>	<b>(62%) U</b>
The depreciation expense was based upon historic costs and did not include the revalued assets depreciation.				
<b>Other expenses</b>	<b>2,693</b>	<b>3,235</b>	<b>(542)</b>	<b>(20%) U</b>
Increased expenditure associated with additional operational grants and user charges.				

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

<b>Cash flows from operating activities</b>	<b>16,131</b>	<b>15,983</b>	<b>(148)</b>	<b>(0.9%) U</b>
<b>Cash flows from investing activities</b>	<b>(19,668)</b>	<b>(7,483)</b>	<b>12,185</b>	<b>(62.0%) F</b>
Higher rate of investment in infrastructure achieved than originally projected in the budget.				
<b>Cash flows from financing activities</b>	<b>2,718</b>	<b>91</b>	<b>(2,627)</b>	<b>(96.7%) U</b>
The original budget made provision for additional loans, however, these were not taken up in the current financial year.				

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. 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:

2018	Date	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in	Level 2 Significant observable	Level 3 Significant unobservable	
<b>Recurring fair value measurements</b>	of latest				
Plant and equipment	30/06/18	–	6,090	–	6,090
Office equipment	30/06/14	–	217	–	217
Operational land	30/06/18	–	2,964	–	2,964
Buildings – non-specialised	30/06/18	–	4,199	–	4,199
Buildings specialised	30/06/18	–	–	10,607	10,607
Other structures	30/06/18	–	–	15,904	15,904
Roads bridges and footpaths	30/06/15	–	–	73,862	73,862
Bulk earthworks	30/06/15	–	–	89,049	89,049
Stormwater drainage	30/06/15	–	–	9,165	9,165
Water supply network	30/06/17	–	–	27,302	27,302
Sewerage network	30/06/17	–	–	19,250	19,250
Other assets	30/06/16	–	–	8,196	8,196
Tip Assets	30/06/18	–	–	2,806	2,806
Quarry Assets	30/06/18	–	–	145	145
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>13,470</b>	<b>256,286</b>	<b>269,756</b>



## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/14	—	4,793	—	4,793
Office equipment	30/06/14	—	179	—	179
Operational land	30/06/14	—	2,592	—	2,592
Buildings – non-specialised	30/06/14	—	4,282	—	4,282
Buildings specialised	30/06/14	—	—	9,446	9,446
Other structures	30/06/16	—	—	17,941	17,941
Roads bridges and footpaths	30/06/15	—	—	72,028	72,028
Bulk earthworks	30/06/15	—	—	88,342	88,342
Stormwater drainage	30/06/15	—	—	9,335	9,335
Water supply network	30/06/17	—	—	27,393	27,393
Sewerage network	30/06/17	—	—	19,003	19,003
Other assets	30/06/16	—	—	8,567	8,567
Total infrastructure, property, plant and equipment		—	11,846	252,055	263,901

**(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.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads bridges footpaths	Bulk earthworks	Total
<b>Opening balance – 1/7/16</b>	9,607	18,583	71,536	88,065	187,791
Purchases (GBV)	212	405	3,873	1,233	5,723
Disposals (WDV)	–	(215)	(605)	(956)	(1,776)
Depreciation and impairment	(373)	(832)	(2,776)	–	(3,981)
<b>Closing balance – 30/6/17</b>	<b>9,446</b>	<b>17,941</b>	<b>72,028</b>	<b>88,342</b>	<b>187,757</b>
Transfers from/(to) another asset class	100	135	(138)	(9)	88
Purchases (GBV)	168	267	5,375	716	6,526
Disposals (WDV)	(46)	(1)	(28)	–	(75)
Depreciation and impairment	(379)	(978)	(3,375)	–	(4,732)
Revaluation increment to equity (ARR)	1,318	(1,460)	–	–	(142)
<b>Closing balance – 30/6/18</b>	<b>10,607</b>	<b>15,904</b>	<b>73,862</b>	<b>89,049</b>	<b>189,422</b>

	Stormwater drainage	Water supply network	Sewer network	Other assets	Total
<b>Opening balance – 1/7/16</b>	9,505	20,081	11,966	8,544	50,096
Purchases (GBV)	–	1,085	14	976	2,075
Disposals (WDV)	–	–	–	(33)	(33)
Depreciation and impairment	(170)	(564)	(187)	(920)	(1,841)
Revaluation increment to equity (ARR)	–	6,791	7,210	–	14,001
<b>Closing balance – 30/6/17</b>	<b>9,335</b>	<b>27,393</b>	<b>19,003</b>	<b>8,567</b>	<b>64,298</b>
Transfers from/(to) another asset class	–	–	–	(101)	(101)
Depreciation and impairment	(170)	(654)	(148)	(86)	(1,058)
Revaluation increment to equity (ARR)	–	563	395	(184)	774
<b>Closing balance – 30/6/18</b>	<b>9,165</b>	<b>27,302</b>	<b>19,250</b>	<b>8,196</b>	<b>63,913</b>

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

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

	Tip Assets	Quarry Assets	Total
Opening balance – 1/7/16	–	–	–
Closing balance – 30/6/17	–	–	–
Purchases (GBV)	2,970	178	3,148
Depreciation and impairment	(164)	(33)	(197)
Closing balance – 30/6/18	2,806	145	2,951

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 (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E</b>			
Buildings specialised	10,607	Adviser report	Unit price
Other structures	16,428	Adviser report	Unit price
Roads bridges and footpaths	74,051	Adviser report	Unit price
Bulk earthworks	89,049	Adviser report	Unit price
Stormwater drainage	11,470	Unit rates per m <sup>2</sup> or length	Asset condition, remaining lives
Water supply network	27,878	Unit rates per m2 or length	Asset condition, remaining lives
Sewerage network	19,291	Unit rates per m2 or length	Asset condition, remaining lives
Other assets	8,829	Adviser report	Unit price
Tip Assets	2,806	Adviser report	Unit price
Quarry Assets	145	Adviser report	Unit price

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 20. Related party transactions

\$ '000

##### a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	842	918
Termination benefits	—	71
<b>Total</b>	<b>842</b>	<b>989</b>

##### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	\$'000	\$'000		\$'000	\$'000
<b>2018</b>						
Water cart hire	1	63	—	7 days	—	—
Plant and equipment hire	2	394	—	7days	—	—
Employee expenses relating to close family members of KMP	3	111	—	As per Local Gov State Award	—	—

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Related party transactions (continued)

## b. Other transactions with KMP and their related parties (continued)

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	\$'000	\$'000		\$'000	\$'000
<b>2017</b>					
Water cart hire	126	—	7 Days	—	—
Gravel sales to Council	52	—	30 days	—	—
Plant and equipment hire	389	—	7 days	—	—
Employee expenses relating to close family members of KMP	44	—	As per Local Gov Award	—	—
Management of Council waste sites	524	—	30 days	—	—
Employee expenses relating to close family members of KMP	107	—	As per Local Gov Award	—	—
Gravel sales to Council	52	—	30 days	—	—
Sand and gravel sales to Council	408	—	7 days	—	—
Gravel sales to Council	322	—	7 days	—	—

1 Council hires water carts from Mr Manuel Martinez a Council KMP. The hire accepted by Council as part of the annual plant hire tender process.

2 Council purchased plant hire from Wintergreen Investments and a Director of the Company is a KMP of Council. Plant hire as part of the annual tender process.

3 Close family members of a Council's KMP are employed by the Council under the Local Government Award, on an arms length basis. Two (2) close family members.

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 21. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	1,398	862	6,419
User charges and fees	912	1	6,402
Interest and investment revenue	99	116	562
Other revenues	6	2	1,089
Grants and contributions provided for operating purposes	12	10	12,620
Grants and contributions provided for capital purposes	188	–	4,305
<b>Total income from continuing operations</b>	<b>2,615</b>	<b>991</b>	<b>31,436</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	453	133	7,687
Borrowing costs	–	–	260
Materials and contracts	592	392	11,304
Depreciation and amortisation	654	148	6,808
Other expenses	535	15	2,685
<b>Total expenses from continuing operations</b>	<b>2,234</b>	<b>688</b>	<b>28,744</b>
<b>Operating result from continuing operations</b>	<b>381</b>	<b>303</b>	<b>2,692</b>
 <b>Net operating result attributable to each council fund</b>	 <b>381</b>	 <b>303</b>	 <b>2,692</b>
 <b>Net operating result for the year before grants and contributions provided for capital purposes</b>	 <b>193</b>	 <b>303</b>	 <b>(1,613)</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

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

## Walgett Shire Council

Notes to the Financial Statements  
as at 30 June 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	687	3,394	15,361
Investments	–	–	5,000
Receivables	518	124	2,174
Inventories	–	–	861
<b>Total current assets</b>	<b>1,205</b>	<b>3,518</b>	<b>23,396</b>
<b>Non-current assets</b>			
Investments	2,500	3,000	4,500
Receivables	–	–	168
Infrastructure, property, plant and equipment	27,877	19,292	226,855
<b>Total non-current assets</b>	<b>30,377</b>	<b>22,292</b>	<b>231,523</b>
<b>TOTAL ASSETS</b>	<b>31,582</b>	<b>25,810</b>	<b>254,919</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	226	–	2,025
Income received in advance	16	–	222
Borrowings	–	–	617
Provisions	–	–	2,215
<b>Total current liabilities</b>	<b>242</b>	<b>–</b>	<b>5,079</b>
<b>Non-current liabilities</b>			
Borrowings	–	–	3,379
Provisions	–	–	3,298
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>6,677</b>
<b>TOTAL LIABILITIES</b>	<b>242</b>	<b>–</b>	<b>11,756</b>
<b>Net assets</b>	<b>31,340</b>	<b>25,810</b>	<b>243,163</b>
<b>EQUITY</b>			
Accumulated surplus	11,816	12,425	85,702
Revaluation reserves	19,524	13,385	157,461
<b>Total equity</b>	<b>31,340</b>	<b>25,810</b>	<b>243,163</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

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

## Walgett Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>(1,156)</b>	<b>-3.79%</b>	19.95%	8.73%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>30,510</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>17,868</b>	<b>51.05%</b>	52.54%	55.27%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>35,003</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>20,071</b>	<b>5.17x</b>	5.66x	5.42x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>3,881</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>6,714</b>	<b>7.73x</b>	17.78x	12.26x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>869</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>935</b>	<b>9.48%</b>	10.37%	11.77%	10%
Rates, annual and extra charges collectible	<b>9,864</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>34,442</b>	<b>17.04 mths</b>	16.27 mths	12.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<b>2,021</b>				

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 11 and 12.

<sup>(4)</sup> Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).



## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	-6.10%	20.47%	7.95%	1.95%	30.58%	43.88%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue <sup>(1)</sup>	46.09%	48.87%	92.35%	81.34%	98.99%	98.89%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions <sup>(2)</sup>							
<hr/>							
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	5.17x	5.66x	4.98x	8.50x	No liabilities	No liabilities	> 1.5x

## Notes

(1) - (4) Refer to Notes at Note 22a above.

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

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	6.23x	16.39x	0.00x	86.71x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	7.26%	8.23%	18.74%	19.51%	14.04%	15.36%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	15.02	12.02	0.00	1,704.00	0.00	2,906.00	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

## Notes

(1) Refer to Notes at Note 22a above.

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

END OF AUDITED FINANCIAL STATEMENTS

## Walgett Shire Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 23. Council information and contact details

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**Principal place of business:**

77 Fox Street  
Walgett NSW 2832

**Contact details****Mailing address:**

PO Box 31  
Walgett NSW 2832

**Opening hours:**

Monday to Friday  
8:30am to 5:00pm

**Telephone:** 02 6828 1399

**Facsimile:** 02 6828 1399

**Internet:** [www.walgett.nsw.gov.au](http://www.walgett.nsw.gov.au)

**Email:** [admin@walgett.nsw.gov.au](mailto:admin@walgett.nsw.gov.au)

**Officers****GENERAL MANAGER**

Paul Mann

**Elected members****MAYOR**

Manuel Martinez

**RESPONSIBLE ACCOUNTING OFFICER**

Michael Urquhart

**Other information**

**ABN:** 78 769 076 385



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Walgett Shire Council**

To the Councillors of the Walgett Shire Council

**Opinion**

I have audited the accompanying financial report of Walgett Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- 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 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

**Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Caroline Karakatsanis  
Director, Financial Audit Services

30 October 2018  
SYDNEY

Cr Ian Woodcock  
Mayor  
Walgett Shire Council  
PO Box 31  
WALGETT NSW 2832

Contact: Caroline Karakatsanis  
Phone no: 02 9275 7143  
Our ref: D1814586/1801

30 October 2018

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Walgett Shire Council**





I have audited the general purpose financial statements of the Walgett Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## **INCOME STATEMENT**

### **Operating result**

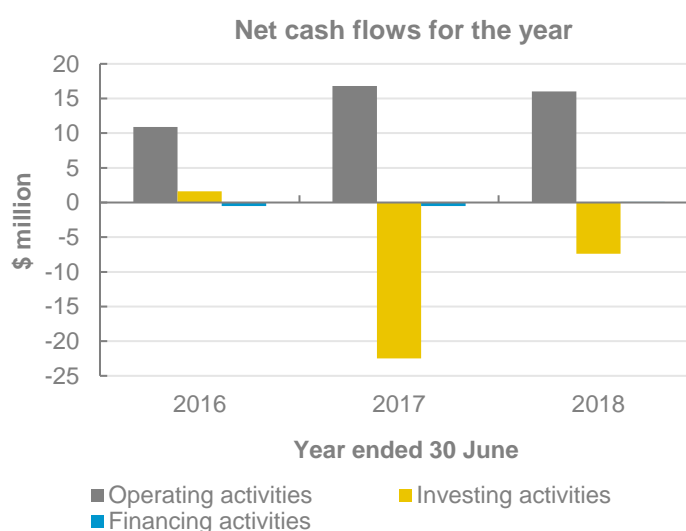
	<b>2018</b>	<b>2017</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	8.7	8.5	 2.1
<b>Grants and contributions revenue</b>	17.1	17.8	 3.5
<b>Operating result for the year</b>	3.4	7.9	 57.1
<b>Net operating result before capital amounts</b>	(1.1)	5.1	 122

Council's operating result (\$3.4 million including the effect of depreciation and amortisation expense of \$7.6 million) was \$4.5 million lower than the 2016–17 result. The major driver for this decrease was the significantly higher level of materials and contracts expenditure in the 2017–18 year (\$2.8 million higher), driven by a large amount of contractor and consultancy costs.

Revenue derived from rates and annual charges is consistent with budget targets and the prior year. The increase of \$180,000 (2.1 per cent) was predominantly due to the approved rate pegging increase of 1.5 per cent, and a slight increase in the level of annual domestic waste and water charges.

## STATEMENT OF CASH FLOWS

- The level of operating cash flows for Council has been steady over the current and previous year, following an increase in 2016–17 to account for additional grant funding.
- The level of cash spent on capital works and asset purchases has increased in the current year, however this is more than offset by the movement of funds from longer term investments to cash holdings.
- Council's financing activities are in line with the minor level of borrowings held by Council.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	17,174	15,514	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in externally restricted cash is mainly attributable to the increases in domestic waste management (\$0.6 million) sewerage services (\$0.4 million) and water supplies (\$0.5 million).</li> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash remains steady.</li> <li>Council has increased its unrestricted cash and investments balance from the prior year. These funds provide liquidity for day to day operations.</li> </ul>
Internal restrictions	11,056	12,085	
Unrestricted	6,212	5,752	
<b>Cash and investments</b>	<b>34,442</b>	<b>33,351</b>	



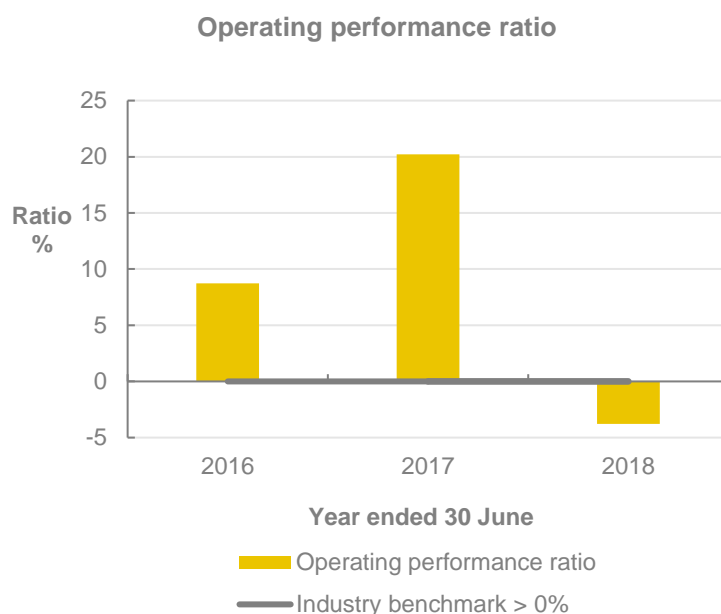
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 22 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

### Operating performance ratio

Council has fallen behind the benchmark level in 2018 as a result of reduced continuing operating revenue being recorded. In the prior year, the result was especially high due to early receipt of Financial Assistance Grants for the 2017–18 year.

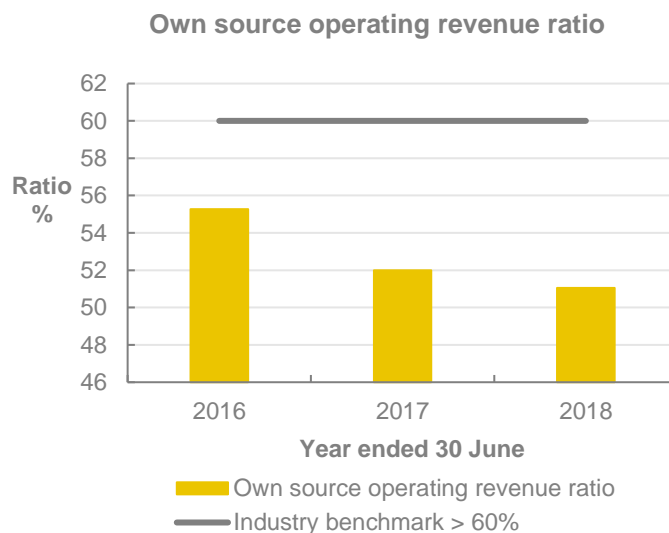
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



### Own source operating revenue ratio

Council struggles to meet the benchmark levels due to its rural location and relatively small rating base, which results in a lower percentage of own sourced revenue.

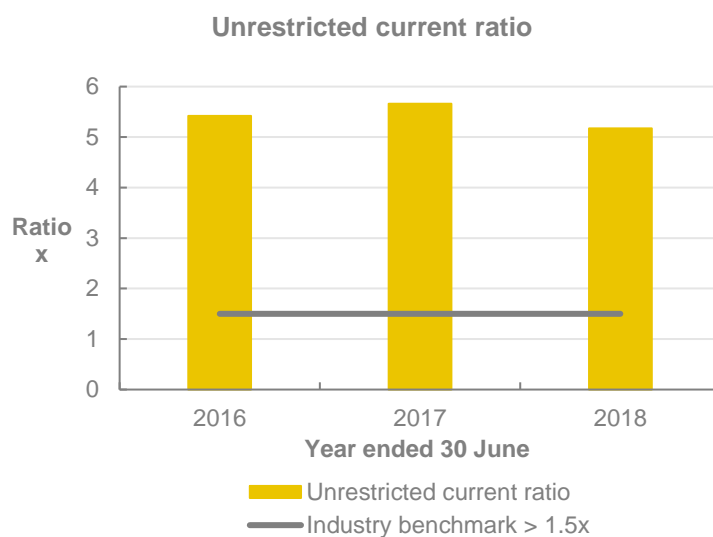
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

The ratio indicates that Council has \$5.17 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities, inclusive of loan repayments and creditors. This level remains well above the industry benchmark.

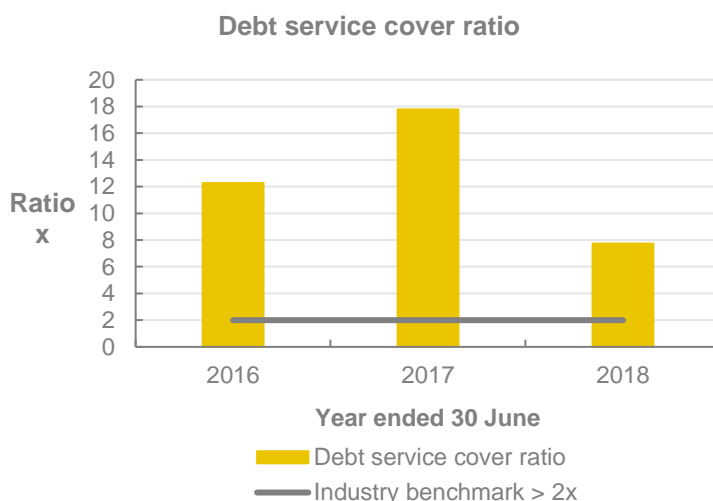
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

Council continues to meet this benchmark due to its relatively low loan balance. Council has taken on some new loans in the current year.

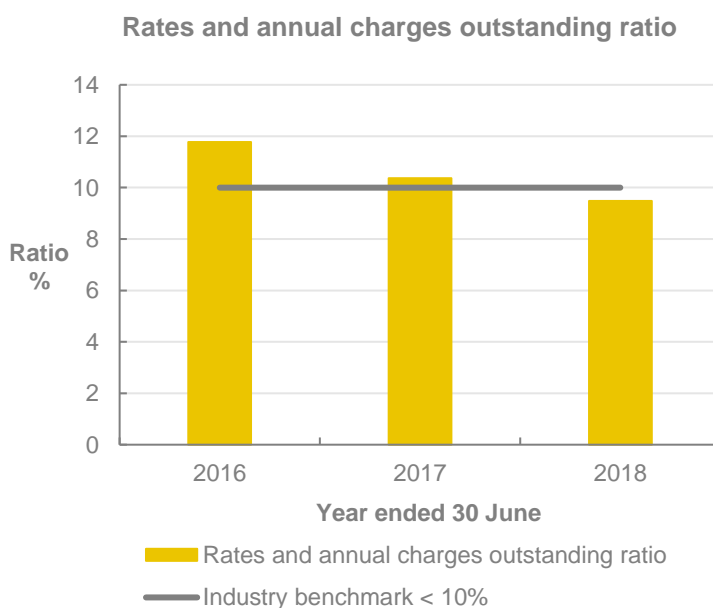
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

Council's collection rates have gradually improved across the three years and outstanding debtors have now fallen within the best practice benchmark of 10 per cent. This is indicative of Council having improving debt management and collection processes in place.

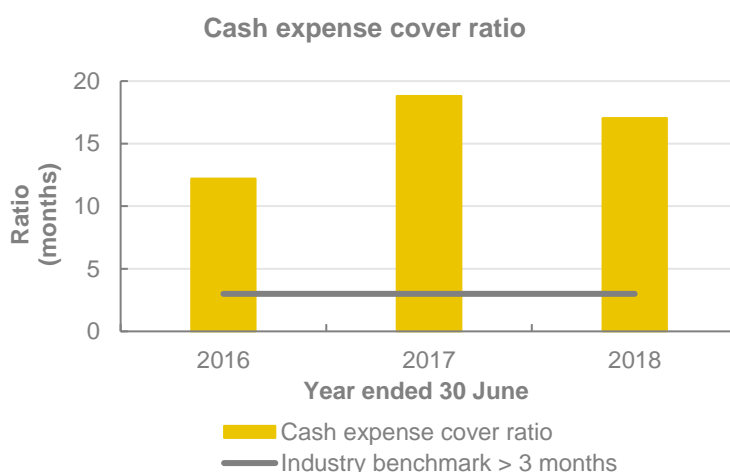
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

At 30 June 2018, the Council had the capacity to cover more than 17 months of cash expenditure without additional cash inflows. This is well in excess of the industry benchmark minimum of 3 months.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

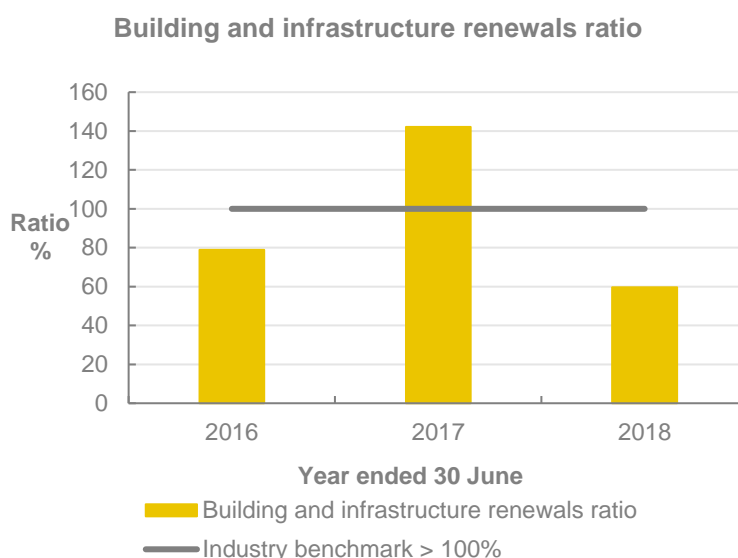


## Building and infrastructure renewals ratio (unaudited)

The Council's building & infrastructure renewals ratio of 59.64 per cent is below the industry benchmark of greater than 100 per cent. Council has only exceeded the benchmark in one of the 3 years, indicative of the irregular timing of major capital works.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11(b).

### Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Caroline Karakatsanis  
Director, Financial Audit Services

cc: Paul Mann, Acting General Manager  
Tim Hurst, Chief Executive of the Office of Local Government

# Walgett Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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**“Rivers, Plains and Opals”**



# Walgett Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
<b>3. Notes to the Special Purpose Financial Statements</b>	<b>7</b>
<b>4. Auditor's Report</b>	<b>17</b>

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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).
-

## Walgett Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

### 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.

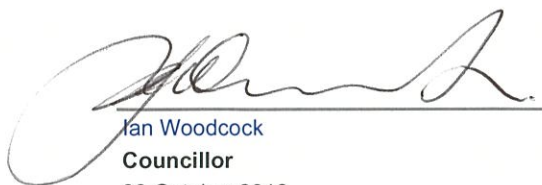
Signed in accordance with a resolution of Council made on 30 October 2018.



Manuel Martinez

**Mayor**

30 October 2018



Ian Woodcock

**Councillor**

30 October 2018



Paul Mann

**General Manager**

30 October 2018



Michael Urquhart

**Responsible Accounting Officer**

30 October 2018

## Walgett Shire Council

# Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	1,398	1,338
User charges	609	504
Fees	303	264
Interest	99	88
Grants and contributions provided for non-capital purposes	12	12
Other income	6	3
<b>Total income from continuing operations</b>	<b>2,427</b>	<b>2,209</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	453	475
Materials and contracts	592	594
Depreciation, amortisation and impairment	654	564
Other expenses	535	533
<b>Total expenses from continuing operations</b>	<b>2,234</b>	<b>2,166</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>193</b>	<b>43</b>
Grants and contributions provided for capital purposes	188	492
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>381</b>	<b>535</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>381</b>	<b>535</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>381</b>	<b>535</b>
Plus opening retained profits	11,381	10,846
Plus/less: prior period adjustments	54	—
<b>Closing retained profits</b>	<b>11,816</b>	<b>11,381</b>
<b>Return on capital %</b>	<b>0.7%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>540</b>	<b>610</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	381	535
Less: capital grants and contributions (excluding developer contributions)	(188)	(492)
<b>Surplus for dividend calculation purposes</b>	<b>193</b>	<b>43</b>
<b>Potential dividend calculated from surplus</b>	<b>97</b>	<b>22</b>



## Walgett Shire Council

# Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	862	840
Fees	1	–
Interest	116	104
Grants and contributions provided for non-capital purposes	10	11
Other income	2	34
<b>Total income from continuing operations</b>	<b>991</b>	<b>989</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	133	144
Materials and contracts	392	204
Depreciation, amortisation and impairment	148	187
Other expenses	15	20
<b>Total expenses from continuing operations</b>	<b>688</b>	<b>555</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>303</b>	<b>434</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>303</b>	<b>434</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>303</b>	<b>434</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(91)	(130)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>212</b>	<b>304</b>
<b>Plus opening retained profits</b>	12,125	11,691
<b>Plus/less: prior period adjustments</b>	(3)	–
– Corporate taxation equivalent	91	130
<b>Closing retained profits</b>	<b>12,425</b>	<b>12,125</b>
<b>Return on capital %</b>	<b>1.6%</b>	<b>2.3%</b>
<b>Subsidy from Council</b>	<b>204</b>	<b>18</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	212	304
<b>Surplus for dividend calculation purposes</b>	<b>212</b>	<b>304</b>
<b>Potential dividend calculated from surplus</b>	<b>106</b>	<b>152</b>

## Walgett Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	687	1,703
Receivables	518	210
<b>Total current assets</b>	<b>1,205</b>	<b>1,913</b>
<b>Non-current assets</b>		
Investments	2,500	1,000
Receivables	–	279
Infrastructure, property, plant and equipment	27,877	27,429
<b>Total non-current assets</b>	<b>30,377</b>	<b>28,708</b>
<b>TOTAL ASSETS</b>	<b>31,582</b>	<b>30,621</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	226	222
Income received in advance	16	–
<b>Total current liabilities</b>	<b>242</b>	<b>222</b>
<b>Non-current liabilities</b>		
Borrowings	–	3
<b>Total non-current liabilities</b>	<b>–</b>	<b>3</b>
<b>TOTAL LIABILITIES</b>	<b>242</b>	<b>225</b>
<b>NET ASSETS</b>	<b>31,340</b>	<b>30,396</b>
<b>EQUITY</b>		
Accumulated surplus	11,816	11,381
Revaluation reserves	19,524	19,015
<b>TOTAL EQUITY</b>	<b>31,340</b>	<b>30,396</b>

## Walgett Shire Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,394	5,811
Receivables	124	60
<b>Total current Assets</b>	<b>3,518</b>	<b>5,871</b>
<b>Non-current assets</b>		
Investments	3,000	160
Receivables	–	73
Infrastructure, property, plant and equipment	19,292	19,009
<b>Total non-current assets</b>	<b>22,292</b>	<b>19,242</b>
<b>TOTAL ASSETS</b>	<b>25,810</b>	<b>25,113</b>
<b>LIABILITIES</b>		
Nil		
<b>NET ASSETS</b>	<b>25,810</b>	<b>25,113</b>
<b>EQUITY</b>		
Accumulated surplus	12,425	12,125
Revaluation reserves	13,385	12,988
<b>TOTAL EQUITY</b>	<b>25,810</b>	<b>25,113</b>

## Walgett Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

## Walgett Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies

---

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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 these Special Purpose Financial Statements 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 prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in 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 NSW government policy statement titled '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 a standard for disclosure requirements.

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. Walgett Shire Council Combined Water Supply Services

Council's water supply activities servicing the towns of Walgett, Lightning Ridge and villages.

## Walgett Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

##### b. Walgett Shire Council Combined Sewerage Services

Council's sewerage reticulation & treatment activity servicing the towns of Walgett, Lightning Ridge and Collarenebri.

##### Category 2

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

**Nil**

##### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water 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 to the NSW Office of Water 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 the business activities.

## Walgett Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

Whilst 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/(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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the 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 the SPFS.

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

#### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face ‘true’ commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council’s borrowing rate for its business activities.

#### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

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

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 NCP 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 actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

## Walgett Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

The rate of return 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 2.63% at 30/6/18.

#### *(iv) Dividends*

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**



## Walgett Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements

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

2018

**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	5,820
(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]	96,500
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	58,200
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(729,000)

2018 Surplus	193,000	2017 Surplus	43,000	2016 Surplus	(965,000)
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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? <sup>a</sup>	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)	NO
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	NO
	– Complying charges [item 2 (b) in table 1]	NO
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	NO
(iv)	Sound drought management implemented	NO
(v)	Complete performance reporting form (by 15 September each year)	NO
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Walgett Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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

2018

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,024
<b>NWI F4</b>	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)]	%	3.43%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	27,877
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,460
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	576
<b>NWI F17</b>	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)]	%	0.76%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	188

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

## Walgett Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements

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

2018

## 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	<input type="text" value="–"/>
(ii)	Number of assessments multiplied by \$3/assessment	<input type="text" value="5,352"/>
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv)	Amounts actually paid for tax equivalents	<input type="text" value="–"/>

## 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="106,050"/>
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="53,520"/>
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	<input type="text" value="856,100"/>

2018 Surplus	<input type="text" value="212,100"/>	2017 Surplus	<input type="text" value="303,800"/>	2016 Surplus	<input type="text" value="340,200"/>
		2017 Dividend	<input type="text" value="–"/>	2016 Dividend	<input type="text" value="–"/>

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="53,520"/>
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	<input type="text" value="YES"/>

## 3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	<input type="text" value="NO"/>
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text" value="NO"/>
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	<input type="text" value="NO"/>
	(b) Non-residential [item 2 (c) in table 1]	<input type="text" value="NO"/>
	(c) Trade waste [item 2 (d) in table 1]	<input type="text" value="NO"/>
	DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text" value="NO"/>
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text" value="NO"/>
(iii)	Complete performance reporting form (by 15 September each year)	<input type="text" value="NO"/>
(iv)	a. Integrated water cycle management evaluation	<input type="text" value="NO"/>
	b. Complete and implement integrated water cycle management strategy	<input type="text" value="NO"/>

## Walgett Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

## National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	875
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	19,292
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	538
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	41
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.98%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	3,202
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.69%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	617
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.85%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Walgett Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage)	%	-16.76%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		328
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		(215)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
<b>NWI F24</b>	Net profit after tax (water and sewerage)	\$'000	496
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
<b>NWI F25</b>	Community service obligations (water and sewerage)	\$'000	22
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- 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**

### **Report on the special purpose financial report**

#### **Walgett Shire Council**

To the Councillors of the Walgett Shire Council

### **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Walgett Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report.

### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Caroline Karakatsanis  
Director, Financial Audit Services

30 October 2018  
SYDNEY



# Walgett Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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**“Rivers, Plains and Opals”**



# Walgett Shire Council

## Special Schedules for the year ended 30 June 2018

### Contents

Page

#### Special Schedules <sup>1</sup>

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2</b>	Permissible income for general rates	4
<b>Special Schedule 2</b>	Independent Auditors Report	5
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	8
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	11
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	12
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	15
<b>Notes to Special Schedules 3 and 5</b>		16
<b>Special Schedule 7</b>	Report on Infrastructure Assets	17

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### 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.

## Walgett Shire Council

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>287</b>	<b>–</b>	<b>–</b>	<b>(287)</b>
<b>Administration</b>	<b>4,321</b>	<b>744</b>	<b>–</b>	<b>(3,577)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	282	4	157	(121)
Beach control	–	–	–	–
Enforcement of local government regulations	–	2	–	2
Animal control	148	21	–	(127)
Other	6	–	–	(6)
<b>Total public order and safety</b>	<b>436</b>	<b>27</b>	<b>157</b>	<b>(252)</b>
<b>Health</b>	<b>39</b>	<b>8</b>	<b>275</b>	<b>244</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	103	–	–	(103)
Other environmental protection	64	–	854	790
Solid waste management	1,259	1,343	151	235
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	106	–	–	(106)
<b>Total environment</b>	<b>1,532</b>	<b>1,343</b>	<b>1,005</b>	<b>816</b>
<b>Community services and education</b>				
Administration and education	381	136	–	(245)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	307	63	–	(244)
<b>Total community services and education</b>	<b>688</b>	<b>199</b>	<b>–</b>	<b>(489)</b>
<b>Housing and community amenities</b>				
Public cemeteries	113	56	89	32
Public conveniences	–	5	–	5
Street lighting	194	31	–	(163)
Town planning	994	3	–	(991)
Other community amenities	1,683	161	–	(1,522)
<b>Total housing and community amenities</b>	<b>2,984</b>	<b>256</b>	<b>89</b>	<b>(2,639)</b>
<b>Water supplies</b>	<b>2,229</b>	<b>2,422</b>	<b>188</b>	<b>381</b>
<b>Sewerage services</b>	<b>688</b>	<b>991</b>	<b>–</b>	<b>303</b>

## Walgett Shire Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	440	41	—	(399)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	92	1	33	(58)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	56	—	—	(56)
Sporting grounds and venues	499	—	328	(171)
Swimming pools	490	2	—	(488)
Parks and gardens (lakes)	409	—	82	(327)
Other sport and recreation	653	65	—	(588)
<b>Total recreation and culture</b>	<b>2,639</b>	<b>109</b>	<b>443</b>	<b>(2,087)</b>
<b>Fuel and energy</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Agriculture</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Mining, manufacturing and construction</b>				
Building control	26	74	—	48
Other mining, manufacturing and construction	—	464	—	464
<b>Total mining, manufacturing and const.</b>	<b>26</b>	<b>538</b>	<b>—</b>	<b>512</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	662	—	—	(662)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	1,798	1,200	—	(598)
Sealed rural roads (SRR) – regional	1,548	3,849	347	2,648
Unsealed rural roads (URR) – local	301	350	—	49
Unsealed rural roads (URR) – regional	315	—	—	(315)
Bridges on UR – local	226	—	—	(226)
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	186	—	1,318	1,132
Parking areas	13	—	—	(13)
Footpaths	553	—	—	(553)
Aerodromes	238	—	114	(124)
Other transport and communication	7,134	6,329	—	(805)
<b>Total transport and communication</b>	<b>12,974</b>	<b>11,728</b>	<b>1,779</b>	<b>533</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	2,823	317	557	(1,949)
<b>Total economic affairs</b>	<b>2,823</b>	<b>317</b>	<b>557</b>	<b>(1,949)</b>
<b>Totals – functions</b>	<b>31,666</b>	<b>18,682</b>	<b>4,493</b>	<b>(8,491)</b>
<b>General purpose revenues <sup>(1)</sup></b>	<b>—</b>	<b>11,867</b>	<b>—</b>	<b>11,867</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>31,666</b>	<b>30,549</b>	<b>4,493</b>	<b>3,376</b>

(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

## Walgett Shire Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	5,374	5,314
Plus or minus adjustments <sup>(2)</sup>	b	15	(5)
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>5,389</b>	<b>5,309</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	124	80
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
<b>Sub-total</b>	<b><math>k = (c + g + h + i + j)</math></b>	<b>5,513</b>	<b>5,389</b>
Plus (or minus) last year's carry forward total	l	10	(4)
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	<b><math>n = (l + m)</math></b>	<b>10</b>	<b>(4)</b>
<b>Total permissible income</b>	<b><math>o = k + n</math></b>	<b>5,523</b>	<b>5,384</b>
Less notional general income yield	p	5,519	5,374
<b>Catch-up or (excess) result</b>	<b><math>q = o - p</math></b>	<b>4</b>	<b>10</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	—
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	<b><math>t = q + r - s</math></b>	<b>4</b>	<b>10</b>

## Notes

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule 2 - Permissible Income for general rates**

#### **Walgett Shire Council**

To the Councillors of Walgett Shire Council

### **Opinion**

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Walgett Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Emphasis of Matter – Basis of Accounting**

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'C. Karakatsanis', with a stylized, cursive script.

Caroline Karakatsanis  
Director, Financial Audit Services

30 October 2018  
SYDNEY



## Walgett Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	282	293
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	22	4
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	179	182
d. Maintenance expenses	117	122
– Reservoirs		
e. Operation expenses	10	15
f. Maintenance expenses	14	9
– Pumping stations		
g. Operation expenses (excluding energy costs)	94	110
h. Energy costs	168	137
i. Maintenance expenses	33	27
– Treatment		
j. Operation expenses (excluding chemical costs)	204	204
k. Chemical costs	18	23
l. Maintenance expenses	149	58
– Other		
m. Operation expenses	133	105
n. Maintenance expenses	37	30
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	654	564
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	45	62
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	74	198
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>2,233</b>	<b>2,143</b>

## Walgett Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,490	1,332
b. Usage charges	53	50
<b>7. Non-residential charges</b>		
a. Access (including rates)	—	—
b. Usage charges	463	436
<b>8. Extra charges</b>	—	—
<b>9. Interest income</b>	99	88
<b>10. Other income</b>	6	6
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	303	262
<b>11. Grants</b>		
a. Grants for acquisition of assets	188	492
b. Grants for pensioner rebates	12	12
c. Other grants	—	—
<b>12. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>13. Total income</b>	<b>2,614</b>	<b>2,678</b>
<b>14. Gain (or loss) on disposal of assets</b>	—	—
<b>15. Operating result</b>	<b>381</b>	<b>535</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	193	43

## Walgett Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	576	545
b. New assets for growth	–	210
c. Renewals	–	–
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	7
<b>18. Totals</b>	<b>576</b>	<b>762</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,549	1,551
b. Residential (unoccupied, ie. vacant lot)	48	47
c. Non-residential (occupied)	312	310
d. Non-residential (unoccupied, ie. vacant lot)	31	30
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 21,325	\$ 21,984

## Walgett Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	687	2,500	3,187
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	262	–	262
c. User charges	256	–	256
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	27,877	27,877
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>1,205</b>	<b>30,377</b>	<b>31,582</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	242	–	242
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>	–	–	–
<b>35. Total liabilities</b>	<b>242</b>	<b>–</b>	<b>242</b>
<b>36. NET ASSETS COMMITTED</b>	<b>963</b>	<b>30,377</b>	<b>31,340</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			11,816
<b>38. Asset revaluation reserve</b>			19,524
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>31,340</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			44,737
<b>42. Accumulated current cost</b> depreciation of system assets			(16,860)
<b>43. Written down current cost</b> of system assets			27,877

## Walgett Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	66	72
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	215	30
b. Maintenance expenses	–	–
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	33	22
d. Energy costs	66	60
e. Maintenance expenses	28	27
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	72	80
g. Chemical costs	–	–
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	57	47
<b>– Other</b>		
l. Operation expenses	1	1
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	148	188
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	2	3
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	24
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>688</b>	<b>554</b>

## Walgett Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	757	737
<b>7. Non-residential charges</b>		
a. Access (including rates)	104	102
b. Usage charges	—	—
<b>8. Trade waste charges</b>		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
<b>9. Extra charges</b>	—	—
<b>10. Interest income</b>	116	104
<b>11. Other income</b>	4	2
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	—	32
<b>12. Grants</b>		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	10	11
c. Other grants	—	—
<b>13. Contributions</b>		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
<b>14. Total income</b>	<b>991</b>	<b>988</b>
<b>15. Gain (or loss) on disposal of assets</b>	—	—
<b>16. Operating result</b>	<b>303</b>	<b>434</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	303	434

## Walgett Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	41	14
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>41</b>	<b>14</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,447	1,449
b. Residential (unoccupied, ie. vacant lot)	43	41
c. Non-residential (occupied)	271	274
d. Non-residential (unoccupied, ie. vacant lot)	23	22
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 1,854	\$ 19,709

## Walgett Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	3,394	3,000	6,394
<b>27. Receivables</b>			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	121	—	121
c. User charges	3	—	3
d. Other	—	—	—
<b>28. Inventories</b>	—	—	—
<b>29. Property, plant and equipment</b>			
a. System assets	—	19,292	19,292
b. Plant and equipment	—	—	—
<b>30. Other assets</b>	—	—	—
<b>31. Total assets</b>	<b>3,518</b>	<b>22,292</b>	<b>25,810</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	—	—	—
<b>33. Creditors</b>	—	—	—
<b>34. Borrowings</b>	—	—	—
<b>35. Provisions</b>			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
<b>36. Total liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>37. NET ASSETS COMMITTED</b>	<b>3,518</b>	<b>22,292</b>	<b>25,810</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			12,425
<b>39. Asset revaluation reserve</b>			13,385
<b>40. Other reserves</b>			—
<b>41. TOTAL EQUITY</b>			<b>25,810</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			29,592
<b>43. Accumulated current cost</b> depreciation of system assets			(10,300)
<b>44. Written down current cost</b> of system assets			<b>19,292</b>



# Walgett Shire Council

## Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

### Administration <sup>(1)</sup>

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

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

### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

### Notes:

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

<sup>(2)</sup> 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.

## Walgett Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>												
	Buildings – non-specialised	1,113	1,113	85	81	4,199	5,275	15%	30%	25%	25%	5%
	Buildings – specialised	190	190	447	437	10,607	18,800	30%	22%	15%	28%	5%
	<b>Sub-total</b>	<b>1,303</b>	<b>1,303</b>	<b>532</b>	<b>518</b>	<b>14,806</b>	<b>24,075</b>	<b>26.7%</b>	<b>23.8%</b>	<b>17.2%</b>	<b>27.3%</b>	<b>5.0%</b>
<b>Other structures</b>												
	Other structures	3,119	3,119	70	84	15,904	34,886	17%	18%	18%	18%	29%
	<b>Sub-total</b>	<b>3,119</b>	<b>3,119</b>	<b>70</b>	<b>84</b>	<b>15,904</b>	<b>34,886</b>	<b>17.0%</b>	<b>18.0%</b>	<b>18.0%</b>	<b>18.0%</b>	<b>29.0%</b>
<b>Roads</b>												
	Sealed roads	2,900	2,900	2,830	2,601	43,523	86,748	12%	15%	25%	28%	20%
	Unsealed roads	–	–	1,443	366	6,214	12,394	19%	1%	80%	0%	0%
	Bridges	600	600	123	108	21,629	38,921	24%	10%	30%	28%	8%
	Footpaths	20	20	15	65	2,496	4,966	15%	5%	74%	6%	0%
	Bulk earthworks	–	–	–	–	89,049	89,049	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>3,520</b>	<b>3,520</b>	<b>4,411</b>	<b>3,140</b>	<b>162,911</b>	<b>232,078</b>	<b>48.2%</b>	<b>7.4%</b>	<b>20.2%</b>	<b>15.3%</b>	<b>8.8%</b>

## Walgett Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	6,100	6,100	574	496	27,302	44,161	5%	10%	4%	3%	78%
	<b>Sub-total</b>	<b>6,100</b>	<b>6,100</b>	<b>574</b>	<b>496</b>	<b>27,302</b>	<b>44,161</b>	<b>5.0%</b>	<b>10.0%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>78.0%</b>
Sewerage network	Sewerage network	1,936	1,936	124	92	19,250	29,550	2%	45%	3%	47%	3%
	<b>Sub-total</b>	<b>1,936</b>	<b>1,936</b>	<b>124</b>	<b>92</b>	<b>19,250</b>	<b>29,550</b>	<b>2.0%</b>	<b>45.0%</b>	<b>3.0%</b>	<b>47.0%</b>	<b>3.0%</b>
Stormwater	Stormwater drainage	145	145	59	26	9,165	14,376	5%	1%	90%	4%	0%
	<b>Sub-total</b>	<b>145</b>	<b>145</b>	<b>59</b>	<b>26</b>	<b>9,165</b>	<b>28,752</b>	<b>2.5%</b>	<b>0.5%</b>	<b>45.0%</b>	<b>2.0%</b>	<b>50.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>16,123</b>	<b>16,123</b>	<b>5,770</b>	<b>4,356</b>	<b>249,338</b>	<b>393,502</b>	<b>32.5%</b>	<b>12.0%</b>	<b>18.5%</b>	<b>16.3%</b>	<b>20.7%</b>

## Notes:

<sup>a</sup> Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

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

## Walgett Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio <sup>(1)</sup>					
Asset renewals <sup>(2)</sup>	3,774	59.64%	142.05%	78.90%	>= 100%
Depreciation, amortisation and impairment	6,328				
2. Infrastructure backlog ratio <sup>(1)</sup>					
Estimated cost to bring assets to a satisfactory standard	16,123	6.47%	8.89%	11.88%	< 2.00%
Net carrying amount of infrastructure assets	249,338				
3. Asset maintenance ratio					
Actual asset maintenance	4,356	75.49%	72.83%	82.00%	> 100%
Required asset maintenance	5,770				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	16,123	4.10%	4.58%	0.00%	
Gross replacement cost	393,502				

## Notes

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

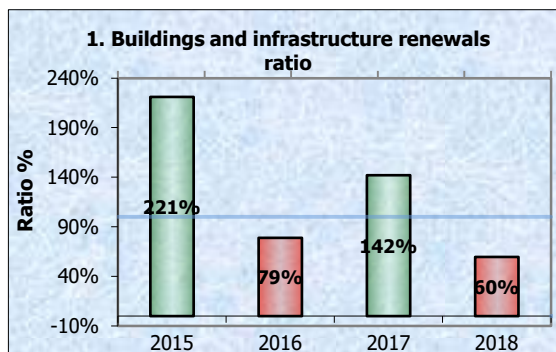
<sup>(1)</sup> Excludes Work In Progress (WIP)

<sup>(2)</sup> 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.

## Walgett Shire Council

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018



Benchmark: — Minimum  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

## Purpose of asset renewals ratio

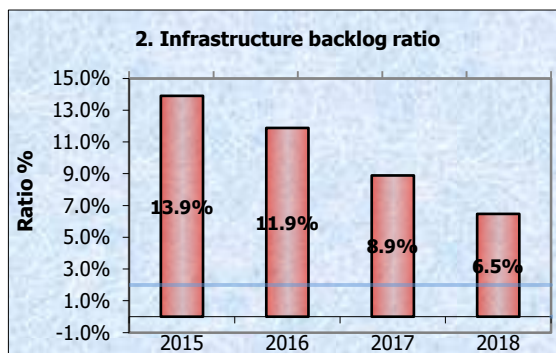
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

## Commentary on 2017/18 result

**2017/18 Ratio 59.64%**

Works in progress and rollover works have impacted upon the ratio.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

## Purpose of infrastructure backlog ratio

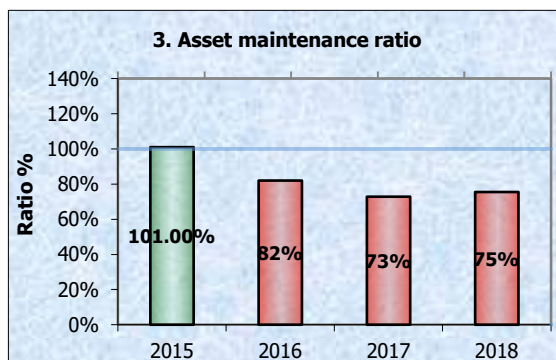
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

## Commentary on 2017/18 result

**2017/18 Ratio 6.47%**

Council's asset strategy continues to show positive results with a continued focus and high priority being placed upon infrastructure asset renewal and asset maintenance.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum  $> 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

## Purpose of asset maintenance ratio

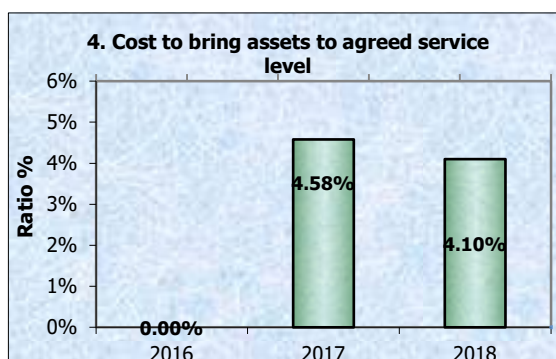
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

## Commentary on 2017/18 result

**2017/18 Ratio 75.49%**

The asset maintenance ratio has maintained a steady profile this financial year, as Council continues to focus on its asset renewal and rehabilitation program.

Ratio achieves benchmark  
Ratio is outside benchmark



## Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

## Commentary on 2017/18 result

**2017/18 Ratio 4.10%**

This ratio shows a positive result with a reduction from 4.58% to 4.10% of the total asset value requiring renewal to bring the assets to the agreed service level.

## Walgett Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>							
Depreciation, amortisation and impairment	<b>68.30%</b>	100.32%	<b>0.00%</b>	107.45%	<b>0.00%</b>	1210.16%	>= 100%
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>3.99%</b>	10.00%	<b>22.34%</b>	2.21%	<b>10.06%</b>	11.91%	< 2.00%
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>74.29%</b>	71.22%	<b>86.41%</b>	89.44%	<b>74.19%</b>	68.26%	> 100%
<b>4. Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>2.53%</b>	4.76%	<b>13.81%</b>	1.40%	<b>6.55%</b>	7.82%	

**Notes**

<sup>(1)</sup> General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

<sup>(2)</sup> Excludes Work In Progress (WIP)

<sup>(3)</sup> 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.