



Walgett Shire Council

General Purpose Financial Statement

For year ended 30 June 2017



Walgett Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“Rivers, Plains and Opals”



Walgett Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 28 November 2017.
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 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Walgett Shire Council

General Purpose Financial Statements

for the year ended 30 June 2017

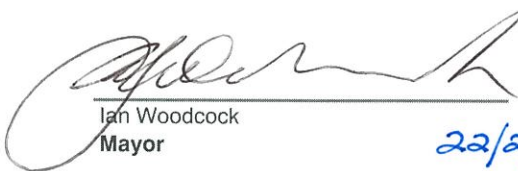
Statement by Councillors and Management

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** *28th November 2017*


Ian Woodcock
Mayor

22/2/18



Manuel Martinez
Councillor

22/2/18



Donald Ramsland
General manager

22/2/18



Michael Urquhart
Responsible accounting officer

22/2/18

Walgett Shire Council

Income Statement

for the year ended 30 June 2017

| Budget ¹ 2017 | \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|--|-------|----------------|----------------|
| Income from continuing operations | | | | |
| Revenue: | | | | |
| 8,843 | Rates and annual charges | 3a | 8,499 | 8,584 |
| 4,629 | User charges and fees | 3b | 8,715 | 7,364 |
| 698 | Interest and investment revenue | 3c | 1,076 | 797 |
| 1,041 | Other revenues | 3d | 949 | 784 |
| 12,356 | Grants and contributions provided for operating purposes | 3e,f | 15,011 | 12,575 |
| 5,950 | Grants and contributions provided for capital purposes | 3e,f | 2,747 | 1,614 |
| Other income: | | | | |
| – | Net gains from the disposal of assets | 5 | – | 141 |
| 33,517 | Total income from continuing operations | | 36,997 | 31,859 |
| Expenses from continuing operations | | | | |
| 7,985 | Employee benefits and on-costs | 4a | 8,066 | 7,911 |
| 197 | Borrowing costs | 4b | 204 | 269 |
| 8,497 | Materials and contracts | 4c | 9,092 | 9,688 |
| 4,391 | Depreciation and amortisation | 4d | 7,085 | 6,547 |
| 2,988 | Other expenses | 4e | 2,885 | 3,061 |
| – | Net losses from the disposal of assets | 5 | 1,796 | – |
| 24,058 | Total expenses from continuing operations | | 29,128 | 27,476 |
| 9,459 | Operating result from continuing operations | | 7,869 | 4,383 |
| 9,459 | Net operating result for the year | | 7,869 | 4,383 |
| 9,459 | Net operating result attributable to Council | | 7,869 | 4,383 |
| 3,509 | Net operating result for the year before grants and contributions provided for capital purposes | | 5,122 | 2,769 |

¹ Original budget as approved by Council – refer Note 16

Walgett Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2017

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|----------|----------------|----------------|
| Net operating result for the year (as per Income Statement) | | 7,869 | 4,383 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | 14,001 | 3,802 |
| Total items which will not be reclassified subsequently to the operating result | | 14,001 | 3,802 |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met | | | |
| Other movements in reserves | 20b (ii) | — | — |
| Total items which will be reclassified subsequently to the operating result when specific conditions are met | | — | — |
| Total other comprehensive income for the year | | 14,001 | 3,802 |
| Total comprehensive income for the year | | 21,870 | 8,185 |
| Total comprehensive income attributable to Council | | 21,870 | 8,185 |

Walgett Shire Council

Statement of Financial Position

as at 30 June 2017

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6a | 10,851 | 17,166 |
| Investments | 6b | 14,500 | 6,500 |
| Receivables | 7 | 4,286 | 3,171 |
| Inventories | 8 | 1,061 | 1,151 |
| Other | 8 | 3 | 6 |
| Total current assets | | 30,701 | 27,994 |
| Non-current assets | | | |
| Investments | 6b | 8,000 | 2,500 |
| Receivables | 7 | 711 | 535 |
| Infrastructure, property, plant and equipment | 9 | 264,478 | 250,118 |
| Total non-current assets | | 273,189 | 253,153 |
| TOTAL ASSETS | | 303,890 | 281,147 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 10 | 2,704 | 1,397 |
| Income received in advance | 10 | 222 | 255 |
| Borrowings | 10 | 617 | 598 |
| Provisions | 10 | 2,080 | 1,902 |
| Total current liabilities | | 5,623 | 4,152 |
| Non-current liabilities | | | |
| Borrowings | 10 | 3,288 | 3,902 |
| Provisions | 10 | 146 | 130 |
| Total non-current liabilities | | 3,434 | 4,032 |
| TOTAL LIABILITIES | | 9,057 | 8,184 |
| Net assets | | 294,833 | 272,963 |
| EQUITY | | | |
| Retained earnings | 20 | 106,567 | 98,698 |
| Revaluation reserves | 20 | 188,266 | 174,265 |
| Total equity | | 294,833 | 272,963 |

Walgett Shire Council

Statement of Changes in Equity
for the year ended 30 June 2017

| | | 2017 | Asset revaluation | Other | | Non- | | 2016 | Asset revaluation | Other | | Non- | |
|--|----------|----------------------|------------------------|-------------------------|---------------------|-------------------------|-----------------|----------------------|------------------------|-------------------------|---------------------|-------------------------|-----------------|
| \$ '000 | Notes | Retained earnings | reserve (Refer 20b) | reserves (Refer 20b) | Council interest | controlling interest | Total equity | Retained earnings | reserve (Refer 20b) | reserves (Refer 20b) | Council interest | controlling interest | Total equity |
| Opening balance (as per last year's audited accounts) | | 98,698 | 174,265 | – | 272,963 | – | 272,963 | 94,315 | 170,463 | – | 264,778 | – | 264,778 |
| a. Correction of prior period errors | 20 (c) | – | – | – | – | – | – | – | – | – | – | – | – |
| b. Changes in accounting policies (prior year effects) | 20 (d) | – | – | – | – | – | – | – | – | – | – | – | – |
| Revised opening balance | | 98,698 | 174,265 | – | 272,963 | – | 272,963 | 94,315 | 170,463 | – | 264,778 | – | 264,778 |
| c. Net operating result for the year | | 7,869 | – | – | 7,869 | – | 7,869 | 4,383 | – | – | 4,383 | – | 4,383 |
| d. Other comprehensive income | | | | | | | | | | | | | |
| – Revaluations: IPP&E asset revaluation rsve | 20b (ii) | – | 14,001 | – | 14,001 | – | 14,001 | – | 3,802 | – | 3,802 | – | 3,802 |
| – Revaluations: other reserves | 20b (ii) | – | – | – | – | – | – | – | – | – | – | – | – |
| – Transfers to Income Statement | 20b (ii) | – | – | – | – | – | – | – | – | – | – | – | – |
| – Impairment (loss) reversal relating to I,PP&E | 20b (ii) | – | – | – | – | – | – | – | – | – | – | – | – |
| – Joint ventures and associates | 19b | – | – | – | – | – | – | – | – | – | – | – | – |
| – Other reserves movements | 20b (ii) | – | – | – | – | – | – | – | – | – | – | – | – |
| Other comprehensive income | | – | 14,001 | – | 14,001 | – | 14,001 | – | 3,802 | – | 3,802 | – | 3,802 |
| Total comprehensive income (c&d) | | 7,869 | 14,001 | – | 21,870 | – | 21,870 | 4,383 | 3,802 | – | 8,185 | – | 8,185 |
| e. Distributions to/(contributions from) non-controlling interests | | – | – | – | – | – | – | – | – | – | – | – | – |
| f. Transfers between equity | | – | – | – | – | – | – | – | – | – | – | – | – |
| Equity – balance at end of the reporting period | | 106,567 | 188,266 | – | 294,833 | – | 294,833 | 98,698 | 174,265 | – | 272,963 | – | 272,963 |

Walgett Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

| Budget | | | | Actual | Actual |
|---|--|-----|-------|-----------------|---------------|
| 2017 | \$ '000 | | Notes | 2017 | 2016 |
| Cash flows from operating activities | | | | | |
| Receipts: | | | | | |
| 8,604 | Rates and annual charges | | | 8,536 | 8,355 |
| 5,855 | User charges and fees | | | 8,325 | 7,663 |
| 1,041 | Investment and interest revenue received | | | 1,054 | 701 |
| 22,603 | Grants and contributions | | | 17,758 | 14,912 |
| – | Bonds, deposits and retention amounts received | | | 36 | – |
| 2,289 | Other | | | 1,816 | 2,070 |
| Payments: | | | | | |
| (7,897) | Employee benefits and on-costs | | | (7,881) | (7,917) |
| (10,758) | Materials and contracts | | | (10,028) | (11,323) |
| (184) | Borrowing costs | | | (207) | (257) |
| (2,903) | Other | | | (2,563) | (3,235) |
| 18,650 | Net cash provided (or used in) operating activities | 11b | | 16,846 | 10,969 |
| Cash flows from investing activities | | | | | |
| Receipts: | | | | | |
| 750 | Sale of investment securities | | | 65,510 | 64,175 |
| 486 | Sale of infrastructure, property, plant and equipment | | | 170 | 427 |
| – | Deferred debtors receipts | | | – | 20 |
| Payments: | | | | | |
| (250) | Purchase of investment securities | | | (79,010) | (57,000) |
| (23,616) | Purchase of infrastructure, property, plant and equipment | | | (9,228) | (5,958) |
| (22,630) | Net cash provided (or used in) investing activities | | | (22,566) | 1,664 |
| Cash flows from financing activities | | | | | |
| Receipts: | | | | | |
| Nil | | | | | |
| Payments: | | | | | |
| (595) | Repayment of borrowings and advances | | | (595) | (501) |
| (595) | Net cash flow provided (used in) financing activities | | | (595) | (501) |
| (4,575) | Net increase/(decrease) in cash and cash equivalents | | | (6,315) | 12,132 |
| 6,163 | Plus: cash and cash equivalents – beginning of year | 11a | | 17,166 | 5,034 |
| 1,588 | Cash and cash equivalents – end of the year | 11a | | 10,851 | 17,166 |
| Additional Information: | | | | | |
| | plus: Investments on hand – end of year | 6b | | 22,500 | 9,000 |
| Total cash, cash equivalents and investments | | | | 33,351 | 26,166 |

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 2017

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n/a – not applicable

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added

(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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of infrastructure, property, plant and equipment.
- (ii) 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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- 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 established under the Local Government Act 1993);

▪ 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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(iv) Available-for-sale financial assets

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

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

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

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the 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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Impairment

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

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

(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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 current replacement cost)
- **Other Assets**
(as approximated by current replacement cost)

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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;

| | |
|----------------|------------------|
| Land | |
| - Council land | 100% Capitalised |
| - open space | 100% Capitalised |

| | |
|------------------------------|-----------|
| Plant & Equipment | |
| Office Furniture | > \$3,000 |
| Office Equipment | > \$1,000 |
| Other Plant & Equipment | > \$3,000 |

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

| | |
|---------------------------------|-----------|
| Water & Sewer Assets | |
| Reticulation extensions | > \$3,000 |
| Other | > \$3,000 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 |

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 |
|-------------------|----------|

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 |
|-------------|-----------------|

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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 include the assets, their values and depreciation charges from these financial statements excepting the fleet assets.

(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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 2017 was \$61933.10.

The amount of additional contributions included in the total employer contribution advised above is \$12,000.

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 year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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:

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 Financial Instruments (December 2009)

- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 *Leases*

AASB 16 *Leases (Appendix D)*

AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

The full impact of these 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 2017

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 |
| | 2017 | 2017 | 2016 | 2017 | 2017 | 2016 | 2017 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Governance | – | – | – | 273 | 251 | 234 | (273) | (251) | (234) | – | – | – | 556 |
| Administration | 409 | 701 | 398 | 3,043 | 3,556 | 2,940 | (2,634) | (2,855) | (2,542) | 42 | 2 | 7,359 | 7,190 |
| Public order and safety | 143 | 217 | 132 | 514 | 491 | 513 | (371) | (274) | (381) | 44 | 15 | 1,833 | 1,496 |
| Health | 54 | 259 | 7 | 221 | 33 | 23 | (167) | 226 | (16) | 18 | – | – | – |
| Environment | 1,499 | 2,388 | 1,306 | 1,970 | 1,426 | 1,254 | (471) | 962 | 52 | – | 38 | 5,432 | 5,330 |
| Community services and education | 353 | 178 | 180 | 721 | 769 | 755 | (368) | (591) | (575) | 178 | 178 | 2,180 | 1,703 |
| Housing and community amenities | 308 | 226 | 254 | 1,287 | 1,674 | 1,795 | (979) | (1,448) | (1,541) | – | 5 | 4,503 | 4,503 |
| Water supplies | 3,361 | 2,678 | 3,774 | 2,251 | 2,143 | 3,226 | 1,110 | 535 | 548 | 3,047 | – | 27,395 | 23,112 |
| Sewerage services | 1,015 | 988 | 985 | 575 | 554 | 499 | 440 | 434 | 486 | – | – | 19,003 | 17,469 |
| Recreation and culture | 430 | 139 | 139 | 2,130 | 4,205 | 2,357 | (1,700) | (4,066) | (2,218) | 20 | 73 | 23,142 | 22,971 |
| Mining, manufacturing and construction | – | 236 | 60 | – | 78 | 60 | – | 158 | – | – | – | – | – |
| Transport and communication | 13,031 | 13,713 | 12,763 | 10,388 | 13,191 | 13,003 | 2,643 | 522 | (240) | 3,287 | 5,872 | 213,036 | 196,810 |
| Economic affairs | 116 | 573 | 433 | 685 | 757 | 817 | (569) | (184) | (384) | – | – | 7 | 7 |
| Total functions and activities | 20,719 | 22,296 | 20,431 | 24,058 | 29,128 | 27,476 | (3,339) | (6,832) | (7,045) | 6,636 | 6,183 | 303,890 | 281,147 |
| Share of gains/(losses) in associates and joint ventures (using the equity method) | – | – | – | – | – | – | – | – | – | – | – | – | – |
| General purpose income ¹ | 12,798 | 14,701 | 11,428 | – | – | – | 12,798 | 14,701 | 11,428 | 8,744 | 5,759 | – | – |
| Operating result from continuing operations | 33,517 | 36,997 | 31,859 | 24,058 | 29,128 | 27,476 | 9,459 | 7,869 | 4,383 | 15,380 | 11,942 | 303,890 | 281,147 |

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 2017

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

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

HEALTH

Includes food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES 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; childrens' services, including 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 staff and doctors.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Includes public libraries; museums; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; 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; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; and other business undertakings.

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|----------------|----------------|
| (a) Rates and annual charges | | | |
| Ordinary rates | | | |
| Residential | | 1,196 | 1,273 |
| Farmland | | 3,617 | 3,538 |
| Business | | 313 | 305 |
| Total ordinary rates | | 5,126 | 5,116 |
| Special rates | | | |
| Nil | | | |
| Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic waste management services | | 1,214 | 1,213 |
| Water supply services | | 1,319 | 1,399 |
| Sewerage services | | 840 | 856 |
| Total annual charges | | 3,373 | 3,468 |
| TOTAL RATES AND ANNUAL CHARGES | | 8,499 | 8,584 |

Council has used 2016 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 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| (b) User charges and fees | | | |
| Specific user charges (per s.502 – specific ‘actual use’ charges) | | | |
| Water supply services | | 507 | 475 |
| Sewerage services | | – | 2 |
| Waste management services (non-domestic) | | – | 8 |
| Total user charges | | 507 | 485 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Inspection services | | 9 | 7 |
| Planning and building regulation | | 24 | 20 |
| Private works – section 67 | | 357 | 298 |
| Regulatory/ statutory fees | | 41 | 41 |
| Registration fees | | 2 | 6 |
| Regulatory fees | | – | 1 |
| Section 603 certificates | | 8 | 9 |
| Total fees and charges – statutory/regulatory | | 441 | 382 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | | |
| Aerodrome | | 5 | 3 |
| Cemeteries | | 55 | 60 |
| Lease rentals | | 80 | 77 |
| Leaseback fees – Council vehicles | | 30 | 30 |
| Park rents | | – | 1 |
| Quarry revenues | | 174 | – |
| RMS (formerly RTA) charges (state roads not controlled by Council) | | 7,282 | 6,286 |
| Sundry sales | | 24 | 36 |
| Swimming centres | | 3 | – |
| Tourism | | 114 | 4 |
| Total fees and charges – other | | 7,767 | 6,497 |
| TOTAL USER CHARGES AND FEES | | 8,715 | 7,364 |

Walgett Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|---------------------|-------------------|
| (c) Interest and investment revenue (including losses) | | | |
| Interest | | | |
| – Interest on overdue rates and annual charges (incl. special purpose rates) | | 66 | 63 |
| – Interest earned on investments (interest and coupon payment income) | | 777 | 559 |
| Dividend income | | 233 | 175 |
| <u>TOTAL INTEREST AND INVESTMENT REVENUE</u> | | <u>1,076</u> | <u>797</u> |
| Interest revenue is attributable to: | | | |
| Unrestricted investments/financial assets: | | | |
| Overdue rates and annual charges (general fund) | | 26 | 25 |
| General Council cash and investments | | 805 | 528 |
| Restricted investments/funds – external: | | | |
| Water fund operations | | 88 | 87 |
| Sewerage fund operations | | 104 | 113 |
| Domestic waste management operations | | 53 | 44 |
| <u>Total interest and investment revenue recognised</u> | | <u>1,076</u> | <u>797</u> |
| (d) Other revenues | | | |
| Rental income – other council properties | | 116 | 114 |
| Fines | | 14 | 27 |
| Legal fees recovery – rates and charges (extra charges) | | 155 | 75 |
| Commissions and agency fees | | 72 | 61 |
| Diesel rebate | | 76 | 66 |
| Insurance claim recoveries | | 109 | 70 |
| Maintain water and sewer aboriginal communities | | 294 | 286 |
| Sale of land for overdue rates | | – | 7 |
| Sales – general | | 18 | 19 |
| FESL | | 63 | – |
| Other | | 32 | 59 |
| <u>TOTAL OTHER REVENUE</u> | | <u>949</u> | <u>784</u> |

Walgett Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | 2017 Operating | 2016 Operating | 2017 Capital | 2016 Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Financial assistance – general component | 5,919 | 3,879 | – | – |
| Financial assistance – local roads component | 2,774 | 1,832 | – | – |
| Pensioners' rates subsidies – general component | 51 | 48 | – | – |
| Total general purpose | 8,744 | 5,759 | – | – |
| Specific purpose | | | | |
| Pensioners' rates subsidies: | | | | |
| – Water | 12 | 12 | – | – |
| – Sewerage | 11 | 11 | – | – |
| – Domestic waste management | 25 | 25 | – | – |
| Water supplies | – | – | 492 | 1,513 |
| Aged care | 1 | – | – | – |
| Bushfire and emergency services | 31 | 39 | – | – |
| Child care | 33 | 33 | – | – |
| Community care | 66 | 151 | 137 | – |
| Employment and training programs | 27 | 15 | – | – |
| Environmental protection | 18 | 38 | – | – |
| Flood restoration | 500 | – | – | – |
| Heritage and cultural | 17 | 10 | – | – |
| Levee rehabilitation | – | – | 1,000 | – |
| Library | 34 | 18 | – | – |
| Library – special projects | 7 | – | – | – |
| LIRS subsidy | 202 | – | – | – |
| Public halls | – | – | 20 | – |
| Recreation and culture | – | 17 | – | 33 |
| Regional and local infrastructure | – | – | 415 | 23 |
| Street lighting | 30 | 59 | – | – |
| Traffic route subsidy | 58 | 57 | – | – |
| Transport (roads to recovery) | 1,994 | 2,486 | – | – |
| Transport (other roads and bridges funding) | 705 | 1,510 | – | 45 |
| Youth services | 77 | 88 | – | – |
| Other | 51 | – | 673 | – |
| Total specific purpose | 3,899 | 4,569 | 2,737 | 1,614 |
| Total grants | 12,643 | 10,328 | 2,737 | 1,614 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 520 | 2,509 | 871 | – |
| – State funding | 12,123 | 7,819 | 1,866 | 1,614 |
| | 12,643 | 10,328 | 2,737 | 1,614 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

| \$ '000 | 2017 Operating | 2016 Operating | 2017 Capital | 2016 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (f) Contributions | | | | |
| Developer contributions: | | | | |
| (s93 & s94 – EP&A Act, s64 of the LGA): | | | | |
| Nil | | | | |
| Other contributions: | | | | |
| RMS contributions (regional roads, block grant) | 2,363 | 2,247 | – | – |
| Crown Lands Non Cash | – | – | 10 | – |
| Other | 5 | – | – | – |
| Total other contributions | 2,368 | 2,247 | 10 | – |
| Total contributions | 2,368 | 2,247 | 10 | – |
| TOTAL GRANTS AND CONTRIBUTIONS | 15,011 | 12,575 | 2,747 | 1,614 |

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| (g) Unspent grants and contributions | | |
| Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner: | | |
| Unexpended at the close of the previous reporting period | 4,210 | 2,399 |
| Add: grants and contributions recognised in the current period but not yet spent: | 2,173 | 2,817 |
| Less: grants and contributions recognised in a previous reporting period now spent: | (3,031) | (1,006) |
| Net increase (decrease) in restricted assets during the period | (858) | 1,811 |
| Unexpended and held as restricted assets | 3,352 | 4,210 |
| Comprising: | | |
| – Specific purpose unexpended grants | 3,352 | 4,210 |
| | 3,352 | 4,210 |

Walgett Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|----------------|----------------|
| (a) Employee benefits and on-costs | | | |
| Salaries and wages | | 6,204 | 6,428 |
| Travel expenses | | 45 | 34 |
| Employee leave entitlements (ELE) | | 1,209 | 1,221 |
| Superannuation | | 641 | 639 |
| Workers' compensation insurance | | 329 | 309 |
| Fringe benefit tax (FBT) | | 99 | 98 |
| Training costs (other than salaries and wages) | | 81 | 50 |
| Protective clothing | | 52 | 66 |
| Other | | 5 | 5 |
| Total employee costs | | 8,665 | 8,850 |
| Less: capitalised costs | | (599) | (939) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 8,066 | 7,911 |
| Number of 'full-time equivalent' employees (FTE) at year end | | 104 | 102 |
| Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies) | | 116 | 110 |
| (b) Borrowing costs | | | |
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 204 | 269 |
| Total interest bearing liability costs expensed | | 204 | 269 |
| (ii) Other borrowing costs | | | |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | 26 | – | – |
| Total other borrowing costs | | – | – |
| TOTAL BORROWING COSTS EXPENSED | | 204 | 269 |
| (c) Materials and contracts | | | |
| Raw materials and consumables | | 5,110 | 6,894 |
| Contractor and consultancy costs | | 11,103 | 5,901 |
| Auditors remuneration ⁽¹⁾ | | 121 | 61 |
| Legal expenses: | | | |
| – Legal expenses: debt recovery | | 157 | 77 |
| – Legal expenses: other | | 30 | 3 |
| Operating leases: | | | |
| – Operating lease rentals: minimum lease payments ⁽²⁾ | | 27 | 27 |
| Total materials and contracts | | 16,548 | 12,963 |
| Less: capitalised costs | | (7,456) | (3,275) |
| TOTAL MATERIALS AND CONTRACTS | | 9,092 | 9,688 |

Walgett Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|--------|----------------|----------------|
| (c) Materials and contracts (continued) | | | |
| 1. Auditor remuneration | | | |
| a. During the year, the following fees were incurred for services provided by the Auditor-General: | | | |
| (i) Audit and other assurance services | | | |
| – Audit and review of financial statements: Auditor-General | | 52 | – |
| Remuneration for audit and other assurance services | | 52 | – |
| Total Auditor-General remuneration | | 52 | – |
| b. During the year, the following fees were incurred for services provided by the other Council's Auditors: | | | |
| (i) Audit and other assurance services | | | |
| – Audit and review of financial statements: Council's Auditor | | 37 | 41 |
| – Audit of regulatory returns | | – | 10 |
| – Due diligence services | | 32 | – |
| Remuneration for audit and other assurance services | | 69 | 51 |
| (ii) Taxation services | | | |
| – Tax compliance services | | – | 10 |
| Remuneration for taxation services | | – | 10 |
| Total remuneration of other Council's Auditors | | 69 | 61 |
| Total Auditor remuneration | | 121 | 61 |
| 2. Operating lease payments are attributable to: | | | |
| Other | | 27 | 27 |
| | | 27 | 27 |
| (d) Depreciation, amortisation and impairment | | | |
| Plant and equipment | | 1,067 | 902 |
| Office equipment | | 28 | 45 |
| Infrastructure: | | | |
| – Buildings – non-specialised | | 168 | 124 |
| – Buildings – specialised | | 373 | 258 |
| – Other structures | | 832 | 1,008 |
| – Roads | | 2,776 | 2,562 |
| – Stormwater drainage | | 170 | 170 |
| – Water supply network | | 564 | 555 |
| – Sewerage network | | 187 | 172 |
| Other assets | | | |
| – Other | | 920 | 751 |
| Asset reinstatement costs | 9 & 26 | – | – |
| Total depreciation and amortisation costs | | 7,085 | 6,547 |
| Impairment | | | |
| Nil | | | |
| TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED | | 7,085 | 6,547 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|---------------------|---------------------|
| (e) Other expenses | | | |
| Advertising | | 60 | 77 |
| Bad and doubtful debts | | 7 | 10 |
| Bank charges | | 17 | 15 |
| Contributions/levies to other levels of government | | | |
| – Bushfire fighting fund | | – | 51 |
| – CMCC noxious weeds | | 101 | 100 |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | | 13 | 12 |
| – NSW fire brigade levy | | 40 | 19 |
| – NSW rural fire service levy | | 206 | 190 |
| – Regional library | | 144 | 141 |
| – Other contributions/levies | | 2 | 18 |
| Councillor expenses – mayoral fee | | 18 | 18 |
| Councillor expenses – councillors' fees | | 110 | 98 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | | 41 | 45 |
| Donations, contributions and assistance to other organisations (Section 356) | | 12 | 4 |
| – Community and tourism programs | | 386 | 490 |
| – Donations, contributions and assistance | | 34 | 34 |
| – Other donations, contributions and assistance | | 19 | 20 |
| Election expenses | | 40 | – |
| Electricity and heating | | 346 | 313 |
| Insurance | | 432 | 460 |
| Office expenses (including computer expenses) | | 47 | 35 |
| Printing and stationery | | 97 | 74 |
| Rate discount | | 99 | 97 |
| Street lighting | | 159 | 135 |
| Subscriptions and publications | | 38 | 73 |
| Swimming pools | | 189 | 205 |
| Telephone and communications | | 123 | 129 |
| Tourism expenses (excluding employee costs) | | 35 | 46 |
| Valuation fees | | 39 | 49 |
| Other | | 31 | 103 |
| <u>TOTAL OTHER EXPENSES</u> | | <u>2,885</u> | <u>3,061</u> |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|----------------|----------------|
| Plant and equipment | | | |
| Proceeds from disposal – plant and equipment | | 170 | 427 |
| Less: carrying amount of plant and equipment assets sold/written off | | (157) | (461) |
| Net gain/(loss) on disposal | | 13 | (34) |
| Infrastructure | | | |
| Proceeds from disposal – infrastructure | | – | – |
| Less: carrying amount of infrastructure assets sold/written off | | (33) | – |
| Net gain/(loss) on disposal | | (33) | – |
| Financial assets * | | | |
| Proceeds from disposal/redemptions/maturities – financial assets | | 65,510 | 64,175 |
| Less: carrying amount of financial assets sold/redeemed/matured | | (65,510) | (64,000) |
| Net gain/(loss) on disposal | | – | 175 |
| Other structures | | | |
| Proceeds from disposal – Other structures | | – | – |
| Less: carrying amount of Other structures assets sold/written off | | (215) | – |
| Net gain/(loss) on disposal | | (215) | – |
| Roads, bridges and footpaths | | | |
| Proceeds from disposal – Roads, bridges and footpaths | | – | – |
| Less: carrying amount of Roads, bridges and footpaths assets written off | | (1,561) | – |
| Net gain/(loss) on disposal | | (1,561) | – |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | (1,796) | 141 |
| * Financial assets disposals/redemptions include: | | | |
| – Net gain/(loss) from financial instruments 'at fair value through profit and loss' | | – | 175 |
| Net gain/(loss) on disposal of financial instruments | | – | 175 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| | | 2017 | 2017 | 2016 | 2016 |
|--|-------|---------------|--------------|---------------|--------------|
| | | Actual | Actual | Actual | Actual |
| \$ '000 | Notes | Current | Non-current | Current | Non-current |
| Cash and cash equivalents (Note 6a) | | | | | |
| Cash on hand and at bank | | 1,556 | – | 437 | – |
| Cash-equivalent assets ¹ | | | | | |
| – Deposits at call | | 3,295 | – | 3,729 | – |
| – Short-term deposits | | 6,000 | – | 4,000 | – |
| Total cash and cash equivalents | | 10,851 | – | 8,166 | – |
| Investments (Note 6b) | | | | | |
| – Long term deposits | | 13,500 | 4,500 | 15,500 | – |
| – NCD's, FRN's (with maturities > 3 months) | | 1,000 | 3,500 | 1,000 | 1,500 |
| Total investments | | 14,500 | 8,000 | 16,500 | 1,500 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS | | | | | |
| | | 25,351 | 8,000 | 24,666 | 1,500 |

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

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

Cash and cash equivalents

| | | | | |
|---|---------------|----------|--------------|----------|
| a. 'At fair value through the profit and loss' | 10,851 | – | 8,166 | – |
|---|---------------|----------|--------------|----------|

Investments

| | | | | |
|------------------------------|---------------|--------------|---------------|--------------|
| a. 'Held to maturity' | 14,500 | 8,000 | 16,500 | 1,500 |
| Investments | 14,500 | 8,000 | 16,500 | 1,500 |

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 2017

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

| \$ '000 | 2017 Actual Current | 2017 Actual Non-current | 2016 Actual Current | 2016 Actual Non-current |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| Total cash, cash equivalents and investments | 25,351 | 8,000 | 24,666 | 1,500 |
| attributable to: | | | | |
| External restrictions (refer below) | 7,514 | 8,000 | 13,983 | 1,500 |
| Internal restrictions (refer below) | 12,085 | – | 7,892 | – |
| Unrestricted | 5,752 | – | 2,791 | – |
| | 25,351 | 8,000 | 24,666 | 1,500 |

| 2017 \$ '000 | Opening balance | Transfers to restrictions | Transfers from restrictions | Closing balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

Details of restrictions

External restrictions – included in liabilities

| | | | | |
|---|-------|---|---|-------|
| Specific purpose unexpended loans – general (A) | 1,331 | – | – | 1,331 |
|---|-------|---|---|-------|

| | | | | |
|--|--------------|----------|----------|--------------|
| External restrictions – included in liabilities | 1,331 | – | – | 1,331 |
|--|--------------|----------|----------|--------------|

External restrictions – other

| | | | | |
|--|-------|-----|-------|-------|
| Specific purpose unexpended grants (F) | 4,210 | – | (858) | 3,352 |
| Water supplies (G) | 2,445 | 258 | – | 2,703 |
| Sewerage services (G) | 5,372 | 599 | – | 5,971 |
| Domestic waste management (G) | 2,125 | 32 | – | 2,157 |

| | | | | |
|--------------------------------------|---------------|------------|--------------|---------------|
| External restrictions – other | 14,152 | 889 | (858) | 14,183 |
|--------------------------------------|---------------|------------|--------------|---------------|

| | | | | |
|------------------------------------|---------------|------------|--------------|---------------|
| Total external restrictions | 15,483 | 889 | (858) | 15,514 |
|------------------------------------|---------------|------------|--------------|---------------|

Internal restrictions

| | | | | |
|-------------------------------------|-------|-------|-------|-------|
| Plant and vehicle replacement | 3,336 | 971 | (823) | 3,484 |
| Infrastructure replacement | 2,263 | 942 | (118) | 3,087 |
| Employees leave entitlement | 500 | 45 | – | 545 |
| Carry over works | 528 | 132 | (104) | 556 |
| Rehabilitation | 100 | – | – | 100 |
| General manager contract provisions | 15 | 3 | – | 18 |
| Other - FAG Advance 2017/18 | – | 2,958 | – | 2,958 |
| Other | 1,150 | 292 | (105) | 1,337 |

| | | | | |
|------------------------------------|--------------|--------------|----------------|---------------|
| Total internal restrictions | 7,892 | 5,343 | (1,150) | 12,085 |
|------------------------------------|--------------|--------------|----------------|---------------|

| | | | | |
|---------------------------|---------------|--------------|----------------|---------------|
| TOTAL RESTRICTIONS | 23,375 | 6,232 | (2,008) | 27,599 |
|---------------------------|---------------|--------------|----------------|---------------|

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 2017

Note 7. Receivables

| \$ '000 | Notes | 2017 | | 2016 | |
|---|-------|---------------------|-------------------|---------------------|-------------------|
| | | Current | Non-current | Current | Non-current |
| Purpose | | | | | |
| Rates and annual charges | | 653 | 404 | 783 | 311 |
| Interest and extra charges | | 36 | 15 | 65 | 35 |
| User charges and fees | | 3,238 | 179 | 2,109 | 88 |
| Accrued revenues | | | | | |
| – Interest on investments | | 222 | – | 151 | – |
| – Other income accruals | | – | – | 4 | – |
| Deferred debtors | | 30 | 198 | 20 | 200 |
| Loans to non-profit organisations | | – | – | – | – |
| Net GST receivable | | 113 | – | 45 | – |
| Total | | 4,292 | 796 | 3,177 | 634 |
| Less: provision for impairment | | | | | |
| Rates and annual charges | | (6) | (83) | (6) | (83) |
| Deferred debtors | | – | (2) | – | (16) |
| Total provision for impairment – receivables | | (6) | (85) | (6) | (99) |
| <u>TOTAL NET RECEIVABLES</u> | | <u>4,286</u> | <u>711</u> | <u>3,171</u> | <u>535</u> |
| Externally restricted receivables | | | | | |
| Water supply | | | | | |
| – Specific purpose grants | | – | – | – | – |
| – Rates and availability charges | | 112 | 149 | 153 | 83 |
| – Other | | 98 | 130 | 237 | 10 |
| Sewerage services | | | | | |
| – Specific purpose grants | | – | – | – | – |
| – Rates and availability charges | | 56 | 73 | 82 | 44 |
| – Other | | 4 | – | 5 | – |
| Domestic waste management | | 105 | 65 | 115 | 47 |
| Total external restrictions | | 375 | 417 | 592 | 184 |
| Internally restricted receivables | | | | | |
| Nil | | | | | |
| Unrestricted receivables | | 3,911 | 294 | 2,579 | 351 |
| TOTAL NET RECEIVABLES | | 4,286 | 711 | 3,171 | 535 |

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% (2016 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 2017

Note 8. Inventories and other assets

| \$ '000 | Notes | 2017 | | 2016 | |
|--|-------|---------------------|-----------------|---------------------|-----------------|
| | | Current | Non-current | Current | Non-current |
| (a) Inventories | | | | | |
| (i) Inventories at cost | | | | | |
| Real estate for resale (refer below) | | 132 | – | 314 | – |
| Stores and materials | | 929 | – | 837 | – |
| Total inventories at cost | | 1,061 | – | 1,151 | – |
| (ii) Inventories at net realisable value (NRV) | | | | | |
| Nil | | | | | |
| <u>TOTAL INVENTORIES</u> | | <u>1,061</u> | <u>–</u> | <u>1,151</u> | <u>–</u> |
| (b) Other assets | | | | | |
| Prepayments | | 3 | – | 6 | – |
| <u>TOTAL OTHER ASSETS</u> | | <u>3</u> | <u>–</u> | <u>6</u> | <u>–</u> |
| Total externally restricted assets | | – | – | – | – |
| Total internally restricted assets | | – | – | – | – |
| Total unrestricted assets | | 1,064 | – | 1,157 | – |
| TOTAL INVENTORIES AND OTHER ASSETS | | 1,064 | – | 1,157 | – |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets (continued)

| \$ '000 | 2017 | | 2016 | |
|--|------------|-------------|------------|-------------|
| | Current | Non-current | Current | Non-current |
| (i) Other disclosures | | | | |
| (a) Details for real estate development | | | | |
| Residential | 132 | – | 314 | – |
| Total real estate for resale | 132 | – | 314 | – |
| (Valued at the lower of cost and net realisable value) | | | | |
| Represented by: | | | | |
| Acquisition costs | 132 | – | 314 | – |
| Total costs | 132 | – | 314 | – |
| Total real estate for resale | 132 | – | 314 | – |
| Movements: | | | | |
| Real estate assets at beginning of the year | 314 | – | 314 | – |
| – Transfers in from (out to) Note 9 | (182) | – | – | – |
| Total real estate for resale | 132 | – | 314 | – |

(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;

| | 2017 | 2016 |
|------------------------|------------|------------|
| Real estate for resale | 132 | 314 |
| | 132 | 314 |

(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 2017

Note 9a. Infrastructure, property, plant and equipment

| Asset class | as at 30/6/2016 | | | Asset movements during the reporting period | | | | | | | as at 30/6/2017 | | |
|--|-----------------------|---|---------------------|---|----------------------|-----------------------------|----------------------|---------------|--|--|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Tfrs from/(to) real estate assets (Note 8) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | |
| Capital work in progress | 330 | – | 330 | 342 | 235 | | | (330) | | | 577 | – | 577 |
| Plant and equipment | 12,176 | 7,219 | 4,957 | 994 | 66 | (157) | (1,067) | | – | – | 12,314 | 7,521 | 4,793 |
| Office equipment | 1,382 | 1,175 | 207 | – | – | – | (28) | | – | – | 1,382 | 1,203 | 179 |
| Land: | | | | | | | | | | | | | |
| – Operational land | 2,548 | – | 2,548 | – | 44 | – | – | | – | | 2,592 | – | 2,592 |
| Infrastructure: | | | | | | | | | | | | | |
| – Buildings – non-specialised | 6,595 | 2,406 | 4,189 | 79 | – | – | (168) | | 182 | – | 7,078 | 2,796 | 4,282 |
| – Buildings – specialised | 20,131 | 10,524 | 9,607 | 104 | 108 | – | (373) | | – | – | 20,344 | 10,898 | 9,446 |
| – Other structures | 35,231 | 16,648 | 18,583 | 231 | 174 | (215) | (832) | | – | – | 35,405 | 17,464 | 17,941 |
| – Roads, bridges and footpaths | 135,613 | 64,077 | 71,536 | 3,873 | – | (605) | (2,776) | | – | – | 138,203 | 66,175 | 72,028 |
| – Bulk earthworks (non-depreciable) | 88,065 | – | 88,065 | 1,233 | – | (956) | – | | – | – | 88,342 | – | 88,342 |
| – Stormwater drainage | 14,376 | 4,871 | 9,505 | – | – | – | (170) | | – | – | 14,376 | 5,041 | 9,335 |
| – Water supply network | 38,629 | 18,548 | 20,081 | 755 | – | – | (564) | 330 | – | 6,791 | 43,186 | 15,793 | 27,393 |
| – Sewerage network | 18,743 | 6,777 | 11,966 | 14 | – | – | (187) | | – | 7,210 | 28,949 | 9,946 | 19,003 |
| Other assets: | | | | | | | | | | | | | |
| – Other | 11,393 | 2,849 | 8,544 | 583 | 393 | (33) | (920) | | – | – | 12,265 | 3,698 | 8,567 |
| <u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</u> | 385,212 | 135,094 | 250,118 | 8,208 | 1,020 | (1,966) | (7,085) | – | 182 | 14,001 | 405,013 | 140,535 | 264,478 |

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 2017

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

| \$ '000 Class of asset | Actual 2017 | | | Actual 2016 | | |
|------------------------------------|-----------------------|----------------------------------|---------------------|-----------------------|----------------------------------|---------------------|
| | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount | Gross carrying amount | Accumulated depn. and impairment | Net carrying amount |
| Water supply | | | | | | |
| WIP | 36 | — | 36 | 330 | — | 330 |
| Infrastructure | 43,186 | 15,793 | 27,393 | 38,629 | 18,548 | 20,081 |
| Total water supply | 43,222 | 15,793 | 27,429 | 38,959 | 18,548 | 20,411 |
| Sewerage services | | | | | | |
| WIP | 6 | — | 6 | — | — | — |
| Infrastructure | 28,949 | 9,946 | 19,003 | 18,743 | 6,777 | 11,966 |
| Total sewerage services | 28,955 | 9,946 | 19,009 | 18,743 | 6,777 | 11,966 |
| TOTAL RESTRICTED I,PP&E | 72,177 | 25,739 | 46,438 | 57,702 | 25,325 | 32,377 |

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

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 2017

Note 10a. Payables, borrowings and provisions

| \$ '000 | Notes | 2017 | | 2016 | |
|--|-------|--------------|--------------|--------------|--------------|
| | | Current | Non-current | Current | Non-current |
| Payables | | | | | |
| Goods and services – operating expenditure | | 1,516 | – | 552 | – |
| Accrued expenses: | | | | | |
| – Borrowings | | 19 | – | 22 | – |
| – Salaries and wages | | 242 | – | 251 | – |
| – Other expenditure accruals | | 521 | – | 26 | – |
| Security bonds, deposits and retentions | | 36 | – | – | – |
| ATO – net GST payable | | – | – | 339 | – |
| Other Ratepayer Prepayments | | 370 | – | 207 | – |
| Total payables | | 2,704 | – | 1,397 | – |
| Income received in advance | | | | | |
| Payments received in advance | | 222 | – | 255 | – |
| Total income received in advance | | 222 | – | 255 | – |
| Borrowings | | | | | |
| Loans – secured ¹ | | 617 | 3,288 | 598 | 3,902 |
| Total borrowings | | 617 | 3,288 | 598 | 3,902 |
| Provisions | | | | | |
| Employee benefits: | | | | | |
| Annual leave | | 1,042 | – | 938 | – |
| Sick leave | | 116 | – | 119 | – |
| Long service leave | | 895 | 146 | 799 | 130 |
| Other leave (time in lieu.) | | 27 | – | 46 | – |
| Sub-total – aggregate employee benefits | | 2,080 | 146 | 1,902 | 130 |
| Asset remediation/restoration (future works) | 26 | – | – | – | – |
| Total provisions | | 2,080 | 146 | 1,902 | 130 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | | | | |
| | | 5,623 | 3,434 | 4,152 | 4,032 |
| (i) Liabilities relating to restricted assets | | | | | |
| | | 2017 | | 2016 | |
| | | Current | Non-current | Current | Non-current |
| Externally restricted assets | | | | | |
| Water | | 225 | – | 218 | 9 |
| Liabilities relating to externally restricted assets | | 225 | – | 218 | 9 |
| Internally restricted assets | | | | | |
| Nil | | | | | |
| Total liabilities relating to restricted assets | | 225 | – | 218 | 9 |
| Total liabilities relating to unrestricted assets | | 5,398 | 3,434 | 3,934 | 4,023 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | 5,623 | 3,434 | 4,152 | 4,032 |

¹. Loans are secured over the general rating income of Council

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

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| | Actual 2017 | Actual 2016 |
|---------|----------------|----------------|
| \$ '000 | | |

(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 | 1,389 | 1,331 |
| | 1,389 | 1,331 |

| Class of provision | 2016 | 2017 | | | | Closing balance as at 30/6/17 |
|--------------------|---------------------------------|-----------------------|--------------------------|--|-------------------------|----------------------------------|
| | Opening balance as at 1/7/16 | Additional provisions | Decrease due to payments | Remeasurement effects due to discounting | Unused amounts reversed | |
| Annual leave | 938 | 51 | (487) | 540 | – | 1,042 |
| Sick leave | 119 | 6 | (24) | 15 | – | 116 |
| Long service leave | 929 | 51 | (98) | 159 | – | 1,041 |
| Other leave | 46 | – | (19) | – | – | 27 |
| Asset remediation | – | – | – | – | – | – |
| TOTAL | 2,032 | 108 | (628) | 714 | – | 2,226 |

- 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.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|----------------|----------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6a | 10,851 | 17,166 |
| Less bank overdraft | 10 | — | — |
| Balance as per the Statement of Cash Flows | | 10,851 | 17,166 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | | |
| Net operating result from Income Statement | | 7,869 | 4,383 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 7,085 | 6,547 |
| Net losses/(gains) on disposal of assets | | 1,796 | (141) |
| Losses/(gains) recognised on fair value re-measurements through the P&L: | | | |
| – Other | | — | — |
| Unwinding of discount rates on reinstatement provisions | | — | — |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | (1,269) | 96 |
| Increase/(decrease) in provision for doubtful debts | | (14) | 7 |
| Decrease/(increase) in inventories | | (92) | (112) |
| Decrease/(increase) in other assets | | 3 | (6) |
| Increase/(decrease) in payables | | 964 | 5 |
| Increase/(decrease) in accrued interest payable | | (3) | — |
| Increase/(decrease) in other accrued expenses payable | | 486 | (519) |
| Increase/(decrease) in other liabilities | | (173) | 718 |
| Increase/(decrease) in employee leave entitlements | | 194 | (9) |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 16,846 | 10,969 |
| (c) Non-cash investing and financing activities | | | |
| Nil | | | |
| (d) Financing arrangements | | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | | |
| Credit cards/purchase cards | | 20 | 20 |
| Total financing arrangements | | 20 | 20 |
| Amounts utilised as at balance date: | | | |
| – Credit cards/purchase cards | | 5 | 6 |
| Total financing arrangements utilised | | 5 | 6 |
| (ii) Secured loan liabilities | | | |

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 2017

Note 12. Commitments for expenditure

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

| | | |
|--------------------------|------------|----------|
| Plant and equipment | 347 | — |
| Total commitments | 347 | — |

These expenditures are payable as follows:

| | | |
|--|------------|----------|
| Later than one year and not later than 5 years | 347 | — |
| Total payable | 347 | — |

Sources for funding of capital commitments:

| | | |
|---------------------------------|------------|----------|
| Internally restricted reserves | 347 | — |
| Total sources of funding | 347 | — |

Details of capital commitments

Caterpillar Grader

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

| | | |
|--|------------|-----------|
| Within the next year | 24 | 27 |
| Later than one year and not later than 5 years | 96 | 27 |
| Total non-cancellable operating lease commitments | 120 | 54 |

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

Photocopiers leased under a five year operating maintenance agreement

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

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| \$ '000 | Amounts 2017 | Indicator 2017 | Prior periods 2016 2015 | | Benchmark |
|--|-----------------|-------------------|---------------------------------|-----------|--------------------------------|
| Local government industry indicators – consolidated | | | | | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses | 6,918 | 20.20% | 8.73% | 21.16% | >0.00% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | 34,250 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | 19,239 | 52.00% | 55.27% | 56.17% | >60.00% |
| Total continuing operating revenue ⁽¹⁾ | 36,997 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions ⁽²⁾ | 22,680 | 5.66x | 5.42x | 5.43x | >1.5x |
| Current liabilities less specific purpose liabilities ^(3, 4) | 4,009 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | 14,207 | 17.78x | 12.26x | 12.05x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 799 | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 1,019 | 10.37% | 11.77% | 7.35% | < 5% Metro <10% Rural |
| Rates, annual and extra charges collectible | 9,825 | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 28,851 | 16.27 mths | 13.5 mths | 13.2 mths | > 3 mths |
| Payments from cash flow of operating and financing activities | 1,773 | | | | |

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

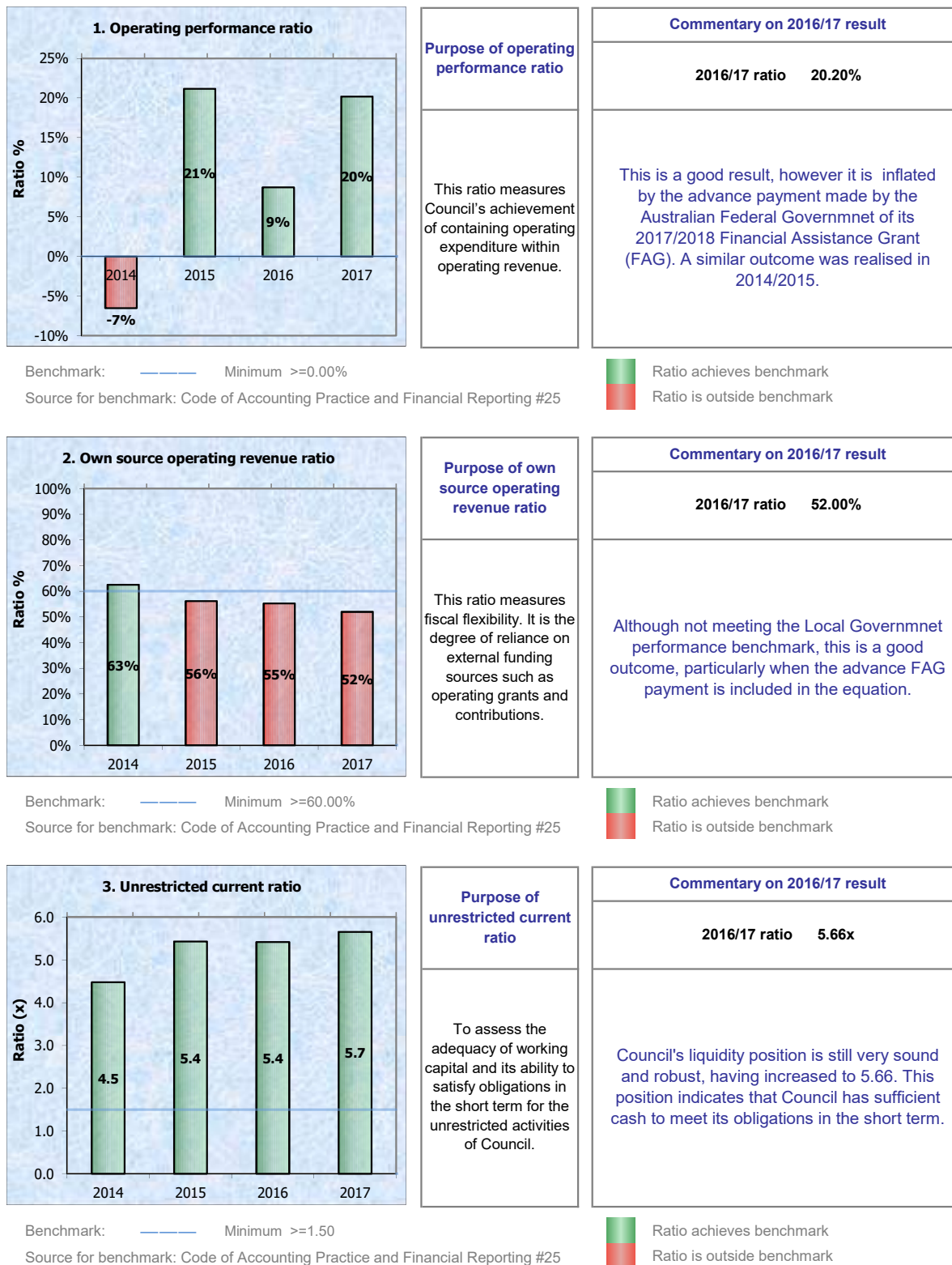
⁽³⁾ Refer to Note 10(a).

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

Walgett Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

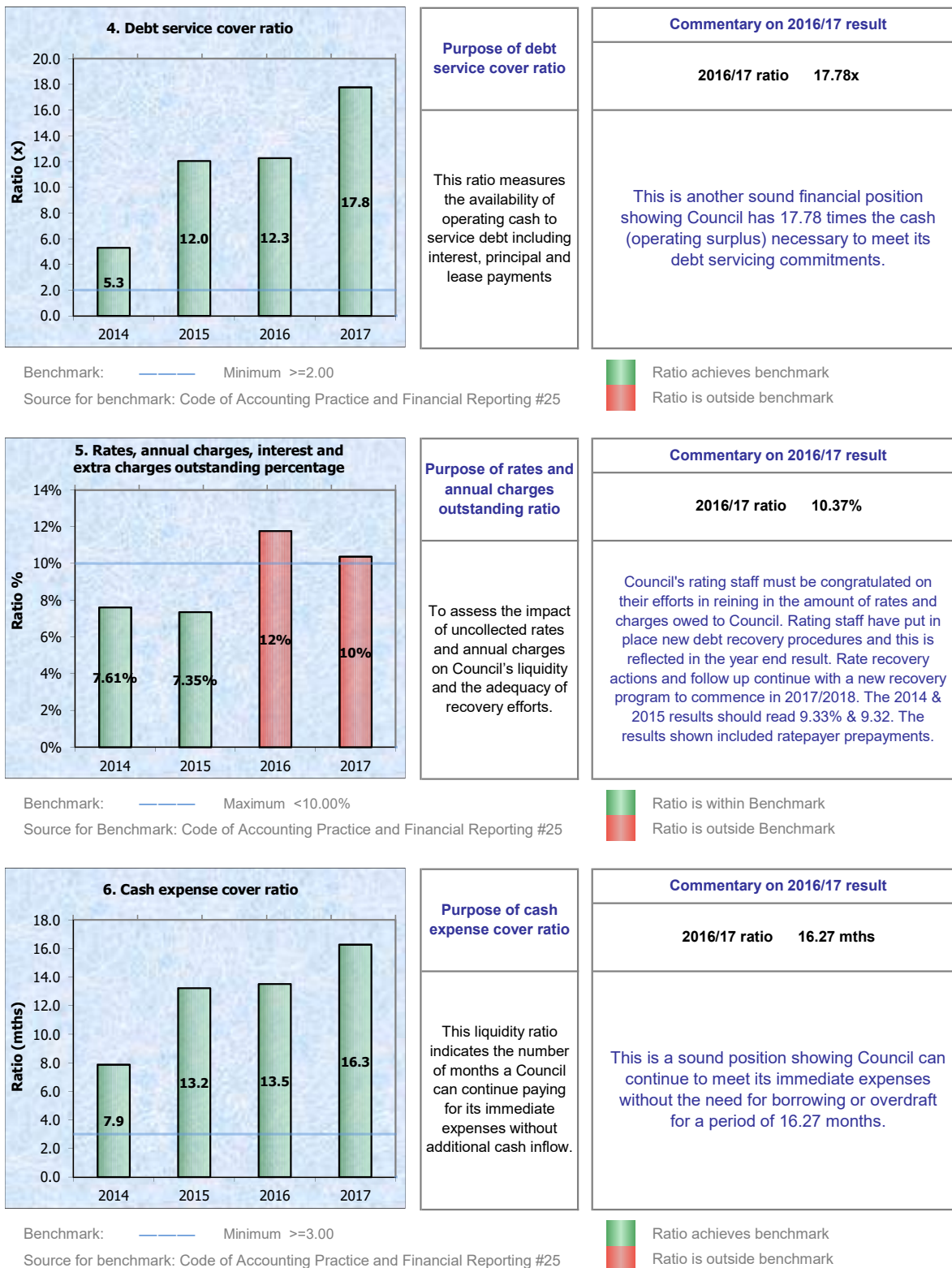
Note 13a(ii). Local government industry indicators – graphs (consolidated)



Walgett Shire Council

Notes to the Financial Statements
for the year ended 30 June 2017

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



Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| \$ '000 | General indicators ⁵ | | Water indicators | | Sewer indicators | | Benchmark |
|--|---------------------------------|--------|------------------|---------|------------------|----------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Local government industry indicators – by fund | | | | | | | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | | | | | | | |
| less operating expenses | | | | | | | |
| <hr/> | 20.74% | 11.57% | 1.95% | -42.68% | 43.88% | 49.39% | >0.00% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | | | | | | | |
| 2. Own source operating revenue ratio | | | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | | | | | | | |
| <hr/> | 48.23% | 53.07% | 81.34% | 59.59% | 98.89% | 98.88% | >60.00% |
| Total continuing operating revenue ⁽¹⁾ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions ⁽²⁾ | | | | | | | |
| <hr/> | 5.66x | 5.42x | 8.50x | 13.00x | No liabilities | No liabilities | >1.5x |
| Current liabilities less specific purpose liabilities ^(3, 4) | | | | | | | |

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 2017

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

| \$ '000 | General indicators ⁵ | | Water indicators | | Sewer indicators | | Benchmark |
|--|---------------------------------|--------|------------------|----------|------------------|--------|--------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| Local government industry indicators – by fund (continued) | | | | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | 16.39x | 11.97x | 86.71x | -204.00x | 0.00x | 0.00x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | | | |
| Rates, annual and extra charges outstanding | 8.23% | 10.45% | 19.51% | 16.71% | 15.36% | 14.53% | < 5% Metro <10% Rural |
| Rates, annual and extra charges collectible | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 12.02 | 12.58 | 1,704.00 | 0.00 | 2,906.00 | 0.00 | > 3 months |
| Payments from cash flow of operating and financing activities | months | months | months | months | months | months | |

Notes

⁽¹⁾ 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 2017

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 | |
|------------------------------------|----------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Financial assets | | | | |
| Cash and cash equivalents | 10,851 | 17,166 | 20,851 | 17,166 |
| Investments | | | | |
| – 'Held to maturity' | 22,500 | 9,000 | 12,500 | 9,000 |
| Receivables | 4,997 | 3,706 | 4,653 | 3,500 |
| Total financial assets | 38,348 | 29,872 | 38,004 | 29,666 |
| Financial liabilities | | | | |
| Payables | 2,704 | 1,397 | 2,687 | 1,191 |
| Loans/advances | 3,905 | 4,500 | 3,905 | 4,500 |
| Total financial liabilities | 6,609 | 5,897 | 6,592 | 5,691 |

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 2017

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

The risks associated with the investments held are:

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

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

(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 |
| 2017 | | | | |
| Possible impact of a 1% movement in interest rates | 255 | 255 | (255) | (255) |
| 2016 | | | | |
| Possible impact of a 1% movement in interest rates | 177 | 177 | (177) | (177) |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 up to the statutory maximum 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 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:

| | 2017 Rates and annual charges | 2017 Other receivables | 2016 Rates and annual charges | 2016 Other receivables |
|-------------------------------|--|------------------------------|--|------------------------------|
| (i) Ageing of receivables – % | | | | |
| Current (not yet overdue) | 43% | 91% | 18% | 96% |
| Overdue | 57% | 9% | 82% | 4% |
| | 100% | 100% | 100% | 100% |

| | 2017 Rates and annual charges | 2017 Other receivables | 2016 Rates and annual charges | 2016 Other receivables |
|------------------------------------|--|------------------------------|--|------------------------------|
| (ii) Ageing of receivables – value | | | | |
| Rates and annual charges | | | | |
| Current | 348 | 3,668 | 206 | 2,633 |
| < 1 year overdue | 291 | 63 | 577 | 23 |
| 1 – 2 years overdue | 196 | 103 | 311 | 2 |
| 2 – 5 years overdue | 175 | 7 | – | 2 |
| > 5 years overdue | 47 | 190 | – | 57 |
| | 1,057 | 4,031 | 1,094 | 2,717 |

| | 2017 | 2016 |
|---|-----------|------------|
| (iii) Movement in provision for impairment of receivables | | |
| Balance at the beginning of the year | 105 | 98 |
| – amounts already provided for and written off this year | (14) | 7 |
| Balance at the end of the year | 91 | 105 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 | payable in: | | | | | | Total | Actual |
|-----------------------------|----------------|-------------|---------|---------|---------|---------|---------|---------------|-----------------|
| | to no maturity | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | cash outflows | carrying values |
| 2017 | | | | | | | | | |
| Trade/other payables | 36 | 2,687 | – | – | – | – | 300 | 3,023 | 2,704 |
| Loans and advances | – | 770 | 747 | 753 | 761 | 518 | 786 | 4,335 | 3,905 |
| Total financial liabilities | 36 | 3,457 | 747 | 753 | 761 | 518 | 1,086 | 7,358 | 6,609 |
| 2016 | | | | | | | | | |
| Trade/other payables | – | 1,397 | – | – | – | – | – | 1,397 | 1,397 |
| Loans and advances | – | 768 | 770 | 747 | 753 | 761 | 1,305 | 5,104 | 4,500 |
| Total financial liabilities | – | 2,165 | 770 | 747 | 753 | 761 | 1,305 | 6,501 | 5,897 |

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:

| | 2017 | | 2016 | |
|--|-------------------|--------------------------|-------------------|--------------------------|
| | Carrying value | Average interest rate | Carrying value | Average interest rate |
| Trade/other payables | 2,704 | 0.00% | 1,397 | 0.00% |
| Loans and advances – fixed interest rate | 3,905 | 6.23% | 4,500 | 6.23% |
| | <u>6,609</u> | | <u>5,897</u> | |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

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 | 2017 Budget | 2017 Actual | 2017 Variance* | |
|--|----------------|----------------|-------------------|----------------|
| REVENUES | | | | |
| Rates and annual charges | 8,843 | 8,499 | (344) | (4%) U |
| User charges and fees | 4,629 | 8,715 | 4,086 | 88% F |
| Council undertook additional ordered works for the Roads & Maritime Services on the Castlereagh and Gwydir Highways in the later half of 2016/2017 and this resulted in increased user charges for Council. | | | | |
| Interest and investment revenue | 698 | 1,076 | 378 | 54% F |
| A very conservative approach was taken with the original budget investment return, while Council's new investment strategy has allowed for an improved investment program, better cash flows and these elements have combined to produce increased interest returns on investments for the year. | | | | |
| Other revenues | 1,041 | 949 | (92) | (9%) U |
| Operating grants and contributions | 12,356 | 15,011 | 2,655 | 21% F |
| In late June 17 Council received an advanced payment of \$2,958K being the first and second instalments for its 17/18 grant allocation. | | | | |
| Capital grants and contributions | 5,950 | 2,747 | (3,203) | (54%) U |
| Roads & Maritime Services grants listed in the 16/17 adopted budget, were incorrectly classified as Capital. These grants were untied, non-specific and should have been shown as operating grants. | | | | |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

| \$ '000 | 2017 Budget | 2017 Actual | 2017 ----- Variance* ----- | | |
|--|----------------|----------------|-------------------------------|-------|----------|
| EXPENSES | | | | | |
| Employee benefits and on-costs | 7,985 | 8,066 | (81) | (1%) | U |
| Borrowing costs | 197 | 204 | (7) | (4%) | U |
| Materials and contracts | 8,497 | 9,092 | (595) | (7%) | U |
| Depreciation and amortisation | 4,391 | 7,085 | (2,694) | (61%) | U |
| The depreciation budget has been based on historic figures. Revaluations have impacted the actual annual depreciation. | | | | | |
| Other expenses | 2,988 | 2,885 | 103 | 3% | F |
| Net losses from disposal of assets | – | 1,796 | (1,796) | 0% | U |
| No provision was made in the original budget for net losses from disposal of assets. | | | | | |

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

| | | | | | |
|--------------------------------------|----------|----------|---------|--------|----------|
| Cash flows from operating activities | 18,650 | 16,846 | (1,804) | (9.7%) | U |
| Cash flows from investing activities | (22,630) | (22,566) | 64 | (0.3%) | F |
| Cash flows from financing activities | (595) | (595) | – | 0.0% | F |

Walgett Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 17. Statement of Developer Contributions

\$ '000

Council currently has no S94 Developer Contribution Plans or S94 Funds on hand from prior years.

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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 2017

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 2017

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

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---------|-------|----------------|----------------|
|---------|-------|----------------|----------------|

(a) Retained earnings

Movements in retained earnings were as follows:

| | | | |
|---|--|----------------|---------------|
| Balance at beginning of year (from previous years audited accounts) | | 98,698 | 94,315 |
| b. Net operating result for the year | | 7,869 | 4,383 |
| Balance at end of the reporting period | | <u>106,567</u> | <u>98,698</u> |

(b) Revaluation reserves

(i) Reserves are represented by:

| | | | |
|---|--|----------------|----------------|
| – Infrastructure, property, plant and equipment revaluation reserve | | 188,266 | 174,265 |
| Total | | <u>188,266</u> | <u>174,265</u> |

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

| | | | |
|---------------------------------|------|----------------|----------------|
| – Opening balance | | 174,265 | 170,463 |
| – Revaluations for the year | 9(a) | 14,001 | 3,802 |
| – Balance at end of year | | <u>188,266</u> | <u>174,265</u> |

TOTAL VALUE OF RESERVES

| | |
|----------------|----------------|
| <u>188,266</u> | <u>174,265</u> |
|----------------|----------------|

(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 2017

Note 21. Financial result and financial position by fund

| Income Statement by fund \$ '000 | Actual 2017 | Actual 2017 | Actual 2017 |
|--|----------------|----------------|----------------------------|
| Continuing operations | Water | Sewer | General¹ |
| Income from continuing operations | | | |
| Rates and annual charges | 1,338 | 840 | 6,321 |
| User charges and fees | 768 | – | 7,947 |
| Interest and investment revenue | 88 | 104 | 884 |
| Other revenues | 3 | 34 | 912 |
| Grants and contributions provided for operating purposes | 12 | 11 | 14,988 |
| Grants and contributions provided for capital purposes | 492 | – | 2,255 |
| Total income from continuing operations | 2,701 | 989 | 33,307 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 475 | 144 | 7,447 |
| Borrowing costs | – | – | 204 |
| Materials and contracts | 594 | 204 | 8,294 |
| Depreciation and amortisation | 564 | 187 | 6,334 |
| Other expenses | 533 | 20 | 2,332 |
| Net losses from the disposal of assets | – | – | 1,796 |
| Total expenses from continuing operations | 2,166 | 555 | 26,407 |
| Operating result from continuing operations | 535 | 434 | 6,900 |
| Net operating result for the year | 535 | 434 | 6,900 |
| Net operating result attributable to each council fund | 535 | 434 | 6,900 |
| Net operating result for the year before grants and contributions provided for capital purposes | 43 | 434 | 4,645 |

¹ 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 2017

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

| Statement of Financial Position by fund \$ '000 | Actual 2017 | Actual 2017 | Actual 2017 |
|--|----------------|----------------|----------------------------|
| ASSETS | Water | Sewer | General¹ |
| Current assets | | | |
| Cash and cash equivalents | 1,703 | 5,811 | 3,337 |
| Investments | – | – | 14,500 |
| Receivables | 210 | 60 | 4,016 |
| Inventories | – | – | 1,061 |
| Other | – | – | 3 |
| Total current assets | 1,913 | 5,871 | 22,917 |
| Non-current assets | | | |
| Investments | 1,000 | 160 | 6,840 |
| Receivables | 279 | 73 | 359 |
| Infrastructure, property, plant and equipment | 27,429 | 19,009 | 218,040 |
| Total non-current assets | 28,708 | 19,242 | 225,239 |
| TOTAL ASSETS | 30,621 | 25,113 | 248,156 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 222 | – | 2,482 |
| Income received in advance | – | – | 222 |
| Borrowings | – | – | 617 |
| Provisions | – | – | 2,080 |
| Total current liabilities | 222 | – | 5,401 |
| Non-current liabilities | | | |
| Borrowings | 3 | – | 3,285 |
| Provisions | – | – | 146 |
| Total non-current liabilities | 3 | – | 3,431 |
| TOTAL LIABILITIES | 225 | – | 8,832 |
| Net assets | 30,396 | 25,113 | 239,324 |
| EQUITY | | | |
| Retained earnings | 11,381 | 12,125 | 83,061 |
| Revaluation reserves | 19,015 | 12,988 | 156,263 |
| Total equity | 30,396 | 25,113 | 239,324 |

¹ 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 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) 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 28/11/17.

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 2017.

(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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.

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

| Asset/operation | Estimated year of restoration | NPV of provision | |
|--|-------------------------------------|------------------|------|
| | | 2017 | 2016 |
| Tip (Landfill) Remediation | | — | — |
| Quarries Remediation | | — | — |
| Balance at end of the reporting period | 10(a) | — | — |

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

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

Council is currently in the process of gaining reliable information to enable calculate and record the remediation in future.

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- the actual timeframe tips (landfills) and quarries will be in operation.
- the impacts of future EPA and other relevant requirements
- ;- future revisions emanating from periodic internal and external reviews, assessments and audits

Reconciliation of movement in provision for year:

| | | |
|---|---|---|
| Balance at beginning of year | — | — |
| Amounts capitalised to new or existing assets: | | |
| Effect of a change in discount rates and other calculations used in PV calculations | | — |
| Amortisation of discount (expensed to borrowing costs) | | — |
| Total – reinstatement, rehabilitation and restoration provision | — | — |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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:

| | | Fair value measurement hierarchy | | | Total |
|--|----------|----------------------------------|-------------------------------|---------------------------------|----------------|
| 2017 | | Level 1 | Level 2 | Level 3 | |
| | | Quoted prices in active mkt | Significant observable inputs | Significant unobservable inputs | |
| Recurring fair value measurements | | | | | |
| Infrastructure, property, plant and equipment | | | | | |
| Plant and equipment | 30/06/14 | – | 4,793 | – | 4,793 |
| Office equipment | 30/06/14 | – | 179 | – | 179 |
| Operational land | 30/06/14 | – | 2,592 | – | 2,592 |
| Buildings – non-specialised | 30/06/14 | – | 4,282 | – | 4,282 |
| Buildings specialised | 30/06/14 | – | – | 9,446 | 9,446 |
| Other structures | 30/06/16 | – | – | 17,966 | 17,966 |
| Roads bridges and footpaths | 30/06/15 | – | – | 72,183 | 72,183 |
| Bulk earthworks | 30/06/15 | – | – | 88,342 | 88,342 |
| Stormwater drainage | 30/06/15 | – | – | 9,548 | 9,548 |
| Water supply network | 30/06/17 | – | – | 27,429 | 27,429 |
| Sewerage network | 30/06/17 | – | – | 19,009 | 19,009 |
| Other assets | 30/06/16 | – | – | 8,709 | 8,709 |
| Total infrastructure, property, plant and equipment | | – | 11,846 | 252,632 | 264,478 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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)

| 2016 | Fair value measurement hierarchy | | | | Total |
|---|----------------------------------|-------------|-------------|--------------|---------|
| | Level 1 | Level 2 | Level 3 | | |
| | Date | Quoted | Significant | Significant | |
| | of latest | prices in | observable | unobservable | |
| | valuation | active mkts | inputs | inputs | |
| Recurring fair value measurements | | | | | |
| Infrastructure, property, plant and equipment | | | | | |
| Plant and equipment | 30/06/14 | — | 4,957 | — | 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 | 30/06/15 | — | — | 9,505 | 9,505 |
| Water supply network | 30/06/12 | — | — | 20,411 | 20,411 |
| Sewerage network | 30/06/12 | — | — | 11,966 | 11,966 |
| Other assets | 30/06/16 | — | — | 8,544 | 8,544 |
| Total infrastructure, property, plant and equipment | | — | 11,901 | 238,217 | 250,118 |

(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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 |
|---------------------------------------|--------------------------|---------------------|-------------------------------|--------------------|----------------|
| Opening balance – 1/7/15 | 9,865 | 17,369 | 71,656 | 87,861 | 186,751 |
| 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 |
| Closing balance – 30/6/16 | 9,607 | 18,583 | 71,536 | 88,065 | 187,791 |
| Purchases (GBV) | 212 | 430 | 4,028 | 1,233 | 5,903 |
| Disposals (WDV) | – | (215) | (605) | (956) | (1,776) |
| Depreciation and impairment | (373) | (832) | (2,776) | – | (3,981) |
| Closing balance – 30/6/17 | 9,446 | 17,966 | 72,183 | 88,342 | 187,937 |

| | Stormwater drainage | Water supply network | Sewer network | Other assets | Total |
|---------------------------------------|------------------------|----------------------------|------------------|-----------------|---------------|
| Opening balance – 1/7/15 | 9,670 | 20,195 | 11,798 | 7,112 | 48,775 |
| Purchases (GBV) | 5 | 385 | – | 149 | 539 |
| Disposals (WDV) | – | (48) | – | – | (48) |
| Depreciation and impairment | (170) | (555) | (172) | (751) | (1,648) |
| Revaluation increment to equity (ARR) | – | 434 | 340 | 2,034 | 2,808 |
| Closing balance – 30/6/16 | 9,505 | 20,411 | 11,966 | 8,544 | 50,426 |
| Purchases (GBV) | 213 | 791 | 20 | 1,215 | 2,239 |
| Disposals (WDV) | – | – | – | (130) | (130) |
| Depreciation and impairment | (170) | (564) | (187) | (920) | (1,841) |
| Revaluation increment to equity (ARR) | – | 6,791 | 7,210 | – | 14,001 |
| Closing balance – 30/6/17 | 9,548 | 27,429 | 19,009 | 8,709 | 64,695 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

| | Actual |
|----------------------|------------|
| Compensation: | 2017 |
| Short-term benefits | 796 |
| Termination benefits | 71 |
| Total | 867 |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

| Nature of the transaction | | Value of transactions during year | Outstanding balance (incl. loans and commitments) | Terms and conditions | Provisions for doubtful debts outstanding | Doubtful debts expense recognised |
|---|------|---|--|------------------------|--|--|
| | Note | \$'000 | \$'000 | | \$'000 | \$'000 |
| Water cart hire | 1 | 126 | — | Award | — | — |
| Gravel sales to Council | 2 | 52 | — | 30 days | — | — |
| Plant and equipment hire | 3 | 389 | — | 7 days | — | — |
| Employee expenses relating to close family members of KMP | 4 | 44 | — | As per Local Gov Award | — | — |
| Management of Council waste sites | 5 | 524 | — | 30 days | — | — |
| Employee expenses relating to close family members of KMP | 6 | 107 | — | As per Local Gov Award | — | — |
| Gravel sales to Council | 7 | 52 | — | 30 days | — | — |
| Sand and gravel sales to Council | 8 | 408 | — | 7 days | — | — |
| Gravel sales to Council | 9 | 322 | — | 7 days | — | — |

Walgett Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

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

- 1 Council hires water carts from Mr Manuel Martinez a Council KMP. The hire accepted by Council as part of the annual plant hire tender process.
- 2 A close family member of a Council KMP, provides gravel to Council, and supplies are billed on normal rates.
- 3 Council purchased plant hire from Wintergreen Investments and a Director of the Company is a KMP of Council. Plant hire as part of the annual tender process.
- 4 Close family members of a Council's KMP are employed by the Council under the Local Government Award, on an arms length basis. One (1) close family member.
- 5 D&G Lane Earthmoving manage Walgett and Lightning Ridge waste sites. KMP is part owner of entity. Contract of \$2,447,812 (5 years) awarded under competitive tender.
- 6 Close family members of a Council's KMP are employed by the Council under the Local Government Award, on an arms length basis. Two (2) close family members.
- 7 Council purchases gravel from RB & TM Turnbull. A partner of the entity is a KMP of Council. Gravel purchases are billed on normal rates.
- 8 Council purchases gravel from Bow Sand & Gravel and a Council KMP's partner, is a Director of the entity. The supplies are billed on normal rates.
- 9 BGT Cochrane provides gravel to Council, a close family member of a Council KMP. Supplies are billed on normal rates.

Walgett Shire Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and contact details

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

Email: admin@walgett.nsw.gov.au

Officers**GENERAL MANAGER**

Donald Ramsland

Elected members**MAYOR**

Ian Woodcock

RESPONSIBLE ACCOUNTING OFFICER

Michael Urquhart

Other information

ABN: 78 769 076 385



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Walgett Shire Council

To the Councillors of the Walgett Shire Council

Opinion

I have audited the accompanying financial statements of Walgett Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 31 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Caroline Karakatsanis
Director, Financial Audit Services

23 February 2018
SYDNEY

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

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1803483/1801

23 February 2018

Dear Mr Woodcock

**Report on the Conduct of the Audit
for the 30 June 2017
Walgett Shire Council**

I have audited the general purpose financial statements of the Walgett Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

| | 2017 \$m | 2016 \$m | Variance % |
|---|-------------|-------------|---------------|
| Rates and annual charges revenue | 8.5 | 8.6 | 1 ↓ |
| Grants and contributions revenue | 17.8 | 14.2 | 26 ↑ |
| Operating result for the year | 7.8 | 4.4 | 77 ↑ |
| Net operating result before capital amounts | 5.1 | 2.8 | 82 ↑ |

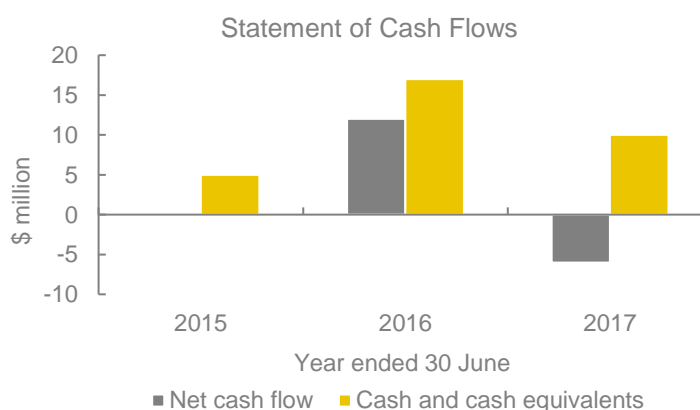
The operating result was impacted by:

- User charges and fees in 2017 were higher than 2016 primarily due to an increase of \$996,000 on in the level of works undertaken on State Roads on behalf of the Roads and Maritime Services.
- Operating grants and contributions were higher in 2017 by \$2.4 million which was mainly due to the advance payment of the Financial Assistance Grant for 2018, received in 2017.

The operating surplus was generated from each fund, with Note 21 reporting surpluses in General, Water and Sewer funds.

STATEMENT OF CASH FLOWS

The net cash outflow of \$6.3 million (inflow of \$12 million in 2016) was due to \$16.8 million in cash provided by operating activities due to increased grants and contributions and user charges. Investing activities was an outflow of \$22.6 million due to purchases of IPP&E of \$9.2 million and net purchases of investment securities of \$13.5 million.



FINANCIAL POSITION

Cash and Investments

| Restricted Cash and Investments | 2017 | 2016 | Commentary |
|---------------------------------|------|------|---|
| | \$m | \$m | |
| External restrictions | 15.5 | 15.5 | Externally restricted balances include developer contributions, unexpended specific purpose grants, water, sewer and domestic waste management. |
| Internal restrictions | 12 | 7.9 | |
| Unrestricted | 5.8 | 2.8 | Balances are internally restricted due to Council policy or decision for forward plans including works programs. |
| Cash and investments | 33.3 | 26.2 | Unrestricted balances provide liquidity for day to day operations. |

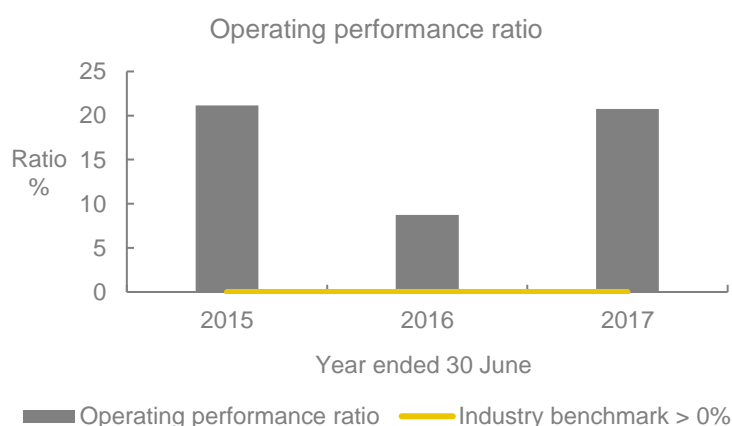
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

The Council has achieved a strong ratio of 20.2% and was impacted by receiving the 2018 financial assistance grant in advance.

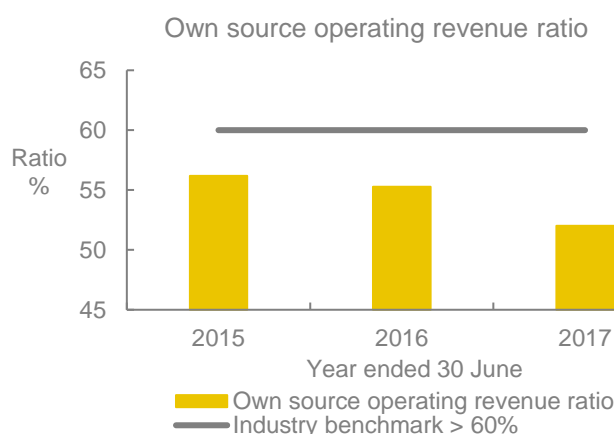
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council is traditionally below the benchmark of 60%. This is due to the Council having a small rate base and being reliant on government grants to maintain the road infrastructure within the Shire.

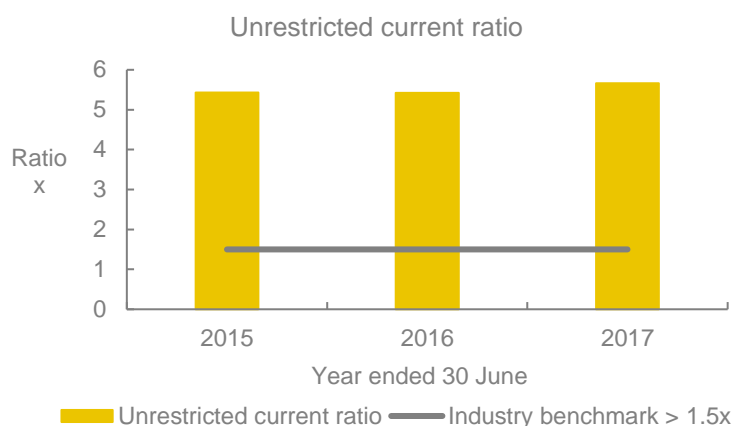
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council effectively manages its liquidity to consistently exceed the benchmark of 1.5 times.

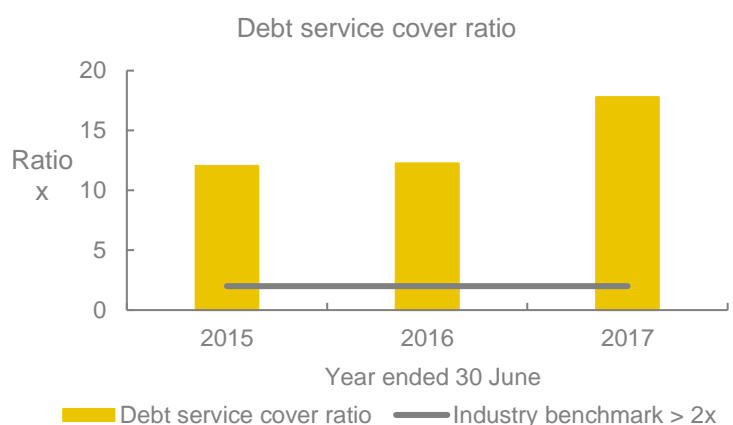
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

This ratio has improved significantly this year due to the strong operating result. Council has continued to repay its existing loans and finance leases and did not draw down any additional loan funds.

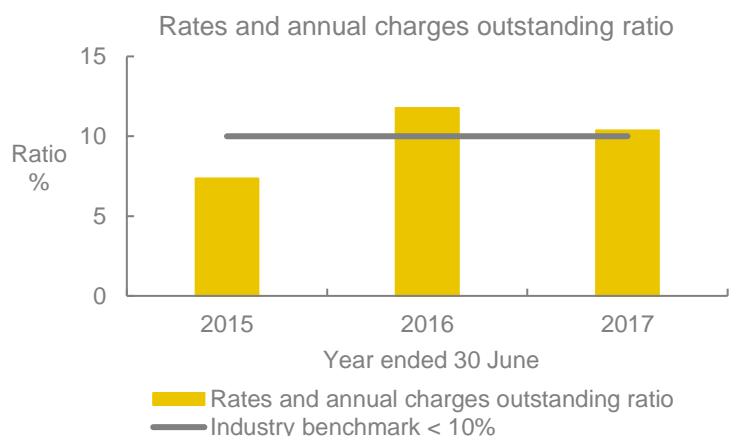
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's ratio has improved from 2016 but is currently outside the benchmark for rural Councils.

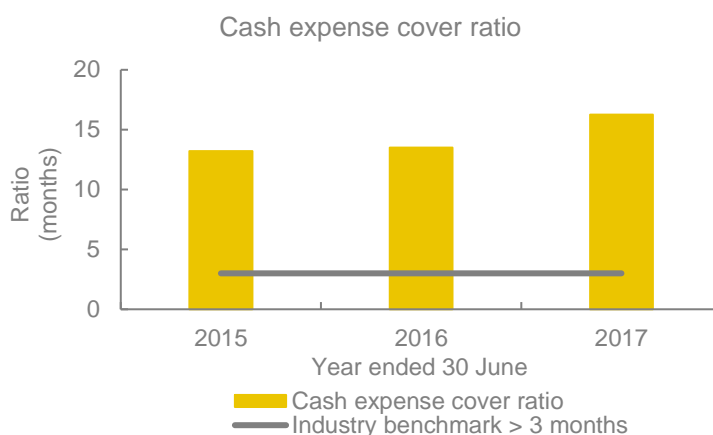
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council has a strong liquidity position which has improved further this year. Council comfortably exceeds the benchmark.

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

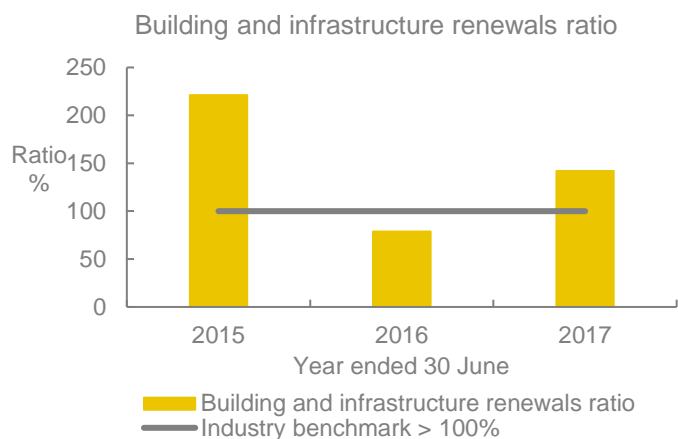


Building and infrastructure renewals ratio

Council has performed significant renewal works on roads over the past 3 years, which has enabled Council to comfortably exceed the industry benchmark.

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

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



OTHER MATTERS

Council Entities

Management has advised that there are no controlled entities to be consolidated in the financial statements of the Council. Should any controlled entities be identified, a separate engagement letter and fee estimate will be provided. Management should advise the audit team if the Council intends to form, or participate in forming or obtain control over another entity.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



Caroline Karakatsanis
Director, Financial Audit Services

cc: Mr Donald Ramsland, General Manager
Tim Hurst, Acting Chief Executive of the Office of Local Government

Walgett Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“Rivers, Plains and Opals”



Walgett Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

| Contents | Page |
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| 1. Statement by Councillors and Management | 2 |
| 2. Special Purpose Financial Statements: | |
| Income Statement – Water Supply Business Activity | 3 |
| Income Statement – Sewerage Business Activity | 4 |
| Income Statement – Other Business Activities | n/a |
| Statement of Financial Position – Water Supply Business Activity | 5 |
| Statement of Financial Position – Sewerage Business Activity | 6 |
| Statement of Financial Position – Other Business Activities | n/a |
| 3. Notes to the Special Purpose Financial Statements | 7 |
| 4. Auditor's Report | 16 |

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Walgett Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

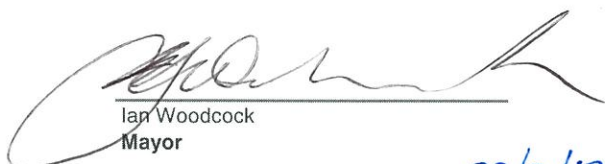
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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:

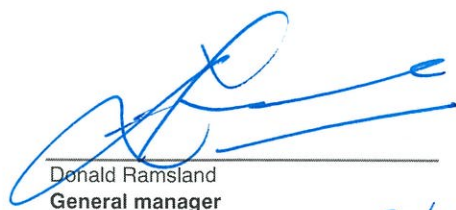
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 *28th November 2017.*


Ian Woodcock
Mayor

22/2/18


Manuel Martinez
Councillor

22/2/18


Donald Ramsland
General manager

22/2/18


Michael Urquhart
Responsible accounting officer

22/2/18

Walgett Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 1,338 | 1,412 |
| User charges | 504 | 466 |
| Fees | 264 | 240 |
| Interest | 88 | 87 |
| Grants and contributions provided for non-capital purposes | 12 | — |
| Profit from the sale of assets | — | — |
| Share of profit from equity accounted investment | — | — |
| Other income | 3 | 56 |
| Total income from continuing operations | 2,209 | 2,261 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 475 | 373 |
| Borrowing costs | — | 2 |
| Materials and contracts | 594 | 2,087 |
| Depreciation, amortisation and impairment | 564 | 555 |
| Water purchase charges | — | — |
| Calculated taxation equivalents | — | — |
| Debt guarantee fee (if applicable) | — | — |
| Other expenses | 533 | 209 |
| Total expenses from continuing operations | 2,166 | 3,226 |
| Surplus (deficit) from continuing operations before capital amounts | 43 | (965) |
| Grants and contributions provided for capital purposes | 492 | 1,513 |
| Surplus (deficit) from continuing operations after capital amounts | 535 | 548 |
| Surplus (deficit) from discontinued operations | — | — |
| Surplus (deficit) from all operations before tax | 535 | 548 |
| Less: corporate taxation equivalent (30%) [based on result before capital] | — | — |
| SURPLUS (DEFICIT) AFTER TAX | 535 | 548 |
| Plus opening retained profits | 10,846 | 10,298 |
| Plus/less: prior period adjustments | — | — |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | — | — |
| – Debt guarantee fees | — | — |
| – Corporate taxation equivalent | — | — |
| Less: | | |
| – Tax equivalent dividend paid | — | — |
| – Surplus dividend paid | — | — |
| Closing retained profits | 11,381 | 10,846 |
| Return on capital % | 0.2% | -4.8% |
| Subsidy from Council | 610 | 1,399 |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 535 | 548 |
| Less: capital grants and contributions (excluding developer contributions) | (492) | (1,513) |
| Surplus for dividend calculation purposes | 43 | — |
| Potential dividend calculated from surplus | 22 | — |

Walgett Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| Income from continuing operations | | |
| Access charges | 840 | 867 |
| User charges | — | — |
| Liquid trade waste charges | — | — |
| Fees | — | 2 |
| Interest | 104 | 113 |
| Grants and contributions provided for non-capital purposes | 11 | — |
| Profit from the sale of assets | — | — |
| Share of profit from equity accounted investment | — | — |
| Other income | 34 | 2 |
| Total income from continuing operations | 989 | 984 |
| Expenses from continuing operations | | |
| Employee benefits and on-costs | 144 | 139 |
| Borrowing costs | — | — |
| Materials and contracts | 204 | 168 |
| Depreciation, amortisation and impairment | 187 | 172 |
| Calculated taxation equivalents | — | — |
| Debt guarantee fee (if applicable) | — | — |
| Other expenses | 20 | 19 |
| Total expenses from continuing operations | 555 | 498 |
| Surplus (deficit) from continuing operations before capital amounts | 434 | 486 |
| Grants and contributions provided for capital purposes | — | — |
| Surplus (deficit) from continuing operations after capital amounts | 434 | 486 |
| Surplus (deficit) from discontinued operations | — | — |
| Surplus (deficit) from all operations before tax | 434 | 486 |
| Less: corporate taxation equivalent (30%) [based on result before capital] | (130) | (146) |
| SURPLUS (DEFICIT) AFTER TAX | 304 | 340 |
| Plus opening retained profits | 11,691 | 11,205 |
| Plus/less: prior period adjustments | — | — |
| Plus adjustments for amounts unpaid: | | |
| – Taxation equivalent payments | — | — |
| – Debt guarantee fees | — | — |
| – Corporate taxation equivalent | 130 | 146 |
| Less: | | |
| – Tax equivalent dividend paid | — | — |
| – Surplus dividend paid | — | — |
| Closing retained profits | 12,125 | 11,691 |
| Return on capital % | 2.3% | 4.1% |
| Subsidy from Council | 18 | — |
| Calculation of dividend payable: | | |
| Surplus (deficit) after tax | 304 | 340 |
| Less: capital grants and contributions (excluding developer contributions) | — | — |
| Surplus for dividend calculation purposes | 304 | 340 |
| Potential dividend calculated from surplus | 152 | 170 |

Walgett Shire Council

Statement of Financial Position – Council's Water Supply Business Activity

as at 30 June 2017

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 1,703 | 945 |
| Investments | – | 1,500 |
| Receivables | 210 | 390 |
| Inventories | – | – |
| Other | – | – |
| Non-current assets classified as held for sale | – | – |
| Total current assets | 1,913 | 2,835 |
| Non-current assets | | |
| Investments | 1,000 | – |
| Receivables | 279 | 93 |
| Inventories | – | – |
| Infrastructure, property, plant and equipment | 27,429 | 20,081 |
| Investments accounted for using equity method | – | – |
| Investment property | – | – |
| Other | – | 330 |
| Total non-current assets | 28,708 | 20,504 |
| TOTAL ASSETS | 30,621 | 23,339 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdraft | – | – |
| Payables | 222 | 218 |
| Income received in advance | – | – |
| Borrowings | – | – |
| Provisions | – | – |
| Total current liabilities | 222 | 218 |
| Non-current liabilities | | |
| Payables | – | – |
| Borrowings | 3 | 9 |
| Provisions | – | – |
| Total non-current liabilities | 3 | 9 |
| TOTAL LIABILITIES | 225 | 227 |
| NET ASSETS | 30,396 | 23,112 |
| EQUITY | | |
| Retained earnings | 11,381 | 10,846 |
| Revaluation reserves | 19,015 | 12,266 |
| Other reserves | – | – |
| Council equity interest | 30,396 | 23,112 |
| Non-controlling equity interest | – | – |
| TOTAL EQUITY | 30,396 | 23,112 |

Walgett Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

| \$ '000 | Actual 2017 | Actual 2016 |
|--|----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 5,811 | 872 |
| Investments | – | 4,500 |
| Receivables | 60 | 87 |
| Inventories | – | – |
| Other | – | – |
| Non-current assets classified as held for sale | – | – |
| Total current assets | 5,871 | 5,459 |
| Non-current assets | | |
| Investments | 160 | – |
| Receivables | 73 | 44 |
| Inventories | – | – |
| Infrastructure, property, plant and equipment | 19,009 | 11,966 |
| Investments accounted for using equity method | – | – |
| Investment property | – | – |
| Other | – | – |
| Total non-current assets | 19,242 | 12,010 |
| TOTAL ASSETS | 25,113 | 17,469 |
| LIABILITIES | | |
| Current liabilities | | |
| Bank overdraft | – | – |
| Payables | – | – |
| Income received in advance | – | – |
| Borrowings | – | – |
| Provisions | – | – |
| Total current liabilities | – | – |
| Non-current liabilities | | |
| Payables | – | – |
| Borrowings | – | – |
| Provisions | – | – |
| Total non-current liabilities | – | – |
| TOTAL LIABILITIES | – | – |
| NET ASSETS | 25,113 | 17,469 |
| EQUITY | | |
| Retained earnings | 12,125 | 11,691 |
| Revaluation reserves | 12,988 | 5,778 |
| Other reserves | – | – |
| Council equity interest | 25,113 | 17,469 |
| Non-controlling equity interest | – | – |
| TOTAL EQUITY | 25,113 | 17,469 |

Walgett Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

| Note | Details | Page |
|------|--|------|
| 1 | Summary of significant accounting policies | 8 |
| 2 | Water Supply Business Best-Practice Management disclosure requirements | 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 2017

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 2017

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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of 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 Special 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 2017

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 NCP Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

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

The 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 2.38% at 30/6/17.

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 DPIW guidelines and must not exceed;

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Walgett Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 2. Water supply business

best-practice management disclosure requirements

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

2017

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 | 5,814 |
| (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] | 21,500 |
| (ii) | Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment | 58,140 |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015 | (250,000) |

| | | | | | |
|--------------|--------|---------------|-----------|---------------|---------|
| 2017 Surplus | 43,000 | 2016 Surplus | (965,000) | 2015 Surplus | 672,000 |
| | | 2016 Dividend | – | 2015 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? ^a | YES |

3. Required outcomes for 6 criteria

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

| | | |
|-------|---|----|
| (i) | Completion of strategic business plan (including financial plan) | 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 2017

Note 2. Water supply business

best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

| | | | |
|----------------|---|--------|--------|
| NWI F1 | Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a) | \$'000 | 1,836 |
| NWI F4 | Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)] | % | 3.62% |
| NWI F9 | Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47) | \$'000 | 27,429 |
| NWI F11 | Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2) | \$'000 | 1,319 |
| NWI F14 | Capital expenditure (water) Acquisition of fixed assets (w16) | \$'000 | 755 |
| NWI F17 | Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)] | % | 0.78% |
| NWI F26 | Capital works grants (water) Grants for the acquisition of assets (w11a) | \$'000 | 492 |

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

Walgett Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

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 | 5,358 |
| (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] | 151,900 |
| (ii) | Number of assessments x (\$30 less tax equivalent charges per assessment) | 53,580 |
| (iii) | Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015 | 1,017,100 |

| | | | | | |
|--------------|---------|---------------|---------|---------------|---------|
| 2017 Surplus | 303,800 | 2016 Surplus | 340,200 | 2015 Surplus | 373,100 |
| | | 2016 Dividend | – | 2015 Dividend | – |

| | | |
|------|---|--------|
| (iv) | Maximum dividend from surplus [least of (i), (ii) and (iii) above] | 53,580 |
| (v) | Dividend actually paid from surplus [refer below for required pre-dividend payment criteria] | – |
| (vi) | Are the overhead reallocation charges to the sewer business fair and reasonable? ^a | YES |

3. Required outcomes for 4 criteria

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

| | | |
|-------|--|----|
| (i) | Completion of strategic business plan (including financial plan) | 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 2017

Note 3. Sewerage business

best-practice management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

| | | | |
|----------------|--|--------|--------|
| NWI F2 | Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a) | \$'000 | 852 |
| NWI F10 | Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48) | \$'000 | 19,009 |
| NWI F12 | Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2) | \$'000 | 339 |
| NWI F15 | Capital expenditure (sewerage) Acquisition of fixed assets (s17) | \$'000 | 14 |
| NWI F18 | Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)] | % | 1.88% |
| NWI F27 | Capital works grants (sewerage) Grants for the acquisition of assets (12a) | \$'000 | – |

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

| | | | |
|----------------|---|--------|-------|
| NWI F3 | Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10) | \$'000 | 2,982 |
| NWI F8 | Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3) | % | 0.77% |
| NWI F16 | Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17) | \$'000 | 769 |
| NWI F19 | Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)] | % | 1.23% |
| NWI F20 | Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3) | \$'000 | – |
| NWI F21 | Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24) | % | 0.00% |

Walgett Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 3. Sewerage business

best-practice management disclosure requirements (continued)

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

2017

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

| | | | |
|----------------|--|--------|---------|
| NWI F22 | Net debt to equity (water and sewerage) | % | -15.62% |
| | Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)] | | |
| NWI F23 | Interest cover (water and sewerage) | | > 100 |
| | Earnings before interest and tax (EBIT) divided by net interest | | |
| | Earnings before interest and tax (EBIT): | | 350 |
| | 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: | | - 192 |
| | Interest expense (w4a + s4a) – interest income (w9 + s10) | | |
| NWI F24 | Net profit after tax (water and sewerage) | \$'000 | 477 |
| | Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv)) | | |
| NWI F25 | Community service obligations (water and sewerage) | \$'000 | 23 |
| | Grants for pensioner rebates (w11b + s12b) | | |

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

Walgett Shire Council

To the Councillors of the Walgett Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Walgett Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 31 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Caroline Karakatsanis
Director, Financial Audit Services

23 February 2018
SYDNEY

Walgett Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

“Rivers, Plains and Opals”



Walgett Shire Council

Special Schedules

for the year ended 30 June 2017

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Special Schedules¹

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

Background

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

Walgett Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non-capital | Capital | |
| Governance | 251 | – | – | (251) |
| Administration | 3,556 | 701 | – | (2,855) |
| Public order and safety | | | | |
| Fire service levy, fire protection, emergency services | 303 | 40 | – | (263) |
| Beach control | – | – | – | – |
| Enforcement of local government regulations | 1 | – | – | (1) |
| Animal control | 149 | 39 | – | (110) |
| Other | 38 | 138 | – | 100 |
| Total public order and safety | 491 | 217 | – | (274) |
| Health | 33 | 27 | 232 | 226 |
| Environment | | | | |
| Noxious plants and insect/vermin control | 138 | – | – | (138) |
| Other environmental protection | 54 | – | 1,000 | 946 |
| Solid waste management | 1,012 | 1,298 | 80 | 366 |
| Street cleaning | – | – | – | – |
| Drainage | – | – | 10 | 10 |
| Stormwater management | 222 | – | – | (222) |
| Total environment | 1,426 | 1,298 | 1,090 | 962 |
| Community services and education | | | | |
| Administration and education | 432 | 139 | – | (293) |
| Social protection (welfare) | 8 | 5 | – | (3) |
| Aged persons and disabled | – | 1 | – | 1 |
| Children's services | 329 | 33 | – | (296) |
| Total community services and education | 769 | 178 | – | (591) |
| Housing and community amenities | | | | |
| Public cemeteries | 123 | 55 | – | (68) |
| Public conveniences | – | – | – | – |
| Street lighting | 159 | 30 | – | (129) |
| Town planning | 748 | 10 | – | (738) |
| Other community amenities | 644 | 131 | – | (513) |
| Total housing and community amenities | 1,674 | 226 | – | (1,448) |
| Water supplies | 2,143 | 2,186 | 492 | 535 |
| Sewerage services | 554 | 988 | – | 434 |

Walgett Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|---|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non-capital | Capital | |
| Recreation and culture | | | | |
| Public libraries | 350 | 42 | – | (308) |
| Museums | – | – | – | – |
| Art galleries | – | – | – | – |
| Community centres and halls | 99 | – | 20 | (79) |
| Performing arts venues | – | – | – | – |
| Other performing arts | – | – | – | – |
| Other cultural services | 46 | – | – | (46) |
| Sporting grounds and venues | 519 | – | – | (519) |
| Swimming pools | 445 | 3 | – | (442) |
| Parks and gardens (lakes) | 324 | – | – | (324) |
| Other sport and recreation | 2,422 | 74 | – | (2,348) |
| Total recreation and culture | 4,205 | 119 | 20 | (4,066) |
| Fuel and energy | – | – | – | – |
| Agriculture | – | – | – | – |
| Mining, manufacturing and construction | | | | |
| Building control | 78 | 61 | – | (17) |
| Other mining, manufacturing and construction | – | 175 | – | 175 |
| Total mining, manufacturing and const. | 78 | 236 | – | 158 |
| Transport and communication | | | | |
| Urban roads (UR) – local | 1,794 | 6 | – | (1,788) |
| Urban roads – regional | – | – | – | – |
| Sealed rural roads (SRR) – local | 1,147 | 281 | – | (866) |
| Sealed rural roads (SRR) – regional | 4,196 | 6,066 | 137 | 2,007 |
| Unsealed rural roads (URR) – local | 199 | 500 | – | 301 |
| Unsealed rural roads (URR) – regional | 709 | – | – | (709) |
| Bridges on UR – local | – | – | – | – |
| Bridges on SRR – local | – | – | – | – |
| Bridges on URR – local | 6 | – | – | (6) |
| Bridges on regional roads | 38 | – | – | (38) |
| Parking areas | 17 | – | – | (17) |
| Footpaths | 21 | – | – | (21) |
| Aerodromes | 212 | 5 | 776 | 569 |
| Other transport and communication | 4,852 | 5,942 | – | 1,090 |
| Total transport and communication | 13,191 | 12,800 | 913 | 522 |
| Economic affairs | | | | |
| Camping areas and caravan parks | – | – | – | – |
| Other economic affairs | 757 | 573 | – | (184) |
| Total economic affairs | 757 | 573 | – | (184) |
| Totals – functions | 29,128 | 19,549 | 2,747 | (6,832) |
| General purpose revenues ⁽¹⁾ | | 14,701 | | 14,701 |
| Share of interests – joint ventures and associates using the equity method | – | – | | – |
| NET OPERATING RESULT ⁽²⁾ | 29,128 | 34,250 | 2,747 | 7,869 |

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

Walgett Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)
for the year ended 30 June 2017

\$'000

| Classification of debt | Principal outstanding at beginning of the year | | | New loans raised during the year | Debt redemption during the year | | Transfers to sinking funds | Interest applicable for year | Principal outstanding at the end of the year | | |
|-----------------------------|--|--------------|--------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|--------------|--------------|
| | Current | Non-current | Total | | From revenue | Sinking funds | | | Current | Non-current | Total |
| Loans (by source) | | | | | | | | | | | |
| Commonwealth Government | – | – | – | | | | | | | – | – |
| NSW Treasury Corporation | – | – | – | | | | | | | – | – |
| Other State Government | – | – | – | | | | | | | – | – |
| Public subscription | – | – | – | | | | | | | – | – |
| Financial institutions | 598 | 3,902 | 4,500 | – | 595 | – | – | 204 | 617 | 3,288 | 3,905 |
| Other | – | – | – | | | | | | | – | – |
| Total loans | 598 | 3,902 | 4,500 | – | 595 | – | – | 204 | 617 | 3,288 | 3,905 |
| Other long term debt | | | | | | | | | | | |
| Ratepayers advances | – | – | – | | | | | | | – | – |
| Government advances | – | – | – | | | | | | | – | – |
| Finance leases | – | – | – | | | | | | | – | – |
| Deferred payments | – | – | – | | | | | | | – | – |
| Total long term debt | – | – | – | – | – | – | – | – | – | – | – |
| Total debt | 598 | 3,902 | 4,500 | – | 595 | – | – | 204 | 617 | 3,288 | 3,905 |

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 2017

| \$'000 | Actuals 2017 | Actuals 2016 |
|--|-----------------|-----------------|
| A Expenses and income | | |
| Expenses | | |
| 1. Management expenses | | |
| a. Administration | 293 | 108 |
| b. Engineering and supervision | – | – |
| 2. Operation and maintenance expenses | | |
| – dams and weirs | | |
| a. Operation expenses | 4 | 160 |
| b. Maintenance expenses | – | – |
| – Mains | | |
| c. Operation expenses | 182 | 85 |
| d. Maintenance expenses | 122 | 92 |
| – Reservoirs | | |
| e. Operation expenses | 15 | 7 |
| f. Maintenance expenses | 9 | 1 |
| – Pumping stations | | |
| g. Operation expenses (excluding energy costs) | 110 | 201 |
| h. Energy costs | 137 | 1 |
| i. Maintenance expenses | 27 | 16 |
| – Treatment | | |
| j. Operation expenses (excluding chemical costs) | 204 | 194 |
| k. Chemical costs | 23 | 58 |
| l. Maintenance expenses | 58 | 222 |
| – Other | | |
| m. Operation expenses | 105 | 911 |
| n. Maintenance expenses | 30 | 59 |
| o. Purchase of water | – | – |
| 3. Depreciation expenses | | |
| a. System assets | 564 | 555 |
| b. Plant and equipment | – | – |
| 4. Miscellaneous expenses | | |
| a. Interest expenses | – | 2 |
| b. Revaluation decrements | – | – |
| c. Other expenses | 62 | 85 |
| d. Impairment – system assets | – | – |
| e. Impairment – plant and equipment | – | – |
| f. Aboriginal Communities Water and Sewerage Program | 198 | 469 |
| g. Tax equivalents dividends (actually paid) | – | – |
| 5. Total expenses | 2,143 | 3,226 |

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 2017

| \$'000 | Actuals 2017 | Actuals 2016 |
|--|-----------------|-----------------|
| Income | | |
| 6. Residential charges | | |
| a. Access (including rates) | 1,332 | 1,460 |
| b. Usage charges | 50 | — |
| 7. Non-residential charges | | |
| a. Access (including rates) | — | — |
| b. Usage charges | 436 | 406 |
| 8. Extra charges | — | — |
| 9. Interest income | 88 | 87 |
| 10. Other income | 6 | 10 |
| 10a. Aboriginal Communities Water and Sewerage Program | 262 | 286 |
| 11. Grants | | |
| a. Grants for acquisition of assets | 492 | 1,513 |
| b. Grants for pensioner rebates | 12 | 12 |
| c. Other grants | — | — |
| 12. Contributions | | |
| a. Developer charges | — | — |
| b. Developer provided assets | — | — |
| c. Other contributions | — | — |
| 13. Total income | 2,678 | 3,774 |
| 14. Gain (or loss) on disposal of assets | — | — |
| 15. Operating result | 535 | 548 |
| 15a. Operating result (less grants for acquisition of assets) | 43 | (965) |

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 2017

| \$'000 | Actuals 2017 | Actuals 2016 |
|--|-----------------|-----------------|
| B Capital transactions | | |
| Non-operating expenditures | | |
| 16. Acquisition of fixed assets | | |
| a. New assets for improved standards | 545 | — |
| b. New assets for growth | 210 | 55 |
| c. Renewals | — | — |
| d. Plant and equipment | — | — |
| 17. Repayment of debt | 7 | — |
| 18. Totals | 762 | 55 |
| Non-operating funds employed | | |
| 19. Proceeds from disposal of assets | — | — |
| 20. Borrowing utilised | — | — |
| 21. Totals | — | — |
| C Rates and charges | | |
| 22. Number of assessments | | |
| a. Residential (occupied) | 1,551 | 1,942 |
| b. Residential (unoccupied, ie. vacant lot) | 47 | — |
| c. Non-residential (occupied) | 310 | 57 |
| d. Non-residential (unoccupied, ie. vacant lot) | 30 | — |
| 23. Number of ETs for which developer charges were received | — ET | — ET |
| 24. Total amount of pensioner rebates (actual dollars) | \$ 21,984 | \$ 21,787 |

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 2017

| \$'000 | Actuals Current | Actuals Non-current | Actuals Total |
|---|--------------------|------------------------|------------------|
| ASSETS | | | |
| 25. Cash and investments | | | |
| a. Developer charges | – | – | – |
| b. Special purpose grants | – | – | – |
| c. Accrued leave | – | – | – |
| d. Unexpended loans | – | – | – |
| e. Sinking fund | – | – | – |
| f. Other | 1,703 | 1,000 | 2,703 |
| 26. Receivables | | | |
| a. Specific purpose grants | – | – | – |
| b. Rates and availability charges | 112 | 149 | 261 |
| c. User charges | 98 | 130 | 228 |
| d. Other | – | – | – |
| 27. Inventories | – | – | – |
| 28. Property, plant and equipment | | | |
| a. System assets | – | 27,429 | 27,429 |
| b. Plant and equipment | – | – | – |
| 29. Other assets | – | – | – |
| 30. Total assets | 1,913 | 28,708 | 30,621 |
| LIABILITIES | | | |
| 31. Bank overdraft | – | – | – |
| 32. Creditors | 222 | – | 222 |
| 33. Borrowings | 3 | – | 3 |
| 34. Provisions | | | |
| a. Tax equivalents | – | – | – |
| b. Dividend | – | – | – |
| c. Other | – | – | – |
| 35. Total liabilities | 225 | – | 225 |
| 36. NET ASSETS COMMITTED | 1,688 | 28,708 | 30,396 |
| EQUITY | | | |
| 37. Accumulated surplus | | | 11,381 |
| 38. Asset revaluation reserve | | | 19,015 |
| 39. Other reserves | | | – |
| 40. TOTAL EQUITY | | | 30,396 |
| Note to system assets: | | | |
| 41. Current replacement cost of system assets | | | 43,222 |
| 42. Accumulated current cost depreciation of system assets | | | (15,793) |
| 43. Written down current cost of system assets | | | 27,429 |

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 2017

| \$'000 | Actuals 2017 | Actuals 2016 |
|---|-----------------|-----------------|
| A Expenses and income | | |
| Expenses | | |
| 1. Management expenses | | |
| a. Administration | 72 | 69 |
| b. Engineering and supervision | – | – |
| 2. Operation and maintenance expenses | | |
| – mains | | |
| a. Operation expenses | 30 | 36 |
| b. Maintenance expenses | – | – |
| – Pumping stations | | |
| c. Operation expenses (excluding energy costs) | 22 | 71 |
| d. Energy costs | 60 | – |
| e. Maintenance expenses | 27 | 21 |
| – Treatment | | |
| f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs) | 80 | 90 |
| g. Chemical costs | – | – |
| h. Energy costs | – | – |
| i. Effluent management | – | – |
| j. Biosolids management | – | – |
| k. Maintenance expenses | 47 | 28 |
| – Other | | |
| l. Operation expenses | 1 | 3 |
| m. Maintenance expenses | – | 6 |
| 3. Depreciation expenses | | |
| a. System assets | 188 | 172 |
| b. Plant and equipment | – | – |
| 4. Miscellaneous expenses | | |
| 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 | 24 | – |
| g. Tax equivalents dividends (actually paid) | – | – |
| 5. Total expenses | 554 | 499 |

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 2017

| \$'000 | Actuals 2017 | Actuals 2016 |
|--|-----------------|-----------------|
| Income | | |
| 6. Residential charges (including rates) | 737 | 757 |
| 7. Non-residential charges | | |
| a. Access (including rates) | 102 | 100 |
| b. Usage charges | — | — |
| 8. Trade waste charges | | |
| a. Annual fees | — | — |
| b. Usage charges | — | — |
| c. Excess mass charges | — | — |
| d. Re-inspection fees | — | — |
| 9. Extra charges | — | — |
| 10. Interest income | 104 | 113 |
| 11. Other income | 2 | 4 |
| 11a. Aboriginal Communities Water and Sewerage Program | 32 | — |
| 12. Grants | | |
| a. Grants for acquisition of assets | — | — |
| b. Grants for pensioner rebates | 11 | 11 |
| c. Other grants | — | — |
| 13. Contributions | | |
| a. Developer charges | — | — |
| b. Developer provided assets | — | — |
| c. Other contributions | — | — |
| 14. Total income | 988 | 985 |
| 15. Gain (or loss) on disposal of assets | — | — |
| 16. Operating result | 434 | 486 |
| 16a. Operating result (less grants for acquisition of assets) | 434 | 486 |

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 2017

| \$'000 | Actuals 2017 | Actuals 2016 |
|--|-----------------|-----------------|
| B Capital transactions | | |
| Non-operating expenditures | | |
| 17. Acquisition of fixed assets | | |
| a. New assets for improved standards | – | – |
| b. New assets for growth | – | – |
| c. Renewals | 14 | – |
| d. Plant and equipment | – | – |
| 18. Repayment of debt | – | – |
| 19. Totals | 14 | – |
| Non-operating funds employed | | |
| 20. Proceeds from disposal of assets | – | – |
| 21. Borrowing utilised | – | – |
| 22. Totals | – | – |
| C Rates and charges | | |
| 23. Number of assessments | | |
| a. Residential (occupied) | 1,449 | 1,780 |
| b. Residential (unoccupied, ie. vacant lot) | 41 | – |
| c. Non-residential (occupied) | 274 | 128 |
| d. Non-residential (unoccupied, ie. vacant lot) | 22 | – |
| 24. Number of ETs for which developer charges were received | – ET | – ET |
| 25. Total amount of pensioner rebates (actual dollars) | \$ 19,709 | \$ 19,687 |

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 2017

| \$'000 | Actuals Current | Actuals Non-current | Actuals Total |
|---|--------------------|------------------------|------------------|
| ASSETS | | | |
| 26. Cash and investments | | | |
| a. Developer charges | – | – | – |
| b. Special purpose grants | – | – | – |
| c. Accrued leave | – | – | – |
| d. Unexpended loans | – | – | – |
| e. Sinking fund | – | – | – |
| f. Other | 5,811 | 160 | 5,971 |
| 27. Receivables | | | |
| a. Specific purpose grants | – | – | – |
| b. Rates and availability charges | 56 | 73 | 129 |
| c. User charges | 4 | – | 4 |
| d. Other | – | – | – |
| 28. Inventories | – | – | – |
| 29. Property, plant and equipment | | | |
| a. System assets | – | 19,009 | 19,009 |
| b. Plant and equipment | – | – | – |
| 30. Other assets | – | – | – |
| 31. Total assets | 5,871 | 19,242 | 25,113 |
| LIABILITIES | | | |
| 32. Bank overdraft | – | – | – |
| 33. Creditors | – | – | – |
| 34. Borrowings | – | – | – |
| 35. Provisions | | | |
| a. Tax equivalents | – | – | – |
| b. Dividend | – | – | – |
| c. Other | – | – | – |
| 36. Total liabilities | – | – | – |
| 37. NET ASSETS COMMITTED | 5,871 | 19,242 | 25,113 |
| EQUITY | | | |
| 38. Accumulated surplus | | | 12,123 |
| 39. Asset revaluation reserve | | | 12,990 |
| 40. Other reserves | | | – |
| 41. TOTAL EQUITY | | | 25,113 |
| Note to system assets: | | | |
| 42. Current replacement cost of system assets | | | 28,955 |
| 43. Accumulated current cost depreciation of system assets | | | (9,946) |
| 44. Written down current cost of system assets | | | 19,009 |

Walgett Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Walgett Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'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 | 2016/17 Required maintenance ^a | 2016/17 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|------------------|-----------------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|--------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | | | | | | | | | | | | |
| | Buildings – non-specialised | 206 | 206 | 87% | 81 | 4,211 | 7,041 | 33% | 25% | 18% | 24% | 0% |
| | Buildings – specialised | 1,618 | 1,618 | 317 | 337 | 9,446 | 20,344 | 14% | 37% | 17% | 16% | 16% |
| | Sub-total | 1,824 | 1,824 | 318 | 418 | 13,728 | 27,385 | 18.9% | 33.9% | 17.3% | 18.1% | 11.9% |
| Other structures | | | | | | | | | | | | |
| | Other structures | 3,968 | 3,968 | 62 | 74 | 17,941 | 35,406 | 23% | 16% | 14% | 16% | 31% |
| | Sub-total | 3,968 | 3,968 | 62 | 74 | 17,941 | 35,406 | 23.0% | 16.0% | 14.0% | 16.0% | 31.0% |
| Roads | | | | | | | | | | | | |
| | Sealed roads | 3,562 | 3,562 | 2,034 | 1,395 | 43,004 | 17,362 | 11% | 13% | 51% | 13% | 12% |
| | Unsealed roads | 181 | 181 | 1,682 | 1,000 | 6,740 | 12,657 | 11% | 1% | 82% | 2% | 4% |
| | Bridges | 1,350 | 1,350 | 100 | 100 | 19,883 | 37,208 | 20% | 2% | 46% | 26% | 6% |
| | Footpaths | 17 | 17 | 20 | 21 | 2,401 | 4,801 | 6% | 0% | 80% | 14% | 0% |
| | Bulk earthworks | – | – | 31 | 6 | 88,342 | 88,342 | | | 100% | | 0% |
| | Other | – | – | – | – | – | – | | | | | |
| | Sub-total | 5,110 | 5,110 | 3,867 | 2,522 | 160,370 | 160,370 | 6.9% | 2.0% | 80.1% | 8.0% | 3.0% |

Walgett Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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 | 2016/17 Required maintenance ^a | 2016/17 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|----------------------|----------------------|---|---|---|----------------------------|---------------------|------------------------------|---|-------|-------|-------|-------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Water supply network | Water supply network | 606 | 606 | 464 | 415 | 27,393 | 43,188 | 24% | 19% | 10% | 6% | 41% |
| | Sub-total | 606 | 606 | 464 | 415 | 27,393 | 43,188 | 24.0% | 19.0% | 10.0% | 6.0% | 41.0% |
| Sewerage network | Sewerage network | 2,263 | 2,263 | 167 | 114 | 19,003 | 28,949 | 6% | 30% | 3% | 42% | 19% |
| | Sub-total | 2,263 | 2,263 | 167 | 114 | 19,003 | 28,949 | 6.0% | 30.0% | 3.0% | 42.0% | 19.0% |
| Stormwater drainage | Stormwater drainage | 401 | 401 | 58 | 52 | 9,335 | 14,376 | 18% | 4% | 51% | 27% | 0% |
| | Sub-total | 401 | 401 | 58 | 52 | 9,335 | 14,376 | 18.0% | 4.0% | 51.0% | 27.0% | 0.0% |
| TOTAL – ALL ASSETS | | 14,172 | 14,172 | 4,936 | 3,595 | 247,770 | 309,674 | 12.6% | 11.5% | 48.7% | 13.6% | 13.6% |

Notes:

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

Infrastructure asset condition assessment 'key'

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

Walgett Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

| \$ '000 | Amounts 2017 | Indicator 2017 | Benchmark | Prior periods 20162015 | |
|--|-----------------|-------------------|-----------|---------------------------|---------|
| Infrastructure asset performance indicators * consolidated | | | | | |
| 1. Infrastructure renewals ratio | | | | | |
| Asset renewals ⁽¹⁾ | 7,202 | 142.05% | >= 100% | 78.90% | 220.99% |
| Depreciation, amortisation and impairment | 5,070 | | | | |
| 2. Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 14,172 | 8.89% | < 2% | 11.88% | 13.90% |
| Net carrying amount of infrastructure assets | 159,428 | | | | |
| 3. Asset maintenance ratio | | | | | |
| Actual asset maintenance | 3,595 | 0.73 | > 1.00 | 0.82 | 1.01 |
| Required asset maintenance | 4,936 | | | | |
| 4. Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 14,172 | 4.58% | | 0.00% | |
| Gross replacement cost | 309,674 | | | | |

Notes

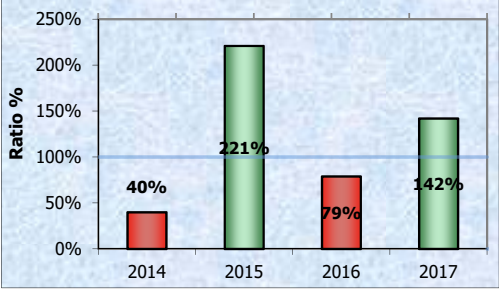
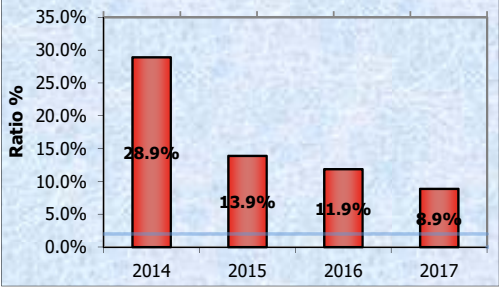
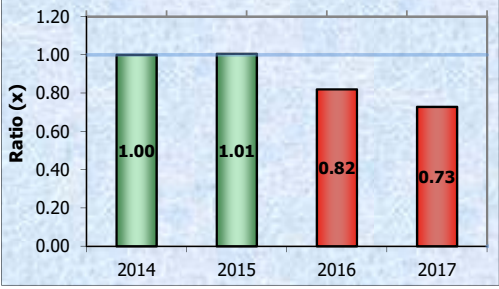
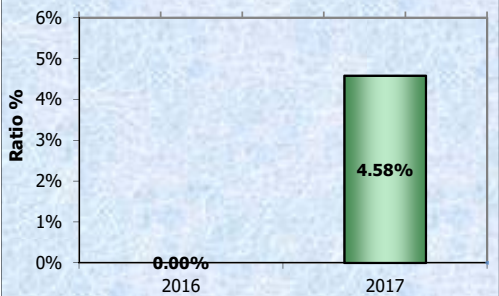
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽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 2017

| | | |
|---|--|---|
| <p>1. Infrastructure renewals ratio</p>  <p>Benchmark: 100.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p> | <p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p> | <p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 142.05%</p> <p>Renewals for 2016/17 exceeded the benchmark as the result this year included a number of programs/projects that were not completed or commenced in the previous year.</p> |
| <p>2. Infrastructure backlog ratio</p>  <p>Benchmark: 2.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p> | <p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p> | <p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 8.89%</p> <p>Council's asset strategy is showing positive results with a continued focus and high priority being placed upon infrastructure asset renewal and asset maintenance.</p> |
| <p>3. Asset maintenance ratio</p>  <p>Benchmark: 1.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p> | <p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p> | <p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 0.73 x</p> <p>The asset maintenance ratio has fallen slightly this financial year, as Council focused upon its asset renewal and rehabilitation program.</p> |
| <p>4. Cost to bring assets to agreed service level</p>  | <p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p> | <p>Commentary on 2016/17 result</p> <p>2016/17 Ratio 4.58%</p> <p>No comparative figures available in 15/16 as this ratio was first introduced in 16/17. This ratio shows a positive result with only 4.58% of the total asset value requiring renewal to bring the assets to the agreed service level.</p> |

Walgett Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

| \$ '000 | Benchmark | Water 2017 | Sewer 2017 | General ⁽¹⁾ 2017 |
|--|---------------|----------------|-----------------|--------------------------------|
| Infrastructure asset performance indicators by fund | | | | |
| 1. Infrastructure renewals ratio | | | | |
| Asset renewals ⁽²⁾ | | | | |
| Depreciation, amortisation and impairment | >= 100% | 107.45% | 1210.16% | 100.32% |
| | prior period: | 9.91% | 0.00% | 91.48% |
| 2. Infrastructure backlog ratio | | | | |
| Estimated cost to bring assets to a satisfactory standard | | | | |
| Net carrying amount of infrastructure assets | < 2% | 2.21% | 11.91% | 10.00% |
| | prior period: | 30.73% | 16.18% | 8.09% |
| 3. Asset maintenance ratio | | | | |
| Actual asset maintenance | | | | |
| Required asset maintenance | > 1.00 | 0.89 | 0.68 | 0.71 |
| | prior period: | 0.97 | 0.23 | 0.84 |
| 4. Cost to bring assets to agreed service level | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | | | | |
| Gross replacement cost | | 1.40% | 7.82% | 4.76% |

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 2018

| \$'000 | | Calculation 2016/17 | Calculation 2017/18 |
|---|---|------------------------|------------------------|
| Notional general income calculation ⁽¹⁾ | | | |
| Last year notional general income yield | a | 5,205 | 5,314 |
| Plus or minus adjustments ⁽²⁾ | b | 1 | (5) |
| Notional general income | c = (a + b) | 5,206 | 5,309 |
| Permissible income calculation | | | |
| Special variation percentage ⁽³⁾ | d | 0.00% | 0.00% |
| Or rate peg percentage | e | 1.80% | 1.50% |
| Or crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% |
| Less expiring special variation amount | g | — | — |
| Plus special variation amount | $h = d \times (c - g)$ | — | — |
| Or plus rate peg amount | $i = c \times e$ | 94 | 80 |
| Or plus Crown land adjustment and rate peg amount | $j = c \times f$ | — | — |
| Sub-total | $k = (c + g + h + i + j)$ | 5,300 | 5,389 |
| Plus (or minus) last year's carry forward total | l | 10 | (4) |
| Less valuation objections claimed in the previous year | m | — | — |
| Sub-total | $n = (l + m)$ | 10 | (4) |
| Total permissible income | $o = k + n$ | 5,310 | 5,384 |
| Less notional general income yield | p | 5,314 | 5,374 |
| Catch-up or (excess) result | $q = o - p$ | (4) | 10 |
| Plus income lost due to valuation objections claimed ⁽⁴⁾ | r | — | — |
| Less unused catch-up ⁽⁵⁾ | s | — | — |
| Carry forward to next year | $t = q + r - s$ | (4) | 10 |

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

Special Schedule No. 8

Walgett Shire Council

To the Councillors of Walgett Shire Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Walgett Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Walgett Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 31 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provideh assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Caroline Karakatsanis
Director, Financial Audit Services

23 February 2018
SYDNEY