

# Walgett Shire Council



## GENERAL PURPOSE FINANCIAL STATEMENTS For the year ended 30 June 2016



## Attachment A

# Walgett Shire Council

## General Purpose Financial Statements for the year ended 30 June 2016

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Walgett Shire Council.

(ii) Walgett Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 31 October 2016. Council has the power to amend and reissue these financial statements.

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## Walgett Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

## 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 2016.

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

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

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

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

### Who uses the financial statements?

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

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

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

## Walgett Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

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

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

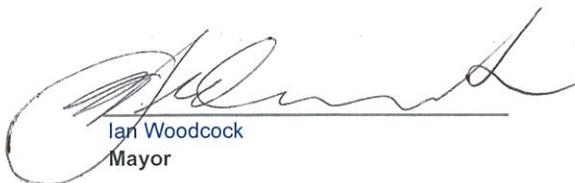
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

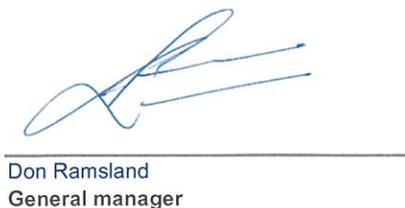
Signed in accordance with a resolution of Council made on 27 September 2016.



Ian Woodcock  
Mayor



Manuel Martinez  
Deputy Mayor



Don Ramsland  
General manager



Michael Urquhart  
Responsible accounting officer

## Walgett Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup>			Actual	Actual
2016	\$ '000	Notes	2016	2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
8,652	Rates and annual charges	3a	8,584	8,283
5,289	User charges and fees	3b	7,364	5,903
685	Interest and investment revenue	3c	797	655
1,388	Other revenues	3d	784	1,307
13,514	Grants and contributions provided for operating purposes	3e,f	12,575	10,760
1,727	Grants and contributions provided for capital purposes	3e,f	1,614	1,840
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	141	1
<u>31,255</u>	<b>Total income from continuing operations</b>		<u>31,859</u>	<u>28,749</u>
<b>Expenses from continuing operations</b>				
7,717	Employee benefits and on-costs	4a	7,911	7,450
276	Borrowing costs	4b	269	336
11,021	Materials and contracts	4c	9,714	6,333
4,318	Depreciation and amortisation	4d	6,547	4,342
2,792	Other expenses	4e	3,035	2,752
<u>26,124</u>	<b>Total expenses from continuing operations</b>		<u>27,476</u>	<u>21,213</u>
<u>5,131</u>	<b>Operating result from continuing operations</b>		<u>4,383</u>	<u>7,536</u>
<u>5,131</u>	<b>Net operating result for the year</b>		<u>4,383</u>	<u>7,536</u>
5,131	<b>Net operating result attributable to Council</b>		<u>4,383</u>	<u>7,536</u>
<u>3,404</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u>2,769</u>	<u>5,696</u>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Walgett Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>4,383</b>	<b>7,536</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	3,802	(103,366)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,802</b>	<b>(103,366)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>3,802</b>	<b>(103,366)</b>
<b>Total comprehensive income for the year</b>		<b>8,185</b>	<b>(95,830)</b>
<b>Total comprehensive income attributable to Council</b>		<b>8,185</b>	<b>(95,830)</b>

## Walgett Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	17,166	5,034
Investments	6b	6,500	16,000
Receivables	7	2,965	3,175
Inventories	8	1,151	1,039
Other	8	6	–
<b>Total current assets</b>		<b>27,788</b>	<b>25,248</b>
<b>Non-current assets</b>			
Investments	6b	2,500	–
Receivables	7	535	448
Infrastructure, property, plant and equipment	9	249,788	247,366
Other	8	330	–
<b>Total non-current assets</b>		<b>253,153</b>	<b>247,814</b>
<b>TOTAL ASSETS</b>		<b>280,941</b>	<b>273,062</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,446	1,242
Borrowings	10	598	559
Provisions	10	1,902	1,918
<b>Total current liabilities</b>		<b>3,946</b>	<b>3,719</b>
<b>Non-current liabilities</b>			
Borrowings	10	3,902	4,442
Provisions	10	130	123
<b>Total non-current liabilities</b>		<b>4,032</b>	<b>4,565</b>
<b>TOTAL LIABILITIES</b>		<b>7,978</b>	<b>8,284</b>
<b>Net assets</b>		<b>272,963</b>	<b>264,778</b>
<b>EQUITY</b>			
Retained earnings	20	98,698	94,315
Revaluation reserves	20	174,265	170,463
<b>Total equity</b>		<b>272,963</b>	<b>264,778</b>

## Walgett Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		94,315	170,463	<b>264,778</b>	–	<b>264,778</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>94,315</b>	<b>170,463</b>	<b>264,778</b>	–	<b>264,778</b>
<b>c. Net operating result for the year</b>		<b>4,383</b>	–	<b>4,383</b>	–	<b>4,383</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	3,802	<b>3,802</b>	–	<b>3,802</b>
<b>Other comprehensive income</b>		–	<b>3,802</b>	<b>3,802</b>	–	<b>3,802</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>4,383</b>	<b>3,802</b>	<b>8,185</b>	–	<b>8,185</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>98,698</b>	<b>174,265</b>	<b>272,963</b>	–	<b>272,963</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		86,779	273,829	<b>360,608</b>	–	<b>360,608</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>86,779</b>	<b>273,829</b>	<b>360,608</b>	–	<b>360,608</b>
<b>c. Net operating result for the year</b>		7,536	–	<b>7,536</b>	–	<b>7,536</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	(103,366)	<b>(103,366)</b>	–	<b>(103,366)</b>
<b>Other comprehensive income</b>		–	<b>(103,366)</b>	<b>(103,366)</b>	–	<b>(103,366)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>7,536</b>	<b>(103,366)</b>	<b>(95,830)</b>	–	<b>(95,830)</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>94,315</b>	<b>170,463</b>	<b>264,778</b>	–	<b>264,778</b>

## Walgett Shire Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
8,692	Rates and annual charges		8,355	8,286
6,307	User charges and fees		7,663	6,513
603	Investment and interest revenue received		701	754
18,298	Grants and contributions		14,912	12,644
5,388	Other		2,070	2,425
<b>Payments:</b>				
(7,656)	Employee benefits and on-costs		(7,917)	(7,399)
(11,207)	Materials and contracts		(11,323)	(7,231)
(289)	Borrowing costs		(257)	(328)
(2,960)	Other		(3,235)	(3,601)
<u>17,176</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>10,969</u>	<u>12,063</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		64,175	47,754
405	Sale of infrastructure, property, plant and equipment		427	86
–	Deferred debtors receipts		20	–
<b>Payments:</b>				
–	Purchase of investment securities		(57,000)	(51,754)
(998)	Purchase of infrastructure, property, plant and equipment		(5,958)	(7,432)
<u>(593)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>1,664</u>	<u>(11,346)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(563)	Repayment of borrowings and advances		(501)	(525)
<u>(563)</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(501)</u>	<u>(525)</u>
16,020	<b>Net increase/(decrease) in cash and cash equivalents</b>		12,132	192
6,162	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	5,034	4,842
<u>22,182</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>17,166</u>	<u>5,034</u>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	9,000	16,000
<b>Total cash, cash equivalents and investments</b>			<u>26,166</u>	<u>21,034</u>

**Please refer to Note 11 for information on the following:**

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

# Walgett Shire Council

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

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n/a – not applicable

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

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

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

###### (iii) New and amended standards adopted by Council

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

###### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016, except for AASB2016-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

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

###### (v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

###### (vi) Changes in Accounting Policies

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

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

##### **(vii) Critical Accounting Estimates**

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

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

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

##### **Critical judgements in applying Council's accounting policies**

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

##### **(b) Revenue recognition**

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

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

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

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

unused grant or contribution is disclosed in Note 3(g).

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

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

#### User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

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

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend Income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### Other Income

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

#### (c) Principles of Consolidation

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

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

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

#### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

The following entities have been included as part of the Consolidated Fund:

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

- General Purpose Operations
- Walgett Water Supply Fund
- Lightning Ridge Water Supply Fund
- Collarenebri Water Supply Fund
- Walgett Sewerage Fund
- Lightning Ridge Sewerage Fund
- Collarenebri Sewerage Fund
- Village Water Fund
- Domestic Waste Fund

#### (ii) The Trust Fund

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

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

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

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

#### (iii) Joint Arrangements

##### Joint Ventures

Joint Ventures represent operational arrangements where the parties joint control and have rights to the net assets of the arrangement.

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operations profits/(losses) are recognised in the income statement, and its share of movements in retained earnings & reserves are recognised in the balance sheet.

Detailed information relating to Council's Joint Ventures can be found at Note 19 (b).

#### (iv) Associates

Council has no interest in any Associates.

#### (v) County Councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

##### ▪ Castlereagh Macquarie County Council

Walgett Shire Council is member of Castlereagh Macquarie County Council. Other members are Coonamble, Gilgandra, Warren and Warrumbungle Shire Councils.

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Councils and accordingly these entities have not been consolidated or otherwise included within these financial statements.

#### (vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

#### (d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

##### Finance Leases

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

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

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

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

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

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

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

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash 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 but are incorporated into Cash & Cash Equivalents for presentation of the statement of cash flows.

##### (f) Investments and Other Financial Assets

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

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

- **available-for-sale financial assets.**

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

##### (ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

##### (iii) Held-to-maturity investments

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

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

##### (iv) Available-for-sale financial assets

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

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

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

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

##### Financial Assets – Reclassification

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

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

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

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

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

##### General Accounting & Measurement of Financial Instruments:

###### (i) Initial Recognition

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

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

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

###### (ii) Subsequent Measurement

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

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

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

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

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

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

## Note 1. Summary of Significant Accounting Policies

### Impairment

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

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

#### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

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

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

#### (g) Fair value estimation

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

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

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

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

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

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

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

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

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

#### (h) Receivables

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

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

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

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

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

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

##### Land Held for Resale/Capitalisation of Borrowing Costs

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

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

##### Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(Internal Valuation)
- **Stormwater/Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Other Structures**  
(as approximated by depreciated historical cost)
- **Other Assets**  
(as approximated by depreciated historical cost)

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### Initial Recognition

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

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

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

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

##### Subsequent costs

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

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

##### Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, and Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against

revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

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

##### Capitalisation Thresholds

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

<b>Land</b>	
- Council land	100% Capitalised
- open space	100% Capitalised

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$3,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$3,000

<b>Buildings &amp; Land Improvements</b>	
Park Furniture & Equipment	> \$3,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$3,000
Other Structures	> \$3,000

<b>Water &amp; Sewer Assets</b>	
Reticulation extensions	> \$3,000
Other	> \$3,000

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### Stormwater Assets

Drains & Culverts	> \$3,000
Other	> \$3,000

##### Transport Assets

Road construction & reconstruction	> \$3,000
Reseal/Re-sheet & major repairs:	> \$3,000

Bridge construction & reconstruction	> \$3,000
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##### Water & Sewer Assets

- Dams and reservoirs	40 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	54 to 80 years
- Pumps and telemetry	15 to 65 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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#### Depreciation

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

Land is not depreciated.

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

##### Plant & Equipment

- Office Equipment	3 to 10 years
- Office furniture	5 to 10 years
- Computer Equipment	3 years
- Vehicles	3 to 8 years
- Heavy Plant/Road Making equip.	3 to 8 years
- Other plant and equipment	3 to 20 years

##### Other Equipment

- Playground equipment	2 to 15 years
- Benches, seats etc.	5 to 10 years

##### Buildings

- Buildings	50 to 100 years
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##### Stormwater Drainage

- Drains	100 years
- Culverts	100 years

##### Transportation Assets

- Sealed Roads: Surface	8 to 10 years
- Sealed Roads: Structure	100 years
- Unsealed roads	100 years
- Bridge: Concrete	100 years

- Road Pavements	50 years
- Kerb, Gutter & Paths	50 years

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

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

#### Disposal and De-recognition

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

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

#### (k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

#### (l) Land under roads

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

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

## Walgett Shire Council

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

#### Note 1. Summary of Significant Accounting Policies

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

##### **(m) Intangible Assets**

Council has not classified any assets as Intangible.

##### **(n) Crown Reserves**

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

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

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

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

##### **(o) Rural Fire Service assets**

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

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

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

##### **(p) Investment property**

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an in-house valuation based on a discounted cash flow analysis.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of “Other Income”.

##### **(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries**

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

## Walgett Shire Council

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

#### Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the 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 unwind of the discount which is shown as a borrowing cost.

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

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

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

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

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

#### **(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations**

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

Non-current assets classified as "held for sale" are presented separately from the other assets in the statement of financial position.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### (s) Impairment of assets

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

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

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

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

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

##### (t) Payables

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

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

##### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income

Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

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

##### (v) Borrowing costs

Borrowing costs are expensed

##### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

##### (x) Employee benefits

###### (i) Short Term Obligations

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

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

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

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

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

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

###### (ii) Other Long Term Obligations

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

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

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

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

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

###### (iii) Retirement benefit obligations

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

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

##### Defined Benefit Plans

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

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

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

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

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

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

The last valuation of the Scheme was performed by Mr Martin Stevenson (BSc, FIA, FIAA) on 20 February 2013 and covers the period ended 30 June 2013.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016 was \$63,870.60.

The amount of additional contributions included in the total employer contribution advised above is \$28,740.

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

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

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

#### Defined Contribution Plans

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

#### (iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits,

and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30 June 2016.

#### (y) Self insurance

Council does not self insure.

#### (z) Allocation between current and non-current assets & liabilities

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

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

#### Exceptions

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

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

#### (aa) Taxes

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

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

#### Goods & Services Tax (GST)

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

## Walgett Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Summary of Significant Accounting Policies

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

Receivables and payables within the statement of financial position are stated inclusive of any applicable GST.

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

Operating cash flows within the statement of cash flows are on a gross basis, ie. they are inclusive of GST where applicable.

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

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

#### **(ab) New accounting standards and interpretations**

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

These include the following standards that are anticipated will impact on local government:

**AASB 9 – Financial Instruments**

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

**AASB ED 260 – Income of Not-for-Profit Entities**

**AASB16 – Leases**

**AASB2016-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

**AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

**AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]**

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	435	–	–	284	234	220	151	(234)	(220)	–	3	350	350
Administration	323	398	297	2,948	2,940	3,037	(2,625)	(2,542)	(2,740)	2	31	7,190	6,697
Public order and safety	111	132	91	572	513	498	(461)	(381)	(407)	15	–	1,496	1,496
Health	12	7	6	25	23	21	(13)	(16)	(15)	–	–	–	–
Environment	1,314	1,306	1,864	1,308	1,254	1,010	6	52	854	38	631	5,330	3,209
Community services and education	286	180	204	795	755	654	(509)	(575)	(450)	178	226	1,703	1,703
Housing and community amenities	316	254	234	1,228	1,795	1,793	(912)	(1,541)	(1,559)	5	27	4,503	4,781
Water supplies	3,882	3,774	3,265	2,120	3,226	1,404	1,762	548	1,861	–	914	23,112	22,394
Sewerage services	887	985	970	628	499	439	259	486	531	–	10	17,469	16,645
Recreation and culture	88	139	231	1,305	2,357	2,292	(1,217)	(2,218)	(2,061)	73	177	22,971	21,756
Mining, manufacturing and construction	78	60	72	–	60	73	78	–	(1)	–	–	–	–
Transport and communication	14,216	12,763	10,244	14,123	13,003	9,095	93	(240)	1,149	5,872	2,704	196,810	192,935
Economic affairs	54	433	200	788	817	677	(734)	(384)	(477)	–	–	7	7
<b>Total functions and activities</b>	<b>22,002</b>	<b>20,431</b>	<b>17,678</b>	<b>26,124</b>	<b>27,476</b>	<b>21,213</b>	<b>(4,122)</b>	<b>(7,045)</b>	<b>(3,535)</b>	<b>6,183</b>	<b>4,723</b>	<b>280,941</b>	<b>271,973</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	9,253	11,428	11,071	–	–	–	9,253	11,428	11,071	5,759	5,671	–	1,089
<b>Operating result from continuing operations</b>	<b>31,255</b>	<b>31,859</b>	<b>28,749</b>	<b>26,124</b>	<b>27,476</b>	<b>21,213</b>	<b>5,131</b>	<b>4,383</b>	<b>7,536</b>	<b>11,942</b>	<b>10,394</b>	<b>280,941</b>	<b>273,062</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, 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 AND SAFETY**

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

##### **HEALTH**

Includes immunisation, 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 AND 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; children's' services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

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

##### **MINING, MANUFACTURING AND CONSTRUCTION**

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

##### **TRANSPORT AND COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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

## Walgett Shire Council

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

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,273	1,238
Farmland		3,538	3,466
Business		305	295
<b>Total ordinary rates</b>		<b>5,116</b>	<b>4,999</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,213	1,178
Water supply services		1,399	1,279
Sewerage services		856	827
<b>Total annual charges</b>		<b>3,468</b>	<b>3,284</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>		<b><u>8,584</u></b>	<b><u>8,283</u></b>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		475	241
Sewerage services		2	–
Waste management services (non-domestic)		8	–
<b>Total user charges</b>		<b>485</b>	<b>241</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services		7	6
Planning and building regulation		20	26
Private works – section 67		298	101
Regulatory/ statutory fees		41	61
Registration fees		6	18
Regulatory fees		1	–
Section 603 certificates		9	8
<b>Total fees and charges – statutory/regulatory</b>		<b>382</b>	<b>220</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		3	6
Cemeteries		60	47
Lease rentals		77	71
Leaseback fees – Council vehicles		30	34
Park rents		1	–
RMS (formerly RTA) charges (state roads not controlled by Council)		6,286	5,284
Sundry sales		40	–
<b>Total fees and charges – other</b>		<b>6,497</b>	<b>5,442</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>7,364</b>	<b>5,903</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		63	46
– Interest earned on investments (interest and coupon payment income)		734	609
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>797</b>	<b>655</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		25	10
General Council cash and investments		528	391
<b>Restricted investments/funds – external:</b>			
Water fund operations		87	81
Sewerage fund operations		113	123
Domestic waste management operations		44	50
<b>Total interest and investment revenue recognised</b>		<b>797</b>	<b>655</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		114	114
Fines		27	8
Legal fees recovery – rates and charges (extra charges)		75	32
Commissions and agency fees		61	48
Diesel rebate		66	83
Insurance claim recoveries		70	144
Maintain water and sewer Aboriginal communities		286	746
Sale of land for overdue rates		7	2
Sales – general		19	41
Other		59	89
<b>TOTAL OTHER REVENUE</b>		<b>784</b>	<b>1,307</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	3,879	3,777	–	–
Financial assistance – local roads component	1,832	1,846	–	–
Pensioners' rates subsidies – general component	48	48	–	–
<b>Total general purpose</b>	<b>5,759</b>	<b>5,671</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	12	11	–	–
– Sewerage	11	10	–	–
– Domestic waste management	25	24	–	–
Water supplies	–	–	1,513	903
Bushfire and emergency services	39	–	–	–
Child care	33	33	–	–
Community care	151	66	–	–
Employment and training programs	15	31	–	–
Environmental protection	38	10	–	97
Flood restoration	–	315	–	–
Heritage and cultural	10	11	–	–
Levee rehabilitation	–	–	–	500
Library	18	17	–	–
Library – special projects	–	18	–	–
LIRS subsidy	–	87	–	–
Recreation and culture	17	–	33	131
Regional and local infrastructure	–	–	23	209
Street lighting	59	27	–	–
Traffic route subsidy	57	56	–	–
Transport (roads to recovery)	2,486	974	–	–
Transport (other roads and bridges funding)	1,510	1,066	45	–
Youth services	88	102	–	–
Other	–	25	–	–
<b>Total specific purpose</b>	<b>4,569</b>	<b>2,883</b>	<b>1,614</b>	<b>1,840</b>
<b>Total grants</b>	<b>10,328</b>	<b>8,554</b>	<b>1,614</b>	<b>1,840</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	2,509	974	–	220
– State funding	7,819	7,580	1,614	1,620
	<b>10,328</b>	<b>8,554</b>	<b>1,614</b>	<b>1,840</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
Nil				
<b>Other contributions:</b>				
RMS contributions (regional roads, block grant)	2,247	2,206	–	–
<b>Total other contributions</b>	<b>2,247</b>	<b>2,206</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>	<b>2,247</b>	<b>2,206</b>	<b>–</b>	<b>–</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>	<b><u>12,575</u></b>	<b><u>10,760</u></b>	<b><u>1,614</u></b>	<b><u>1,840</u></b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	2,399	2,260
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	2,817	1,577
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(1,006)	(1,438)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>1,811</b>	<b>139</b>
<b>Unexpended and held as restricted assets</b>	<b><u>4,210</u></b>	<b><u>2,399</u></b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	4,210	2,399
	<b><u>4,210</u></b>	<b><u>2,399</u></b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		6,428	5,872
Travel expenses		34	24
Employee leave entitlements (ELE)		1,221	1,202
Superannuation		639	639
Workers' compensation insurance		309	148
Fringe benefit tax (FBT)		98	103
Training costs (other than salaries and wages)		50	67
Protective clothing		66	54
Other		–	2
Other		5	6
<b>Total employee costs</b>		<b>8,850</b>	<b>8,117</b>
Less: capitalised costs		(939)	(667)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>7,911</b>	<b>7,450</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>102</b>	<b>104</b>
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		<b>110</b>	<b>118</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		269	336
<b>Total interest bearing liability costs expensed</b>		<b>269</b>	<b>336</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>269</b>	<b>336</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		5,577	1,299
Contractor and consultancy costs		3,969	4,936
Auditors remuneration <sup>(1)</sup>		61	40
Legal expenses:			
– Legal expenses: debt recovery		77	30
– Legal expenses: other		3	1
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		27	27
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>9,714</b>	<b>6,333</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		41	39
– Audit and review of financial statements: other consolidated entity Auditors		–	1
– Audit of regulatory returns		10	–
<b>Remuneration for audit and other assurance services</b>		<b>51</b>	<b>40</b>
<b>(ii) Taxation services</b>			
– Tax compliance services		10	–
<b>Remuneration for taxation services</b>		<b>10</b>	<b>–</b>
<b>Total Auditor remuneration</b>		<b>61</b>	<b>40</b>
<b>2. Operating lease payments are attributable to:</b>			
Other		27	27
		<b>27</b>	<b>27</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	902	905
Office equipment		–	–	45	52
Infrastructure:					
– Buildings – non-specialised		–	–	124	98
– Buildings – specialised		–	–	258	535
– Other structures		–	–	1,008	842
– Roads		–	–	2,562	1,051
– Stormwater drainage		–	–	170	135
– Water supply network		–	–	555	392
– Sewerage network		–	–	172	168
Other assets					
– Other		–	–	751	164
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>6,547</b>	<b>4,342</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		77	75
Bad and doubtful debts		10	(193)
Bank charges		15	14
Contributions/levies to other levels of government			
– Bushfire fighting fund		51	55
– CMCC noxious weeds		100	97
– Emergency services levy (includes FRNSW, SES, and RFS levies)		12	4
– NSW fire brigade levy		19	19
– NSW rural fire service levy		190	190
– Regional library		141	134
– Other contributions/levies		18	5
Councillor expenses – mayoral fee		18	18
Councillor expenses – councillors' fees		98	97
Councillors' expenses (incl. mayor) – other (excluding fees above)		45	48
Donations, contributions and assistance to other organisations (Section 356)		4	–
– RSPCA		–	9
– Community and tourism programs		490	542
– Donations, contributions and assistance		34	29
– Other donations, contributions and assistance		20	16
Electricity and heating		287	320
Insurance		460	437
Office expenses (including computer expenses)		35	44
Printing and stationery		74	71
Rate discount		97	94
Street lighting		135	120
Subscriptions and publications		73	52
Swimming pools		205	198
Telephone and communications		129	137
Tourism expenses (excluding employee costs)		46	77
Valuation fees		49	38
Other		103	5
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>3,035</u></b>	<b><u>2,752</u></b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		427	86
Less: carrying amount of plant and equipment assets sold/written off		(461)	(80)
<b>Net gain/(loss) on disposal</b>		<b>(34)</b>	<b>6</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		–	(2)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(2)</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		64,175	47,754
Less: carrying amount of financial assets sold/redeemed/matured		(64,000)	(47,754)
<b>Net gain/(loss) on disposal</b>		<b>175</b>	<b>–</b>
<b>Roads, bridges and footpaths</b>			
Less: carrying amount of Roads, bridges and footpaths assets written off		–	(3)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(3)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>141</b>	<b>1</b>
<b>* Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments 'at fair value through profit and loss'		175	–
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>175</b>	<b>–</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		437	–	354	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		3,729	–	4,680	–
– Short-term deposits		13,000	–	–	–
<b>Total cash and cash equivalents</b>		<b>17,166</b>	<b>–</b>	<b>5,034</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		6,500	2,500	16,000	–
<b>Total investments</b>		<b>6,500</b>	<b>2,500</b>	<b>16,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>23,666</b>	<b>2,500</b>	<b>21,034</b>	<b>–</b>

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

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

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>17,166</b>	<b>–</b>	<b>5,034</b>	<b>–</b>
--	--	---------------	----------	--------------	----------

**Investments**

a. 'Held to maturity'	6(b-ii)	6,500	2,500	16,000	–
<b>Investments</b>		<b>6,500</b>	<b>2,500</b>	<b>16,000</b>	<b>–</b>

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

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Additions	–	–	35,754	–
Disposals (sales and redemptions)	–	–	(35,754)	–
<b>Balance at end of year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at the beginning of the year	16,000	–	12,000	–
Additions	45,000	12,000	16,000	–
Disposals (sales and redemptions)	(64,000)	–	(12,000)	–
Transfers between current/non-current	9,500	(9,500)	–	–
<b>Balance at end of year</b>	<b>6,500</b>	<b>2,500</b>	<b>16,000</b>	<b>–</b>
<b>Comprising:</b>				
– Long term deposits	6,500	2,500	16,000	–
<b>Total</b>	<b>6,500</b>	<b>2,500</b>	<b>16,000</b>	<b>–</b>

## Walgett Shire Council

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

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	23,666	2,500	21,034	–
<b>attributable to:</b>				
External restrictions (refer below)	12,983	2,500	12,450	–
Internal restrictions (refer below)	7,892	–	7,592	–
Unrestricted	2,791	–	992	–
	<b>23,666</b>	<b>2,500</b>	<b>21,034</b>	<b>–</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general (A)	1,665	–	(334)	1,331
<b>External restrictions – included in liabilities</b>	<b>1,665</b>	<b>–</b>	<b>(334)</b>	<b>1,331</b>
<b>External restrictions – other</b>				
Specific purpose unexpended grants (F)	2,399	1,811	–	4,210
Water supplies (G)	1,884	561	–	2,445
Sewerage services (G)	4,712	660	–	5,372
Domestic waste management (G)	1,790	335	–	2,125
<b>External restrictions – other</b>	<b>10,785</b>	<b>3,367</b>	<b>–</b>	<b>14,152</b>
<b>Total external restrictions</b>	<b>12,450</b>	<b>3,367</b>	<b>(334)</b>	<b>15,483</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement	3,138	198	–	3,336
Infrastructure replacement	2,389	–	(126)	2,263
Employees leave entitlement	500	–	–	500
Carry over works	479	49	–	528
General manager contract provisions	12	3	–	15
Rehabilitation	100	–	–	100
Other	974	176	–	1,150
<b>Total internal restrictions</b>	<b>7,592</b>	<b>426</b>	<b>(126)</b>	<b>7,892</b>
<b>TOTAL RESTRICTIONS</b>	<b>20,042</b>	<b>3,793</b>	<b>(460)</b>	<b>23,375</b>

**A** Loan moneys which must be applied for the purposes for which the loans were raised.

**F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

**G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		577	311	458	195
Interest and extra charges		65	35	67	28
User charges and fees		2,109	88	2,412	–
Accrued revenues					
– Interest on investments		151	–	60	–
– Other income accruals		4	–	136	–
Deferred debtors		–	180	–	200
Government grants and subsidies		–	–	67	–
Loans to non-profit organisations		20	20	–	40
Net GST receivable		45	–	58	–
<b>Total</b>		<b>2,971</b>	<b>634</b>	<b>3,258</b>	<b>463</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(6)	(83)	(83)	–
Deferred debtors		–	(16)	–	(15)
<b>Total provision for impairment – receivables</b>		<b>(6)</b>	<b>(99)</b>	<b>(83)</b>	<b>(15)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>2,965</u></b>	<b><u>535</u></b>	<b><u>3,175</u></b>	<b><u>448</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		153	83	281	–
– Other		237	10	4	–
<b>Sewerage services</b>					
– Rates and availability charges		82	44	134	1
– Other		5	–	–	–
<b>Total external restrictions</b>		<b>477</b>	<b>137</b>	<b>419</b>	<b>1</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>2,488</b>	<b>398</b>	<b>2,756</b>	<b>447</b>
<b>TOTAL NET RECEIVABLES</b>		<b><u>2,965</u></b>	<b><u>535</u></b>	<b><u>3,175</u></b>	<b><u>448</u></b>

**Notes on debtors above:**

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

## Walgett Shire Council

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

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		314	–	314	–
Stores and materials		837	–	725	–
<b>Total inventories at cost</b>		<b>1,151</b>	<b>–</b>	<b>1,039</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>1,151</u></b>	<b><u>–</u></b>	<b><u>1,039</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>					
Prepayments		6	–	–	–
Work in progress		–	330	–	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>6</u></b>	<b><u>330</u></b>	<b><u>–</u></b>	<b><u>–</u></b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Work in Progress		–	330	–	–
<b>Total water</b>		<b>–</b>	<b>330</b>	<b>–</b>	<b>–</b>
<b>Sewerage</b>					
Nil					
<b>Domestic waste management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>–</b>	<b>330</b>	<b>–</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>1,157</b>	<b>–</b>	<b>1,039</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b><u>1,157</u></b>	<b><u>330</u></b>	<b><u>1,039</u></b>	<b><u>–</u></b>

## Walgett Shire Council

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

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

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
<b>Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	314	–	314	–
<b>Total real estate for resale</b>	<b>314</b>	<b>–</b>	<b>314</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	314	–	314	–
<b>Total costs</b>	<b>314</b>	<b>–</b>	<b>314</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>314</b>	<b>–</b>	<b>314</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	314	–	314	–
<b>Total real estate for resale</b>	<b>314</b>	<b>–</b>	<b>314</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;

	2016	2015
Real estate for resale	314	314
	<b>314</b>	<b>314</b>

**(c) Inventory write downs**

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

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

## Walgett Shire Council

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

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

\$ '000	as at 30/6/2015					Asset movements during the reporting period						as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment										depreciation	impairment	
Plant and equipment	-	12,772	8,045	-	4,727	-	1,593	(461)	(902)	-	-	-	12,176	7,219	-	4,957
Office equipment	-	1,382	1,130	-	252	-	-	-	(45)	-	-	-	1,382	1,175	-	207
<b>Land:</b>																
- Operational land	-	2,548	-	-	2,548	-	-	-	-	-	-	-	2,548	-	-	2,548
<b>Infrastructure:</b>																
- Buildings – non-specialised	-	6,595	2,282	-	4,313	-	-	-	(124)	-	-	-	6,595	2,406	-	4,189
- Buildings – specialised	-	20,132	10,267	-	9,865	-	-	-	(258)	-	-	-	20,131	10,524	-	9,607
- Other structures	-	32,459	15,090	-	17,369	476	-	-	(1,008)	-	1,746	-	35,231	16,648	-	18,583
- Roads, bridges and footpaths	-	134,170	62,514	-	71,656	3,146	-	-	(2,562)	(704)	-	-	135,613	64,077	-	71,536
- Bulk earthworks (non-depreciable)	-	87,861	-	-	87,861	-	204	-	-	-	-	-	88,065	-	-	88,065
- Stormwater drainage	-	14,371	4,701	-	9,670	-	5	-	(170)	-	-	-	14,376	4,871	-	9,505
- Water supply network	-	37,683	17,488	-	20,195	55	-	-	(555)	-	386	-	38,629	18,548	-	20,081
- Sewerage network	-	18,206	6,408	-	11,798	-	-	-	(172)	-	340	-	18,743	6,777	-	11,966
<b>Other assets:</b>																
- Other	-	9,895	2,783	-	7,112	149	-	-	(751)	-	2,034	-	11,393	2,849	-	8,544
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	-	<b>378,074</b>	<b>130,708</b>	-	<b>247,366</b>	<b>3,826</b>	<b>1,802</b>	<b>(461)</b>	<b>(6,547)</b>	<b>(704)</b>	<b>4,506</b>	-	<b>384,882</b>	<b>135,094</b>	-	<b>249,788</b>

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

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

## Walgett Shire Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
Infrastructure	–	38,629	18,548	<b>20,081</b>	–	37,683	17,488	<b>20,195</b>
<b>Total water supply</b>	<b>–</b>	<b>38,629</b>	<b>18,548</b>	<b>20,081</b>	<b>–</b>	<b>37,683</b>	<b>17,488</b>	<b>20,195</b>
<b>Sewerage services</b>								
Infrastructure	–	18,743	6,777	<b>11,966</b>	–	18,206	6,408	<b>11,798</b>
<b>Total sewerage services</b>	<b>–</b>	<b>18,743</b>	<b>6,777</b>	<b>11,966</b>	<b>–</b>	<b>18,206</b>	<b>6,408</b>	<b>11,798</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>57,372</b>	<b>25,325</b>	<b>32,047</b>	<b>–</b>	<b>55,889</b>	<b>23,896</b>	<b>31,993</b>

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

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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		24	–	19	–
Payments received in advance		255	–	245	–
Accrued expenses:					
– Borrowings		22	–	22	–
– Salaries and wages		251	–	213	–
– Other expenditure accruals		26	–	583	–
ATO – net GST payable		339	–	86	–
Creditors		528	–	74	–
Other		1	–	–	–
<b>Total payables</b>		<b>1,446</b>	<b>–</b>	<b>1,242</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		598	3,902	559	4,442
<b>Total borrowings</b>		<b>598</b>	<b>3,902</b>	<b>559</b>	<b>4,442</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		938	–	1,006	–
Sick leave		119	–	152	–
Long service leave		799	130	760	123
Other leave (Time in Lieu.)		46	–	–	–
<b>Total provisions</b>		<b>1,902</b>	<b>130</b>	<b>1,918</b>	<b>123</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>3,946</b>	<b>4,032</b>	<b>3,719</b>	<b>4,565</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		218	9	233	–
Liabilities relating to externally restricted assets		218	9	233	–
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>218</b>	<b>9</b>	<b>233</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>3,728</b>	<b>4,023</b>	<b>3,486</b>	<b>4,565</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>3,946</b>	<b>4,032</b>	<b>3,719</b>	<b>4,565</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 15.

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	1,331	1,266
	<b>1,331</b>	<b>1,266</b>

## Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	1,006	322	(458)	68	–	938
Sick leave	152	119	(185)	33	–	119
Long service leave	883	155	(154)	45	–	929
Other leave (Time in Lieu.)	–	46	–	–	–	46
<b>TOTAL</b>	<b>2,041</b>	<b>642</b>	<b>(797)</b>	<b>146</b>	<b>–</b>	<b>2,032</b>

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

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	17,166	5,034
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>17,166</b>	<b>5,034</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>4,383</b>	<b>7,536</b>
Adjust for non-cash items:			
Depreciation and amortisation		6,547	4,342
Net losses/(gains) on disposal of assets		(141)	(1)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		96	363
Increase/(decrease) in provision for doubtful debts		7	(220)
Decrease/(increase) in inventories		(112)	(116)
Decrease/(increase) in other assets		(6)	–
Increase/(decrease) in payables		5	(175)
Increase/(decrease) in accrued interest payable		–	8
Increase/(decrease) in other accrued expenses payable		(519)	(76)
Increase/(decrease) in other liabilities		718	377
Increase/(decrease) in employee leave entitlements		(9)	25
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,969</b>	<b>12,063</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) 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>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		6	5
<b>Total financing arrangements utilised</b>		<b>6</b>	<b>5</b>
<b>(ii) Secured loan liabilities</b>			

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

## Walgett Shire Council

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

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Nil			
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) 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		27	27
Later than one year and not later than 5 years		27	54
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>54</b>	<b>81</b>

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

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.

**(d) Investment property commitments**

Nil

**(e) Investment in joint operations – commitments**

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

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<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	<u>2,628</u>	<b>8.73%</b>	21.16%	-6.52%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>30,104</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>17,529</u>	<b>55.27%</b>	56.17%	62.58%
Total continuing operating revenue <sup>(1)</sup>	<u>31,718</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>14,014</u>	<b>5.85x</b>	5.43x	4.48x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>2,397</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>9,444</u>	<b>12.26x</b>	12.05x	5.30x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>770</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>899</u>	<b>9.58%</b>	7.35%	7.61%
Rates, annual and extra charges collectible	<u>9,387</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>26,166</u>	<b>13.51</b>	13.2 mths	7.9 mths
Payments from cash flow of operating and financing activities	<u>1,936</u>	<b>mths</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.

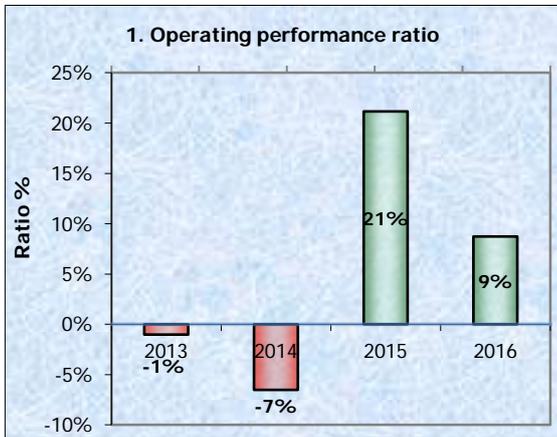
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – 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 2016

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



**Purpose of operating performance ratio**

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

**Commentary on 2015/16 result**

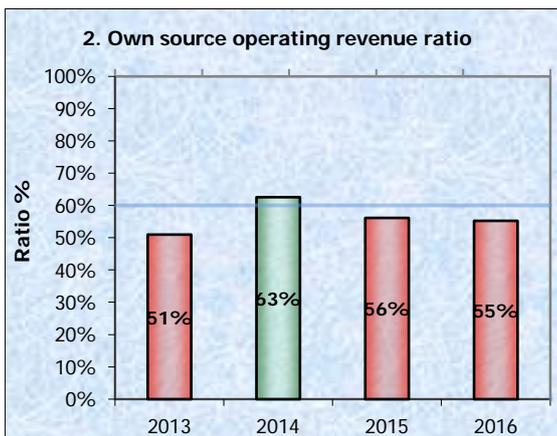
**2015/16 ratio 8.73%**

This is a good outcome for 2015/2016 in light of the increased depreciation expense, a result of the previous years revaluation of roads and water supply infrastructure.

Benchmark: — Minimum  $\geq 0.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2015/16 result**

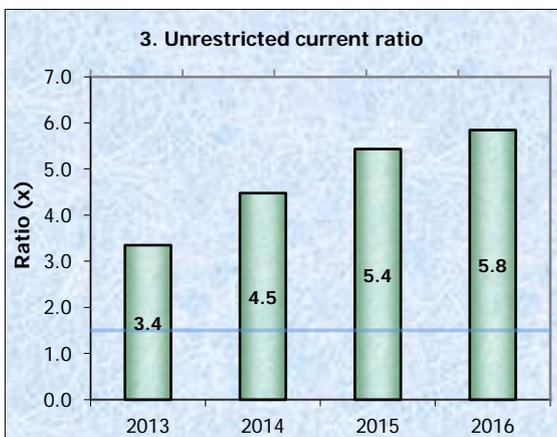
**2015/16 ratio 55.27%**

Despite not meeting the benchmark this is a good result. Council's success in acquiring in particularly capital grants adversely impacts upon this performance ratio. However, Council will endeavour to improve the ratio in future years with its annual review of its revenue policy.

Benchmark: — Minimum  $\geq 60.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 5.85x**

Council's liquidity situation continues to improve with unrestricted cash of \$10,682,000, or \$5.80 for every \$1.00 of liability. This is a very robust position, showing the organisations ability to meet commitments in the short term.

Benchmark: — Minimum  $\geq 1.50$

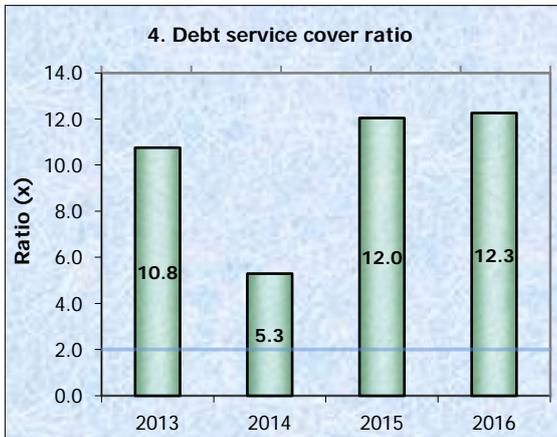
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

# Walgett Shire Council

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 12.26x**

This is a good result with debt servicing being 12.26 times more than the net operating result

Benchmark: Minimum  $\geq 2.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

**Commentary on 2015/16 result**

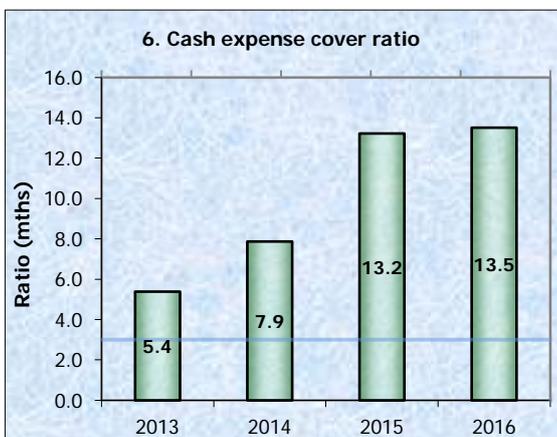
**2015/16 ratio 9.58%**

The ratio, whilst under the industry benchmark shows a rise in outstanding rates & charges, a result of an increasing number of ratepayers inability to finalise rate commitments in 15/16. This trend is a consequence of drought conditions across the shire. A new debt recovery program to commence in 16/17.

Benchmark: Maximum  $< 10.00\%$

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

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 13.51 mths**

A continuing sound position showing that Council can continue paying its immediate expenses for 13.51 months.

Benchmark: Minimum  $\geq 3.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>-42.68%</b>	<b>49.39%</b>	<b>11.57%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 40.64%	54.95%	17.82%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>59.59%</b>	<b>98.88%</b>	<b>53.07%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 72.01%	98.97%	52.37%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>13.00x</b>	No liabilities	<b>5.85x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 8.09x	No liabilities	5.43x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>-204.00x</b>	<b>0.00</b>	<b>11.97x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 123.30x	0.00x	9.92x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>16.71%</b>	<b>14.53%</b>	<b>7.55%</b>
Rates, annual and extra charges collectible	prior period: 21.78%	16.13%	3.60%
<b>6. Cash expense cover ratio</b>			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>0.00</b>	<b>0.00</b>	<b>12.58 mths</b>
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	12.22 mths

## Notes

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

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

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	17,166	5,034	17,166	5,034
Investments				
– 'Held to maturity'	9,000	16,000	9,000	16,000
Receivables	3,500	3,623	3,500	3,623
<b>Total financial assets</b>	<b>29,666</b>	<b>24,657</b>	<b>29,666</b>	<b>24,657</b>
<b>Financial liabilities</b>				
Payables	1,191	997	1,191	997
Loans/advances	4,500	5,001	4,500	5,001
<b>Total financial liabilities</b>	<b>5,691</b>	<b>5,998</b>	<b>5,691</b>	<b>5,998</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.

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

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

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

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

The risks associated with the investments held are:

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

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

#### (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>2016</b>				
Possible impact of a 1% movement in interest rates	177	177	(177)	(177)
<b>2015</b>				
Possible impact of a 1% movement in interest rates	189	189	(189)	(189)

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (b) Credit risk

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

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

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

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

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

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:

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		65%	96%	30%	74%
Overdue		35%	4%	70%	26%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Rates and annual charges	Other receivables				
Current	Current	–	2,633	–	2,334
< 1 year overdue	0 – 30 days overdue	577	23	197	295
1 – 2 years overdue	30 – 60 days overdue	311	2	456	118
2 – 5 years overdue	60 – 90 days overdue	–	2	–	81
> 5 years overdue	> 90 days overdue	–	57	–	240
		<b>888</b>	<b>2,717</b>	<b>653</b>	<b>3,068</b>
<b>(iii) Movement in provision for impairment of receivables</b>					
				2016	2015
Balance at the beginning of the year				98	318
– amounts already provided for and written off this year				7	(220)
<b>Balance at the end of the year</b>				<b>105</b>	<b>98</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	–	1,191	–	–	–	–	–	1,191	1,191
Loans and advances	–	768	770	747	753	761	1,305	5,104	4,500
<b>Total financial liabilities</b>	<b>–</b>	<b>1,959</b>	<b>770</b>	<b>747</b>	<b>753</b>	<b>761</b>	<b>1,305</b>	<b>6,295</b>	<b>5,691</b>
<b>2015</b>									
Trade/other payables	–	997	–	–	–	–	–	997	997
Loans and advances	–	598	591	622	659	700	1,869	5,039	5,001
<b>Total financial liabilities</b>	<b>–</b>	<b>1,595</b>	<b>591</b>	<b>622</b>	<b>659</b>	<b>700</b>	<b>1,869</b>	<b>6,036</b>	<b>5,998</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,191	0.00%	997	0.00%
Loans and advances – fixed interest rate	4,500	6.23%	5,001	6.70%
	<u>5,691</u>		<u>5,998</u>	

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 23 June 2015.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	8,652	8,584	(68)	(1%)	<b>U</b>
User charges and fees	5,289	7,364	2,075	39%	<b>F</b>
Income from the RMS Highway Maintenance Contract, was greater than originally anticipated at the time of framing the budget.					
Interest and investment revenue	685	797	112	16%	<b>F</b>
Council's new investment strategy has increased portfolio returns for 15/16. Additional funds for investment has also contributed to an increase of interest revenue.					
Other revenues	1,388	784	(604)	(44%)	<b>U</b>
The original 15/16 budget estimated a far greater return from management of the water and sewer operations.					
Operating grants and contributions	13,514	12,575	(939)	(7%)	<b>U</b>
Capital grants and contributions	1,727	1,614	(113)	(7%)	<b>U</b>
Net gains from disposal of assets	–	141	141	0%	<b>F</b>
The original budget did not make provision for gains on the disposal of assets.					

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	7,717	7,911	(194)	(3%)	<b>U</b>
Borrowing costs	276	269	7	3%	<b>F</b>
Materials and contracts	11,021	9,714	1,307	12%	<b>F</b>
Capitalisation of road projects has resulted in a decreased materials and contracts expenditure for 15/16.					
Depreciation and amortisation	4,318	6,547	(2,229)	(52%)	<b>U</b>
Increased depreciation expenditure for roads infrastructure is a result of asset revaluations in 14/15.					
Other expenses	2,792	3,035	(243)	(9%)	<b>U</b>

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

Cash flows from operating activities	17,176	10,969	(6,207)	(36.1%)	<b>U</b>
Original budget result provided for a greater surplus with additional grant income.					
Cash flows from investing activities	(593)	1,664	2,257	(380.6%)	<b>F</b>
A number of capital works projects not undertaken during 15/16 as originally planned.					
Cash flows from financing activities	(563)	(501)	62	(11.0%)	<b>F</b>
Additional loans not drawn down in 15/16, therefore a reduction in principal loan repayments.					

## Note 17. Statement of developer contributions

Council currently has no S94 developer contribution plans or S94 funds on hand from prior years.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

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

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

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

###### (ii) Statewide Limited

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

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

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

###### (iii) StateCover Limited

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

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

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

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

###### (iv) Other guarantees

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

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

##### 2. Other liabilities

###### (i) Third party claims

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

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

###### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

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

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

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

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

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

##### ASSETS NOT RECOGNISED:

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

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to 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.

#### Note 19. Interests in other entities

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

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		94,315	86,779
a. Net operating result for the year		4,383	7,536
<b>Balance at end of the reporting period</b>		<b>98,698</b>	<b>94,315</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		174,265	170,463
<b>Total</b>		<b>174,265</b>	<b>170,463</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		170,463	273,829
– Revaluations for the year	9(a)	3,802	(103,366)
<b>– Balance at end of year</b>		<b>174,265</b>	<b>170,463</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>174,265</b>	<b>170,463</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

**(d) Voluntary changes in accounting policies**

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

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	1,412	867	6,305
User charges and fees	706	2	6,656
Interest and investment revenue	87	113	597
Other revenues	56	2	726
Grants and contributions provided for operating purposes	–	–	12,575
Grants and contributions provided for capital purposes	1,513	–	101
<b>Other income</b>			
Net gains from disposal of assets	–	–	141
<b>Total income from continuing operations</b>	<b>3,774</b>	<b>984</b>	<b>27,101</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	373	139	7,399
Borrowing costs	2	–	267
Materials and contracts	2,087	168	7,459
Depreciation and amortisation	555	172	5,820
Impairment	–	–	–
Other expenses	209	19	2,807
<b>Total expenses from continuing operations</b>	<b>3,226</b>	<b>498</b>	<b>23,752</b>
<b>Operating result from continuing operations</b>	<b>548</b>	<b>486</b>	<b>3,349</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>548</b>	<b>486</b>	<b>3,349</b>
<b>Net operating result attributable to each council fund</b>	<b>548</b>	<b>486</b>	<b>3,349</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(965)</b>	<b>486</b>	<b>3,248</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 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	945	872	15,349
Investments	1,500	4,500	500
Receivables	390	87	2,488
Inventories	–	–	1,151
Other	–	–	6
<b>Total current assets</b>	<b>2,835</b>	<b>5,459</b>	<b>19,494</b>
<b>Non-current assets</b>			
Investments	–	–	2,500
Receivables	93	44	398
Inventories	–	–	–
Infrastructure, property, plant and equipment	20,081	11,966	217,741
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Other	330	–	–
<b>Total non-current assets</b>	<b>20,504</b>	<b>12,010</b>	<b>220,639</b>
<b>TOTAL ASSETS</b>	<b>23,339</b>	<b>17,469</b>	<b>240,133</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	218	–	1,228
Borrowings	–	–	598
Provisions	–	–	1,902
<b>Total current liabilities</b>	<b>218</b>	<b>–</b>	<b>3,728</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	9	–	3,893
Provisions	–	–	130
<b>Total non-current liabilities</b>	<b>9</b>	<b>–</b>	<b>4,023</b>
<b>TOTAL LIABILITIES</b>	<b>227</b>	<b>–</b>	<b>7,751</b>
<b>Net assets</b>	<b>23,112</b>	<b>17,469</b>	<b>232,382</b>
<b>EQUITY</b>			
Retained earnings	10,846	11,691	76,161
Revaluation reserves	12,266	5,778	156,221
<b>Total equity</b>	<b>23,112</b>	<b>17,469</b>	<b>232,382</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 2016

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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 31/10/16.

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

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

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

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

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

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

---

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

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/14	–	4,957	–	4,957
Office equipment	30/06/14	–	207	–	207
Operational land	30/06/14	–	2,548	–	2,548
Buildings – non-specialised	30/06/14	–	4,189	–	4,189
Buildings specialised	30/06/14	–	–	9,607	9,607
Other structures	30/06/16	–	–	18,583	18,583
Roads bridges and footpaths	30/06/15	–	–	71,536	71,536
Bulk earthworks	30/06/15	–	–	88,065	88,065
Stormwater drainage	30/06/12	–	–	9,505	9,505
Water supply network	30/06/12	–	–	20,081	20,081
Sewerage network	30/06/12	–	–	11,966	11,966
Other assets	30/06/16	–	–	8,544	8,544
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>11,901</b>	<b>237,887</b>	<b>249,788</b>

## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/14	–	4,727	–	4,727
Office equipment	30/06/14	–	252	–	252
Operational land	30/06/14	–	2,548	–	2,548
Buildings – non-specialised	30/06/14	–	4,313	–	4,313
Buildings specialised	30/06/14	–	–	9,865	9,865
Other structures	30/06/11	–	–	17,369	17,369
Roads bridges and footpaths	30/06/15	–	–	71,656	71,656
Bulk earthworks	30/06/15	–	–	87,861	87,861
Stormwater drainage	30/06/12	–	–	9,670	9,670
Water supply network	30/06/12	–	–	20,195	20,195
Sewerage network	30/06/12	–	–	11,798	11,798
Other assets	30/06/11	–	–	7,112	7,112
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>11,840</b>	<b>235,526</b>	<b>247,366</b>

## (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 2016

#### Note 27. Fair value measurement (continued)

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

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

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

##### **Infrastructure, Property, Plant and Equipment**

###### **Plant and Equipment**

Council has a liquid second hand market available through the major centre of Dubbo, making full use of auction businesses in order to derive a relative price point, this is highly subjective when considerations are made of asset condition and age in which case level 2 inputs would apply.

###### **Office Equipment and Furniture**

There is no relative liquid market participation for these assets, with a short useful life these assets are held to maximum useful life with no residual value held, with written down values reflected in terms of their use rather than economic worth in an active market. Due to this it is not reasonable to class the assets in level 1, they are observed as level 2.

###### **Operational Land**

There is a relatively active market for most of Council operational land, however it fluctuates in economic worth dependant on volatility within the market participation rate, hence it's classification of level 2 inputs.

This asset class was revalued by Scott Fullarton Valuations Pty Ltd in 2014 and complied with AASB116, described as being 'the amount for which an asset could be exchanged between two knowledgeable, willing parties in an arms length transaction'. Valuation techniques have not changed from prior periods for this asset class.

Level 2 inputs apply, there has been no change in valuation techniques used.

###### **Buildings Specialised**

This asset class was revalued by Scott Fullarton Valuations Pty Ltd 2014 and complied with AASB116, described as being 'the amount for which an asset could be exchanged between two knowledgeable, willing parties in an arm's length transaction'. Valuation techniques have not changed from prior periods for this asset class.

The observable inputs under level 2 are established based on the data used by the independent valuer in quantifying a unit rate to a structure or a square metre rate to a building, where an assets current replacement cost in an active market or measure of economic benefit can be gained through substantial analysis of construction costs incurred from over one hundred Council's throughout New South Wales. This data has been compiled and updated by the independent valuer on a regular basis and reflects movement in construction costs relative to the market fluctuations.

###### **Buildings Non-Specialised**

This asset class was revalued by Scott Fullarton Valuations Pty Ltd 2014 and complied with AASB116, described as being 'the amount for which an asset could be exchanged between two knowledgeable, willing parties in an arms length transaction'. Valuation techniques have not changed from prior periods for this asset class.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

The observable inputs under level 3 are established based on the data used by the independent valuer in quantifying a unit rate to a structure or a square metre rate to a building, where an assets current replacement cost in an active market or measure of economic benefit can be gained through substantial analysis of construction costs incurred from over one hundred Council's throughout New South Wales. This data has been compiled and updated by the independent valuer on a regular basis and reflects movement in construction costs relative to the market fluctuations.

##### **Other Structures/Other Assets**

These asset classes was revalued in the 2010/11 financial year and complied with Accounting Standard AASB 116. Held at 'Fair Value' which is described as being the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction".

Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

##### **Roads, Bridges and Footpaths/Bulk Earthworks**

Council's roads, bridges and footpaths were inspected by Council staff and an independent valuer as at 30 June 2015. As per paragraph 43 of AASB116, Councils infrastructure was segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Roads
- Pavement
- Formation and Bulk Earthworks
- Kerb and Gutter
- Footpaths

##### **Roads, pavement and formation/bulk earthworks**

Council assets were inspected to establish the length and extent of the network. Seal and pavement widths and a full condition assessments were conducted in 2014/15.

Road pavements were assumed to be 2m wider than the seal on sealed roads, otherwise they were measured.

Unit rates for formation, pavement and sealing were based on current replacement market derivatives, indicative by Council staff own project cost analysis in part with current market activity.

Formation widths were determined as a multiple of the pavement width and confirmed by sample inspections.

Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

##### **Kerb and gutter**

The basis of Council assets in this area were established by physical inspection, the bulk of which is concrete, however some are part of the road formation/bulk earth as no concrete structure exists. The conditional assessment was determined following the inspections.

Unit rates were established using Council own project cost analysis in part with current market activity to indicate a reasonably accurate cost of replacement.

Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

##### **Footpaths**

Council assets were revalued upon a full inspection and conditional assessment in 2014/15, additionally are inspected on a regular basis in conjunction with risk management/insurance processes. Unit rates were based on current replacement market derivatives, indicative by Council staff own project cost analysis and current market activity (local suppliers). This was then applied to each segmented part of the footpath network.

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

##### Bridges

Council assets were revalued based on a full inspection and conditional assessment in 2014/15, largely based on observable defects and having a number of assets in poor condition not being utilised, this did not include core sampling or tensile testing of any components.

Council had assessed these assets (small number) and based on current replacement costs established through in house project cost analysis were able to set a unit rate or estimated cost of replacement, additionally there were known current market quoted values to replace certain assets.

Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

##### Stormwater Drainage

This asset class was developed using physical inspections, GIS data and old plans held by Council, unit rates were established using Ministry of Energy and Utilities; *NSW reference Rates Manual; Valuation of Water Supply, Sewerage and Stormwater Assets*.

Additionally Council was able to establish rates based on Project Cost analysis, quoted works that have been undertaken within the current market activity, with the last valuation taking place 30 June 2012.

Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

##### Water Supply Network

This asset class was developed using physical inspections, GIS data and old plans held by Council, unit rates were established using Ministry of Energy and Utilities; *NSW reference Rates Manual; Valuation of Water Supply, Sewerage and Stormwater Assets*.

Additionally Council was able to establish rates based on Project Cost analysis, quoted works that have been undertaken within the current market activity, with the last valuation taking place 30 June 2012.

Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

##### Sewer Supply Network

This asset class was developed using physical inspections, GIS data and old plans held by Council, unit rates were established using Ministry of Energy and Utilities; *NSW reference Rates Manual; Valuation of Water Supply, Sewerage and Stormwater Assets*.

Additionally Council was able to establish rates based on Project Cost analysis, quoted works that have been undertaken within the current market activity, with the last valuation taking place 30 June 2012.

Level 3 inputs apply, there has been no change in valuation techniques for this asset class.

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## Walgett Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings specialised	Other structures	Roads bridges footpaths	Bulk earthworks	Total
<b>Opening balance – 1/7/14</b>	10,338	17,822	59,486	203,566	291,212
Purchases (GBV)	62	370	3,080	–	3,512
Disposals (WDV)	–	–	(3)	–	(3)
Depreciation and impairment	(535)	(842)	(1,051)	–	(2,428)
Revaluation increment to equity (ARR)	–	19	10,144	(115,705)	(105,542)
<b>Closing balance – 30/6/15</b>	<b>9,865</b>	<b>17,369</b>	<b>71,656</b>	<b>87,861</b>	<b>186,751</b>
Purchases (GBV)	–	476	3,145	204	3,825
Disposals (WDV)	–	–	(703)	–	(703)
Depreciation and impairment	(258)	(1,151)	(2,562)	–	(3,971)
Revaluation increment to equity (ARR)	–	1,889	–	–	1,889
<b>Closing balance – 30/6/16</b>	<b>9,607</b>	<b>18,583</b>	<b>71,536</b>	<b>88,065</b>	<b>187,791</b>
	Stormwater drainage	Water supply network	Sewer network	Other assets	Total
<b>Opening balance – 1/7/14</b>	9,608	18,833	11,759	3,735	43,935
Purchases (GBV)	1,338	1,756	207	224	3,525
Disposals (WDV)	–	(2)	–	–	(2)
Depreciation and impairment	(135)	(392)	(168)	(164)	(859)
Revaluation increment to equity (ARR)	(1,141)	–	–	3,317	2,176
<b>Closing balance – 30/6/15</b>	<b>9,670</b>	<b>20,195</b>	<b>11,798</b>	<b>7,112</b>	<b>48,775</b>
Purchases (GBV)	5	55	–	149	209
Disposals (WDV)	–	(48)	–	–	(48)
Depreciation and impairment	(170)	(555)	(172)	(751)	(1,648)
Revaluation increment to equity (ARR)	–	434	340	2,034	2,808
<b>Closing balance – 30/6/16</b>	<b>9,505</b>	<b>20,081</b>	<b>11,966</b>	<b>8,544</b>	<b>50,096</b>

## Walgett Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs

##### I,PP and E

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Buildings Non-specialised	\$20,131	Cost approach	Unit rates Asset condition Useful life
Other structures	\$35,231	Cost approach	Unit rates Asset condition Useful life
Roads, bridges and footpaths	\$135,614	Cost approach	Unit rates Asset condition Useful life
Bulk earthworks	\$88,065	Cost approach	Unit rates Asset condition
Stormwater drainage	\$14,376	Cost approach	Unit rates Asset condition Useful life
Water supply network	\$38,959	Cost approach	Unit rates Asset condition Useful life
Sewerage network	\$18,743	Cost approach	Unit rates Asset condition Useful life
Other assets	\$11,393	Cost approach	Unit rates Asset condition

##### (5). Highest and best use

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

# Walgett Shire Council

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

### Note 28. 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**

Don Ramsland

**RESPONSIBLE ACCOUNTING OFFICER**

Michael Urquhart

**PUBLIC OFFICER**

Michael Urquhart

**AUDITORS**

Luka Group  
2 river Street  
Dubbo NSW

**Elected members**

**MAYOR**

Ian Woodcock

**COUNCILLORS**

Bill Murray  
Jane Keir  
Kelly Smith  
Tanya Cameron  
Michael Taylor  
Lawrence Walford  
Roby Turnbull  
Manuel Martinez.

**Other information**

**ABN:** 78 769 076 385

INDEPENDENT AUDITOR'S REPORT  
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF  
WALGETT SHIRE COUNCIL

## Report on the Financial Statements

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

## Council's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Independence

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

## Matters Relating to the Electronic Presentation of the Audited Financial Statements

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

### Audit Opinion

In our opinion:

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



LUKA GROUP

2 River Street  
Dubbo  
Dated: 31 October 2016



JM SHANKS  
PARTNER

31 October 2016

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

Dear Mr Mayor

## INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT OF WALGETT SHIRE COUNCIL

We have audited the financial statements of Walgett Shire Council for the financial year ended 30 June 2016. The financial statements include the general purpose consolidated accounts of the economic entity comprising the Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at reporting date. The contents of both of these statements include the Council's Certificate as required by section 413(2)(c) of the Local Government Act 1993. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. Our audit resulted in the issuing of an unmodified audit report for both the general purpose financial statements and special purpose financial statements of Council.

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

### Council's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### *Review of the Financial Statements*

#### **(a) Result from Continuing Operations**

As disclosed in Council's Income Statement the year's operations resulted in a surplus from continuing operations after capital amounts of \$4,383,000 (2015 - \$7,536,000). Some items of note in the income statement include:

- The operating result from continuing operations *before* capital amounts was a surplus of \$2,679,000 (2015 - \$5,696,000).
- Rates and annual charges increased by \$301,000 to \$8,584,000 (2015 - \$8,283,000). Ordinary rates increased by \$117,000 to \$5,116,000 due to normal increases in rate levies and property movements during the year. Annual charges increased by \$184,000 to \$3,468,000. Water supply services increased by \$120,000 to \$1,399,000 due to an increase in charges ranging from 7.5% to 10.6% across the Shire.
- User charges and fees increased by \$1,461,000 to \$7,364,000 (2015 - \$5,903,000). Water supply services increased by \$234,000 to \$475,000 due to increased water consumption due to the ongoing drought conditions. Private works increased by \$197,000 to \$298,000 due to deliberating expanding private works operations during the year. RMS charges increased by \$1,002,000 to \$6,286,000 due to more ordered works being performed this year compared to the prior year.
- Interest and investment revenue increased by \$142,000 to \$797,000 (2015 - \$655,000) due to a higher level of investments compared to the prior year.
- Grant and contributions provided for operating activities increased by \$1,815,000 to \$12,575,000 (2015 - \$10,760,000). The financial assistance grant increased by \$88,000 to \$5,711,000 with a 1.6% increase during the year. Flood restoration decreased by \$315,000 due to the completion of restoration road works from 2012 flood damage. Community care increased by \$85,000 to \$151,000 due to a one off grant of \$99,000 for Aboriginal safety. Transport – roads to recovery increased by \$1,512,000 to \$2,486,000 due to the Department of Transport providing additional funding under the new five year program. Transport – other roads and bridges increased by \$444,000 to \$1,510,000 due to increased funding under the Fixing Country Roads program.
- Grants and contributions provided for capital purposes decreased by \$226,000 to \$1,614,000 (2015 - \$1,840,000). Water supplies increased by \$610,000 to \$1,513,000 due to further funding to upgrade the water supply infrastructure. Levee rehabilitation decreased by \$500,000 to the upgrade of the levee bank around the town of Walgett in the prior year. Recreation and culture decreased by \$98,000 to \$33,000 due one off grants for the Walgett boat ramp and Lightning Ridge walking track in the prior year. Regional and local infrastructure decreased by \$186,000 to \$23,000 due to black spot funding in the prior year not being repeated this year.
- Employee benefits and on-costs increased by \$461,000 to \$7,911,000 (2015 - \$7,450,000). Salary and wages increased by \$556,000 to \$6,428,000 due to additional full time staff and the normal award movement in grades and skill steps. Workers compensation insurance increased by \$161,000 to \$309,000 due to refund in the prior year and a worsening of the rolling claims history this year.
- Materials and contracts increased by \$3,381,000 to \$9,714,000 (2015 - \$6,333,000). This movement is consistent with the levels of works carried out during the year and has increased due to increased asset maintenance during the year.
- Depreciation expense increased by \$2,205,000 to \$6,547,000 (2015 - \$4,342,000) due to the impact of revaluations of infrastructure assets and updating of asset useful lives and condition assessments. Roads increased by \$1,511,000 to \$2,562,000, other assets increased by \$587,000 to \$751,000, other structures increased by \$166,000 to \$1,008,000 and water supply network increased by \$163,000 to \$555,000.

- Other expenses increased by \$283,000 to \$3,035,000 (2015 - \$2,752,000). Bad and doubtful debts increased by \$203,000 due to a reversal of the provision for doubtful debts relating to the Lightning Ridge Olympic Swimming Pool in the prior year. Electricity and heating decreased by \$33,000 to \$287,000 due to a decrease in tariffs and consumption.

**(b) Financial Position**

The Statement of Financial Position disclosed that for the year ended 30 June 2016 Council's net assets stood at \$272,963,000 (2015 - \$264,778,000) which represents an increase of \$8,185,000, being the surplus from continuing operations after capital amounts of \$4,383,000 and a revaluation increment of \$3,802,000 relating to infrastructure assets revalued during the year.

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

	2016 \$'000	2015 \$'000
Net current assets	23,842	21,529
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(13,460)	(12,869)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(7,892)	(7,592)
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(314)	(314)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction - Water	218	233
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,331	1,266
Unrestricted net current asset surplus	3,725	2,253
Unrestricted net current assets comprise:		
<i>Unrestricted Current Assets</i>		
Cash and Investments	2,791	992
Receivables	2,488	2,756
Inventories	1,157	1,039
	6,436	4,787
Less: Unrestricted Current Liabilities		
Payables	(1,228)	(1,026)
Loans	(598)	(542)
Provisions	(1,902)	(1,918)
	(3,728)	(3,486)

	2016 \$'000	2015 \$'000
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,331	1,266
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(314)	(314)
Unrestricted net current asset surplus	<u>3,725</u>	<u>2,253</u>

The unrestricted net current asset position of Council has increased by \$1,472,000 over the past year to a surplus of \$3,725,000. This is a sound position which will allow Council to meet any unbudgeted expenses in the short term.

### *Liquidity*

Note 6 to the accounts discloses total cash and investments of \$26,166,000 (2015 - \$21,034,000). Of this amount \$15,483,000 (2015 - \$12,450,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$7,892,000 (2015 - \$7,592,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their management plan.

The unrestricted balance of \$2,791,000 (2015 - \$992,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

Council is in a sound financial position to fulfil the objectives as part of its long term financial plans. Whilst the consolidated financial statements display healthy levels of cash and investments, we remind the reader that the consolidated data may not be reflective of the position of the individual funds (General, Water and Sewer).

### **(c) Performance Indicators**

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

#### *Operating Performance Ratio*

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

Council's ratio of 8.73% (2015 - 21.16%) and is well above the benchmark of 0%. This is a very strong result for the Council and the second year in a row above the benchmark. Council needs to ensure this trend continues in future years, however, this is difficult to achieve when depreciation expense represents 23.8% of Council's expenditure in the income statement.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e. General, Water and Sewer, etc.) may vary significantly.

#### *Own Source Operating Revenue Ratio*

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 55.27% (2015 - 56.17%) is below the benchmark of 60%, and indicates Council has some reliance on government grants and contributions to provide services to the community.

### ***Unrestricted Current Ratio***

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 5.85:1 (2015 – 5.43:1) is considered very strong and is well above the benchmark of 1.5:1.

### ***Debt Service Cover Ratio***

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

Council's ratio of 12.26:1 (2014 – 12.05:1) is considered sound, as the benchmark is a minimum of 2:1. It indicates that Council has the ability to borrow further if required.

### ***Rates and Annual Charges Outstanding Ratio***

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 9.58% (2015 – 7.35%) has deteriorated over the past year. Council is still within the benchmark of 10% but will need to consider allocating more resources to debt collection over the next year to ensure the ratio remains within the benchmark.

### ***Cash Expense Cover Ratio***

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

Council's ratio of 13.52 months (2015 – 13.23 months) has remained consistent with the prior year and is well above the minimum benchmark of 3 months. This indicates that Council is in a strong cash and investment position.

### **(d) Statement of Cash Flows**

The Statement of Cash Flows reports a net increase in cash assets held of \$12,132,000 (2015 - \$192,000) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	10,969	12,063	(1,094)
Investing activities	1,664	(11,346)	13,010
Financing activities	(501)	(525)	24
Net increase in cash held during the year	<u>12,132</u>	<u>192</u>	<u>11,940</u>

### ***Cash Flows from Operating Activities***

The net cash flow provided by operating activities totalled \$10,969,000 (2015 - \$12,063,000). Receipts for grants and contributions increased by \$2,268,000 and user charges and fees increased by \$1,150,000. Payments for employee expenses have increased by \$518,000 and materials and contracts increased by \$4,092,000.

### *Cash Flows from Investing Activities*

The net cash flow provided by investing activities totalled \$1,664,000 (2015 – \$11,346,000 used in). The major cash outflows related to the acquisition of infrastructure, property, plant and equipment of \$5,958,000 (2015 – \$7,432,000). These outflows were offset by the net receipts of investment securities of \$7,175,000 (2015 – \$4,000,000 net payment) and receipts from sale of infrastructure, property, plant and equipment of \$427,000 (2015 – \$86,000).

Major acquisitions of infrastructure, property, plant and equipment were \$3,146,000 for roads, bridges and footpaths, \$1,593,000 for plant and equipment and \$476,000 for other structures.

### *Cash Flows from Financing Activities*

The net cash outflow for financing activities was \$501,000 (2015 – 525,000). There were no new borrowings during the year (2015 – \$Nil). Repayments of borrowings of \$501,000 (2015 – \$525,000) during the year were in line with the requirements of the loans.

#### **(e) Comparison of Actual and Budgeted Performance**

Council's change in net assets from operations for the year was a surplus of \$4,383,000 compared to a budgeted surplus of \$5,131,000.

The nature of this report does not lend itself to detailed analysis of individual budget variations. Council's financial statements include Note 16, which addresses the contributing factors to these variations in more detail.

### *Other Matters*

#### **(a) National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Walgett Shire Council has prepared special purpose financial statements on its business units for the year ended 30 June 2016. Council has determined that it has two business units within its operations: Water and Sewerage.

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

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

#### **(b) Management Letters**

A management letter in relation to the audit will be issued within the few weeks.

#### **(c) Legislative Compliance**

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit and that Walgett Shire Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

#### **(d) Matters Relating to the Electronic Presentation of the Audited Financial statements**

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

**Conclusion**

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



**LUKA GROUP**

2 River Street  
Dubbo  
Dated: 31 October 2016



**JM SHANKS**  
**PARTNER**

# Walgett Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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**“Rivers, Plains and Opals”**



# Walgett Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

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Income Statement – Other Business Activities	n/a
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Statement of Financial Position – Other Business Activities	n/a
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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).
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## Walgett Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2016

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

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

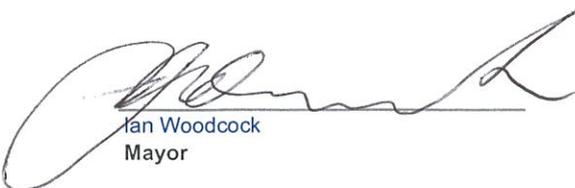
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 27 September 2016.



Ian Woodcock  
Mayor



Manuel Martinez  
Deputy Mayor



Don Ramsland  
General manager



Michael Urquhart  
Responsible accounting officer

## Walgett Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	1,412	1,290
User charges	466	236
Fees	240	225
Interest	87	81
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	56	530
<b>Total income from continuing operations</b>	<b>2,261</b>	<b>2,362</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	373	372
Borrowing costs	2	–
Materials and contracts	2,087	617
Depreciation and impairment	555	392
Water purchase charges	–	–
Loss on sale of assets	–	2
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	209	19
<b>Total expenses from continuing operations</b>	<b>3,226</b>	<b>1,402</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(965)</b>	<b>960</b>
Grants and contributions provided for capital purposes	1,513	903
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>548</b>	<b>1,863</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>548</b>	<b>1,863</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(288)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>548</b>	<b>1,575</b>
<b>Plus opening retained profits</b>	<b>10,298</b>	<b>7,931</b>
<b>Plus/less: other adjustments</b>	<b>–</b>	<b>504</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	288
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>10,846</b>	<b>10,298</b>
<b>Return on capital %</b>	<b>-4.8%</b>	<b>4.8%</b>
<b>Subsidy from Council</b>	<b>1,399</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	548	1,575
Less: capital grants and contributions (excluding developer contributions)	(1,513)	(903)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>672</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>336</b>

## Walgett Shire Council

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

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	867	837
User charges	–	–
Liquid trade waste charges	–	–
Fees	2	–
Interest	113	123
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	2	10
<b>Total income from continuing operations</b>	<b>984</b>	<b>970</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	139	142
Borrowing costs	–	–
Materials and contracts	168	122
Depreciation and impairment	172	167
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	19	6
<b>Total expenses from continuing operations</b>	<b>498</b>	<b>437</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>486</b>	<b>533</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>486</b>	<b>533</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>486</b>	<b>533</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(146)	(160)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>340</b>	<b>373</b>
<b>Plus opening retained profits</b>	11,205	10,672
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	146	160
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>11,691</b>	<b>11,205</b>
<b>Return on capital %</b>	<b>4.1%</b>	<b>4.5%</b>
<b>Subsidy from Council</b>	–	–
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	340	373
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>340</b>	<b>373</b>
<b>Potential dividend calculated from surplus</b>	<b>170</b>	<b>187</b>

## Walgett Shire Council

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

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	945	884
Investments	1,500	1,000
Receivables	390	285
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>2,835</b>	<b>2,169</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	93	–
Inventories	–	–
Infrastructure, property, plant and equipment	20,081	20,195
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	330	–
<b>Total non-current assets</b>	<b>20,504</b>	<b>20,195</b>
<b>TOTAL ASSETS</b>	<b>23,339</b>	<b>22,364</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	218	216
Borrowings	–	8
Provisions	–	–
<b>Total current liabilities</b>	<b>218</b>	<b>224</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	9	9
Provisions	–	–
<b>Total non-current liabilities</b>	<b>9</b>	<b>9</b>
<b>TOTAL LIABILITIES</b>	<b>227</b>	<b>233</b>
<b>NET ASSETS</b>	<b>23,112</b>	<b>22,131</b>
<b>EQUITY</b>		
Retained earnings	10,846	10,298
Revaluation reserves	12,266	11,833
Council equity interest	23,112	22,131
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>23,112</b>	<b>22,131</b>

## Walgett Shire Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	872	712
Investments	4,500	4,000
Receivables	87	135
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>5,459</b>	<b>4,847</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	44	–
Inventories	–	–
Infrastructure, property, plant and equipment	11,966	11,798
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>12,010</b>	<b>11,798</b>
<b>TOTAL ASSETS</b>	<b>17,469</b>	<b>16,645</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>17,469</b>	<b>16,645</b>
<b>EQUITY</b>		
Retained earnings	11,691	11,205
Revaluation reserves	5,778	5,440
Council equity interest	17,469	16,645
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>17,469</b>	<b>16,645</b>

## Walgett Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

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

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

## Walgett Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

#### Declared Business Activities

In accordance with *Pricing & 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)

**Council has no Category 1 business activities.**

##### Category 2

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

##### **a. Walgett Shire Council Combined Water Supplies**

*Council's water supply activity servicing the towns of Walgett, Lightning Ridge and Collarenebri.*

##### **b. Walgett Shire Council Combined Sewerage Service**

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

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

## Walgett Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

##### (i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

##### Notional Rate Applied %

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a “Dividend for Taxation equivalent”, may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

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

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

##### Local Government Rates & 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 & 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 the council's borrowing rate for its business activities.

## Walgett Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

##### (ii) Subsidies

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

Subsidies occur where 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 the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

##### (iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

##### (iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## Walgett Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

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

2016

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,997
(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]	-
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	59,970
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(2,698,000)

2016 Surplus	(965,000)	2015 Surplus	672,000	2014 Surplus	(2,405,000)
		2015 Dividend	-	2014 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 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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**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	1,888
<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)]	%	0.00%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	20,081
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,115
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	55
<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)]	%	-2.47%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	1,513

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

## Walgett Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements

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

2016

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	5,724
(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]	170,100
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	57,240
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	898,100

2016 Surplus	340,200	2015 Surplus	373,100	2014 Surplus	184,800
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	57,240
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	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)	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]	NO
	Complying charges (a) Residential [item 2 (c) in table 1]	NO
	(b) Non-residential [item 2 (c) in table 1]	NO
	(c) Trade waste [item 2 (d) in table 1]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii)	Complete performance reporting form (by 15 September each year)	NO
(iv)	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 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	872
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	11,966
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	324
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
<b>NWI F18</b>	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)]	%	3.14%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	3,046
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.76%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	55
<b>NWI F19</b>	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)]	%	-0.37%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	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 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-19.24%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		-  589   - 198
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(479)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	23

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF WALGETT SHIRE COUNCIL

### Report on the Financial Statements

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

### Council's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Independence

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

## Matters Relating to the Electronic Presentation of the Audited Financial Statements

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

## Audit Opinion

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

## Basis of Accounting

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



LUKA GROUP

2 River Street  
Dubbo  
Dated: 31 October 2016



JM SHANKS  
PARTNER

# Walgett Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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**“Rivers, Plains and Opals”**



# Walgett Shire Council

## Special Schedules for the year ended 30 June 2016

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<b>Special Schedule 1</b>	Net Cost of Services	2
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<b>Special Schedule 2(b)</b>	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	234	–	–	(234)
<b>Administration</b>	2,940	398	–	(2,542)
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	356	55	39	(262)
Beach control	–	–	–	–
Enforcement of local government regulations	4	4	–	–
Animal control	153	34	–	(119)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>513</b>	<b>93</b>	<b>39</b>	<b>(381)</b>
<b>Health</b>	<b>23</b>	<b>7</b>	<b>–</b>	<b>(16)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	100	–	–	(100)
Other environmental protection	29	–	–	(29)
Solid waste management	973	1,306	–	333
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	152	–	–	(152)
<b>Total environment</b>	<b>1,254</b>	<b>1,306</b>	<b>–</b>	<b>52</b>
<b>Community services and education</b>				
Administration and education	430	125	–	(305)
Social protection (welfare)	3	–	–	(3)
Aged persons and disabled	–	–	–	–
Children's services	322	55	–	(267)
<b>Total community services and education</b>	<b>755</b>	<b>180</b>	<b>–</b>	<b>(575)</b>
<b>Housing and community amenities</b>				
Public cemeteries	116	59	–	(57)
Public conveniences	4	10	–	6
Street lighting	135	59	–	(76)
Town planning	874	2	–	(872)
Other community amenities	666	124	–	(542)
<b>Total housing and community amenities</b>	<b>1,795</b>	<b>254</b>	<b>–</b>	<b>(1,541)</b>
<b>Water supplies</b>	<b>3,226</b>	<b>2,293</b>	<b>1,481</b>	<b>548</b>
<b>Sewerage services</b>	<b>499</b>	<b>985</b>	<b>–</b>	<b>486</b>

## Walgett Shire Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	402	17	18	(367)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	100	–	–	(100)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	42	1	–	(41)
Sporting grounds and venues	335	1	–	(334)
Swimming pools	507	–	–	(507)
Parks and gardens (lakes)	391	–	–	(391)
Other sport and recreation	580	69	33	(478)
<b>Total recreation and culture</b>	<b>2,357</b>	<b>88</b>	<b>51</b>	<b>(2,218)</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	60	60	–	–
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>60</b>	<b>60</b>	<b>–</b>	<b>–</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,043	138	–	(1,905)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	2,200	1,544	–	(656)
Sealed rural roads (SRR) – regional	2,284	4,790	–	2,506
Unsealed rural roads (URR) – local	622	–	–	(622)
Unsealed rural roads (URR) – regional	222	–	–	(222)
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	37	–	–	(37)
Parking areas	33	–	–	(33)
Footpaths	30	–	–	(30)
Aerodromes	256	3	43	(210)
Other transport and communication	5,276	6,245	–	969
<b>Total transport and communication</b>	<b>13,003</b>	<b>12,720</b>	<b>43</b>	<b>(240)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	817	433	–	(384)
<b>Total economic affairs</b>	<b>817</b>	<b>433</b>	<b>–</b>	<b>(384)</b>
<b>Totals – functions</b>	<b>27,476</b>	<b>18,817</b>	<b>1,614</b>	<b>(7,045)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>11,428</b>		<b>11,428</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>27,476</b>	<b>30,245</b>	<b>1,614</b>	<b>4,383</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(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	559	4,442	5,001	–	501	–	–	269	598	3,902	4,500
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>559</b>	<b>4,442</b>	<b>5,001</b>	<b>–</b>	<b>501</b>	<b>–</b>	<b>–</b>	<b>269</b>	<b>598</b>	<b>3,902</b>	<b>4,500</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>559</b>	<b>4,442</b>	<b>5,001</b>	<b>–</b>	<b>501</b>	<b>–</b>	<b>–</b>	<b>269</b>	<b>598</b>	<b>3,902</b>	<b>4,500</b>

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

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

## 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 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	108	146
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	160	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	85	109
d. Maintenance expenses	92	57
– <b>Reservoirs</b>		
e. Operation expenses	7	8
f. Maintenance expenses	1	9
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	201	207
h. Energy costs	1	2
i. Maintenance expenses	16	25
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	194	237
k. Chemical costs	58	17
l. Maintenance expenses	222	28
– <b>Other</b>		
m. Operation expenses	911	90
n. Maintenance expenses	59	50
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	555	273
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	2	–
b. Revaluation decrements	–	–
c. Other expenses	85	70
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	469	74
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>3,226</b>	<b>1,402</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 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,460	1,295
b. Usage charges	–	–
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	406	221
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	87	81
<b>10. Other income</b>	10	8
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	286	746
<b>11. Grants</b>		
a. Grants for acquisition of assets	1,513	903
b. Grants for pensioner rebates	12	11
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>3,774</b>	<b>3,265</b>
<b>14. Gain (or loss) on disposal of assets</b>	–	–
<b>15. Operating result</b>	<b>548</b>	<b>1,863</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	(965)	960

## 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 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	55	–
c. Renewals	–	1,756
d. Plant and equipment	–	–
<b>17. Repayment of debt</b>	–	10
<b>18. Totals</b>	<b>55</b>	<b>1,766</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	(2)
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>(2)</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	1,942	1,944
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	57	–
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 21,787	\$ 21,687

## 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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals 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	2,445	–	2,445
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	153	83	236
c. User charges	237	10	247
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	20,081	20,081
b. Plant and equipment	–	–	–
<b>29. Other assets</b>	–	330	330
<b>30. Total assets</b>	<u>2,835</u>	<u>20,504</u>	<u>23,339</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	218	–	218
<b>33. Borrowings</b>	–	9	9
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<u>218</u>	<u>9</u>	<u>227</u>
<b>36. NET ASSETS COMMITTED</b>	<u>2,617</u>	<u>20,495</u>	<u>23,112</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			10,846
<b>38. Asset revaluation reserve</b>			12,266
<b>39. TOTAL EQUITY</b>			<u>23,112</u>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			38,630
<b>41. Accumulated current cost</b> depreciation of system assets			(18,549)
<b>42. Written down current cost</b> of system assets			<u>20,081</u>

## 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 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	69	14
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	36	43
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	71	70
d. Energy costs	–	–
e. Maintenance expenses	21	23
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	90	86
g. Chemical costs	–	–
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	28	27
– Other		
l. Operation expenses	3	3
m. Maintenance expenses	6	–
<b>3. Depreciation expenses</b>		
a. System assets	172	168
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	3	3
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>499</b>	<b>437</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 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	757	737
<b>7. Non-residential charges</b>		
a. Access (including rates)	100	90
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>	113	123
<b>11. Other income</b>	4	10
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	11	10
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<b>985</b>	<b>970</b>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<b>486</b>	<b>533</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	486	533

## 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 2016

\$'000	Actuals 2016	Actuals 2015
<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	–	207
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<u>–</u>	<u>207</u>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<u>–</u>	<u>–</u>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	1,780	1,909
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	128	–
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 19,687	\$ 19,455

## 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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals 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	5,372	-	5,372
<b>27. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and availability charges	82	44	126
c. User charges	5	-	5
d. Other	-	-	-
<b>28. Inventories</b>	-	-	-
<b>29. Property, plant and equipment</b>			
a. System assets	-	11,966	11,966
b. Plant and equipment	-	-	-
<b>30. Other assets</b>	-	-	-
<b>31. Total assets</b>	<u>5,459</u>	<u>12,010</u>	<u>17,469</u>
<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>	<u>-</u>	<u>-</u>	<u>-</u>
<b>37. NET ASSETS COMMITTED</b>	<u>5,459</u>	<u>12,010</u>	<u>17,469</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			11,688
<b>39. Asset revaluation reserve</b>			5,781
<b>40. TOTAL EQUITY</b>			<u>17,469</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			18,743
<b>42. Accumulated current cost</b> depreciation of system assets			(6,777)
<b>43. Written down current cost</b> of system assets			<u>11,966</u>

## Walgett Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

#### 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 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	1,113	1,113	109	190	4,189	6,595	15%	30%	23%	26%	6%
	Buildings – specialised	195	195	52	190	9,607	20,131	30%	22%	13%	30%	5%
	<b>Sub-total</b>	<b>1,308</b>	<b>1,308</b>	<b>161</b>	<b>380</b>	<b>13,796</b>	<b>26,726</b>	<b>26.3%</b>	<b>24.0%</b>	<b>15.5%</b>	<b>29.0%</b>	<b>5.2%</b>
<b>Other structures</b>	Other structures	3,119	3,119	175	73	18,583	35,231	17%	18%	18%	18%	29%
	<b>Sub-total</b>	<b>3,119</b>	<b>3,119</b>	<b>175</b>	<b>73</b>	<b>18,583</b>	<b>35,231</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	3,009	3,009	1,240	1,209	16,686	68,841	11%	11%	30%	25%	23%
	Unsealed roads	–	–	1,400	985	11,335	12,841	8%	1%	92%	0%	-1%
	Bridges	1,560	1,560	160	1	27,717	37,208	18%	0%	32%	34%	16%
	Footpaths	8	8	40	–	2,381	4,801	9%	0%	80%	11%	0%
	Other road assets	16	16	50	–	13,417	14,923	2%	20%	69%	8%	1%
	Bulk earthworks	–	–	–	–	88,065	88,065	100%				0%
	<b>Sub-total</b>	<b>4,593</b>	<b>4,593</b>	<b>2,890</b>	<b>2,195</b>	<b>159,601</b>	<b>226,679</b>	<b>45.9%</b>	<b>4.7%</b>	<b>25.8%</b>	<b>13.9%</b>	<b>9.6%</b>

## Walgett Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (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	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	6,171	6,171	402	390	20,081	38,629	2%	9%	3%	4%	82%
	<b>Sub-total</b>	<b>6,171</b>	<b>6,171</b>	<b>402</b>	<b>390</b>	<b>20,081</b>	<b>38,629</b>	<b>2.0%</b>	<b>9.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>82.0%</b>
Sewerage network	Sewerage network	1,936	1,936	238	55	11,966	18,743	2%	45%	3%	47%	3%
	<b>Sub-total</b>	<b>1,936</b>	<b>1,936</b>	<b>238</b>	<b>55</b>	<b>11,966</b>	<b>18,743</b>	<b>2.0%</b>	<b>45.0%</b>	<b>3.0%</b>	<b>47.0%</b>	<b>3.0%</b>
Stormwater drainage	Stormwater drainage	156	156	6	82	9,505	14,376	4%	1%	89%	5%	1%
	<b>Sub-total</b>	<b>156</b>	<b>156</b>	<b>6</b>	<b>82</b>	<b>9,505</b>	<b>14,376</b>	<b>4.0%</b>	<b>1.0%</b>	<b>89.0%</b>	<b>5.0%</b>	<b>1.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>17,283</b>	<b>17,283</b>	<b>3,872</b>	<b>3,175</b>	<b>233,532</b>	<b>360,384</b>	<b>33.0%</b>	<b>9.8%</b>	<b>23.2%</b>	<b>15.7%</b>	<b>18.3%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Walgett Shire Council

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>3,826</u>	<b>78.90%</b>	220.99%	39.95%
Depreciation, amortisation and impairment	4,849			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>17,283</u>	<b>11.88%</b>	13.90%	28.93%
Carrying value of infrastructure assets	145,467			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>3,175</u>	<b>0.82</b>	1.01	1.00
Required asset maintenance	3,872			

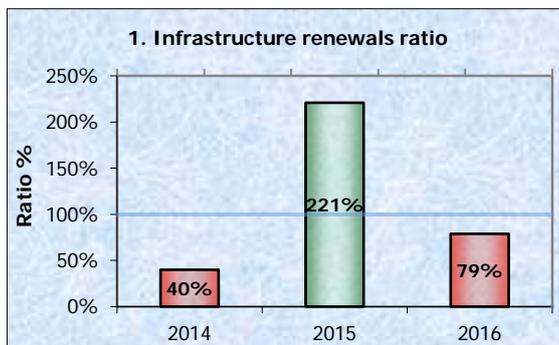
## Notes

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

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

# Walgett Shire Council

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



### Purpose of asset renewals ratio

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

### Commentary on 2015/16 result

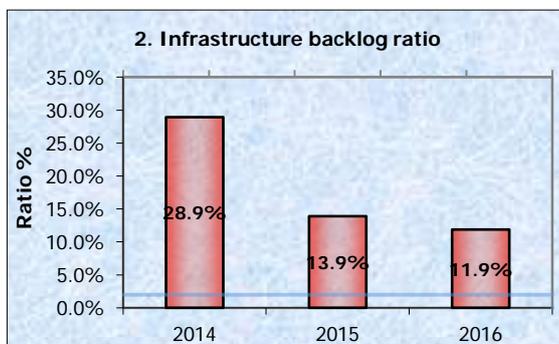
**2015/16 Ratio 78.90%**

Increased depreciation rates for 15/16 coupled with a reduced capital works program because of prolonged drought conditions has prevented Council from meeting the benchmark ratio.

Benchmark: Minimum  $\geq 100.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

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

### Commentary on 2015/16 result

**2015/16 Ratio 11.88%**

Council continues to reduce its backlog, however, the reduced capital works program has prevented further reduction this financial year.

Benchmark: Maximum  $< 2.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



### Purpose of asset maintenance ratio

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

### Commentary on 2015/16 result

**2015/16 Ratio 0.82 x**

Prolonged drought conditions in 15/16 has prevented Council from completing its forecast maintenance works program.

Benchmark: Minimum  $> 1.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Walgett Shire Council

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

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>9.91%</b>	<b>0.00%</b>	<b>91.48%</b>
Depreciation, amortisation and impairment			
prior period:	0.00%	0.00%	267.49%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>30.73%</b>	<b>16.18%</b>	<b>8.09%</b>
Carrying value of infrastructure assets			
prior period:	18.92%	18.09%	12.57%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>0.97</b>	<b>0.23</b>	<b>0.84</b>
Required asset maintenance			
prior period:	0.30	0.39	1.13

## Notes

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

## Walgett Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	5,096	5,205
Plus or minus adjustments <sup>(2)</sup>	b	3	1
<b>Notional general income</b>	c = (a + b)	<b>5,099</b>	<b>5,206</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	2.40%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	–	94
Or plus Crown land adjustment and rate peg amount	j = c x f	122	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>5,221</b>	<b>5,300</b>
Plus (or minus) last year's carry forward total	l	(6)	10
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>(6)</b>	<b>10</b>
<b>Total permissible income</b>	o = k + n	<b>5,215</b>	<b>5,310</b>
Less notional general income yield	p	5,205	5,314
<b>Catch-up or (excess) result</b>	q = o – p	<b>10</b>	<b>(4)</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>	t = q + r – s	<b>10</b>	<b>(4)</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 8 in the financial data return (FDR) to administer this process.

## INDEPENDENT AUDITOR'S REPORT ON SPECIAL SCHEDULE NO. 8 OF WALGETT SHIRE COUNCIL

### Scope

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No.8) of Walgett Shire Council for the year ended 30 June 2016.

### Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

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

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

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

### Independence

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

## Audit Opinion

In our opinion, Special Schedule No. 8 of Walgett Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of Council.

## Basis of Accounting

Without modifying this opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.



**LUKA GROUP**

2 River Street  
Dubbo  
Dated: 31 October 2016



**JM SHANKS**  
PARTNER