

Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“Australia's Wool & Cotton Capital”



Warren 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 Warren Shire Council.
- (ii) Warren 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 17 October 2017. Council has the power to amend and reissue these financial statements.
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Warren 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.

Warren 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:

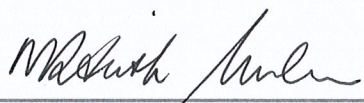
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

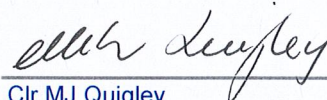
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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

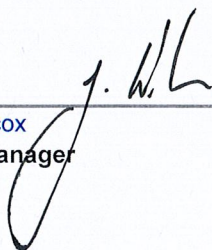
Signed in accordance with a resolution of Council made on 27 July 2017.



Mr NRF Wilson OAM
Mayor



Mr MJ Quigley
Councillor



Mr GA Wilcox
General manager



Mr DJ Arthur
Responsible accounting officer

Warren 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:				
5,455	Rates and annual charges	3a	5,464	5,336
1,171	User charges and fees	3b	1,774	1,630
260	Interest and investment revenue	3c	342	336
450	Other revenues	3d	575	450
6,044	Grants and contributions provided for operating purposes	3e,f	8,575	6,078
400	Grants and contributions provided for capital purposes	3e,f	405	548
Other income:				
–	Net gains from the disposal of assets	5	–	107
–	Net share of interests in joint ventures and associates using the equity method	19	4	–
13,780	Total income from continuing operations		17,139	14,485
Expenses from continuing operations				
4,873	Employee benefits and on-costs	4a	4,885	4,676
22	Borrowing costs	4b	35	41
3,130	Materials and contracts	4c	3,562	2,514
3,300	Depreciation and amortisation	4d	3,243	3,181
–	Impairment	4d	–	–
1,154	Other expenses	4e	1,151	1,103
–	Interest and investment losses	3c	–	–
–	Net losses from the disposal of assets	5	470	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	4
12,479	Total expenses from continuing operations		13,346	11,519
1,301	Operating result from continuing operations		3,793	2,966
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
1,301	Net operating result for the year		3,793	2,966
1,301	Net operating result attributable to Council		3,793	2,966
–	Net operating result attributable to non-controlling interests		–	–
901	Net operating result for the year before grants and contributions provided for capital purposes		3,388	2,418

¹ Original budget as approved by Council – refer Note 16

Warren 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)		3,793	2,966
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	4,558	321
Adjustment to correct prior period errors			–
Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–
Other comprehensive income – joint ventures and associates	19b	–	–
Other movements		–	–
Total items which will not be reclassified subsequently to the operating result		4,558	321
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	–	–
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	–	–
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	–	–
Gain (loss) on revaluation of other reserves	20b (ii)	–	–
Other movements		–	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	–
Total other comprehensive income for the year		4,558	321
Total comprehensive income for the year		8,351	3,287
Total comprehensive income attributable to Council		8,351	3,287
Total comprehensive income attributable to non-controlling interests		–	–

Warren 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	15,233	11,456
Investments	6b	–	–
Receivables	7	724	798
Inventories	8	654	665
Other	8	17	13
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		16,628	12,932
Non-current assets			
Investments	6b	–	–
Receivables	7	57	100
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	171,506	166,688
Investments accounted for using the equity method	19	53	49
Investment property	14	–	–
Intangible assets	25	–	–
Non-current assets classified as 'held for sale'	22	–	–
Other	8	–	–
Total non-current assets		171,616	166,837
TOTAL ASSETS		188,244	179,769
LIABILITIES			
Current liabilities			
Payables	10	382	227
Income received in advance	10	103	97
Borrowings	10	83	79
Provisions	10	1,815	1,790
Liabilities associated with assets classified as 'held for sale'	22	–	–
Total current liabilities		2,383	2,193
Non-current liabilities			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	245	314
Provisions	10	39	36
Investments accounted for using the equity method	19	–	–
Liabilities associated with assets classified as 'held for sale'	22	–	–
Total non-current liabilities		284	350
TOTAL LIABILITIES		2,667	2,543
Net assets		185,577	177,226
EQUITY			
Retained earnings	20	96,720	92,927
Revaluation reserves	20	88,857	84,299
Other reserves	20	–	–
Council equity interest		185,577	177,226
Non-controlling equity interests		–	–
Total equity		185,577	177,226

Warren Shire Council

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

2017	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-interest	Total equity
Opening balance (as per last year's audited accounts)		92,927	84,299	–	177,226	–	177,226	89,961	83,978	–	173,939	–	173,939
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
Revised opening balance		92,927	84,299	–	177,226	–	177,226	89,961	83,978	–	173,939	–	173,939
c. Net operating result for the year		3,793	–	–	3,793	–	3,793	2,966	–	–	2,966	–	2,966
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	4,558	–	4,558	–	4,558	–	321	–	321	–	321
Other comprehensive income		–	4,558	–	4,558	–	4,558	–	321	–	321	–	321
Total comprehensive income (c&d)		3,793	4,558	–	8,351	–	8,351	2,966	321	–	3,287	–	3,287
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		96,720	88,857	–	185,577	–	185,577	92,927	84,299	–	177,226	–	177,226

Warren Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
3,475	Rates and annual charges		5,469	5,327
1,650	User charges and fees		1,998	1,742
296	Investment and interest revenue received		347	315
7,200	Grants and contributions		8,999	6,351
980	Other		1,250	1,051
Payments:				
(4,973)	Employee benefits and on-costs		(4,867)	(4,588)
(2,576)	Materials and contracts		(3,754)	(3,156)
(22)	Borrowing costs		(21)	(26)
(1,154)	Other		(1,605)	(1,210)
4,876	Net cash provided (or used in) operating activities	11b	7,816	5,806
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		3	18
260	Sale of infrastructure, property, plant and equipment		293	220
2	Deferred debtors receipts		10	24
Payments:				
(4,400)	Purchase of infrastructure, property, plant and equipment		(4,266)	(4,685)
(4,138)	Net cash provided (or used in) investing activities		(3,960)	(4,423)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(78)	Repayment of borrowings and advances		(79)	(74)
(78)	Net cash flow provided (used in) financing activities		(79)	(74)
660	Net increase/(decrease) in cash and cash equivalents		3,777	1,309
11,200	Plus: cash and cash equivalents – beginning of year	11a	11,456	10,147
11,860	Cash and cash equivalents – end of the year	11a	15,233	11,456
Additional Information:				
	plus: Investments on hand – end of year	6b	–	–
Total cash, cash equivalents and investments			15,233	11,456

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

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

(a) Basis of preparation

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

(i) 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.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that

are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

(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 the Council and specific criteria have been met for each of the Council's activities as described below.

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

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

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

(iii) 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.

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) 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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and 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 reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. 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) County Councils

Council is a member of the Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control noxious weeds on Council roads. Council is one of 5 of constituent councils constituent members and neither controls nor significantly influences the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Joint arrangements

The Council has determined that it has only a joint venture.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Leases

Council has no leases.

(e) Impairment of assets

Council has no impairment of assets.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are 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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(ii) Inventory held for distribution

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

(iii) 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.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

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

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

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

(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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(j) Fair value estimation – financial instruments

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged

implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Water and sewerage networks

Internally valued:

- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Stormwater drainage

As approximated by depreciated historical cost:

- Plant and equipment
- Other structures
- Swimming pools
- Other open space/recreational assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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 asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles	5 to 8 years
- Heavy plant/road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

Water and sewer assets

- Reservoirs	100 years
- Bores	50 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Stormwater assets

- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation assets

- Sealed roads: surface	25 years
- Sealed roads: structure	100 years
- Unsealed roads	30 years
- Bridge: concrete	100 years
- Bridge: other	50 years

- Road pavements	60 years
- Kerb, gutter and footpaths	80 years

Other infrastructure assets

- Swimming pools	50 years
- Other open space/ recreational assets	20 to 50 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Investment property

Council has no investment properties.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the

employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(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 Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial

Warren Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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 that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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.

(r) Land under roads

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

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

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

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

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council has not classified any assets as intangible.

(u) Crown reserves

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

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

(v) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including plant and vehicles.

(w) Goods and Services Tax (GST)

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

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

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

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations issued not yet effective

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

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

(y) Rounding of amounts

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

(z) 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.

(aa) Disclaimer

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

Warren 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 & 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	–	–	–	480	504	464	(480)	(504)	(464)	–	–	30	29
Administration	289	311	219	2,914	2,835	2,419	(2,625)	(2,524)	(2,200)	14	1	16,258	12,314
Public order and safety	66	70	69	302	261	275	(236)	(191)	(206)	–	–	287	294
Health	3	2	–	235	228	254	(232)	(226)	(254)	–	–	–	21
Environment	243	245	247	742	883	678	(499)	(638)	(431)	6	16	–	–
Community services and education	9	15	–	8	8	–	1	7	–	1	142	201	194
Housing and community amenities	132	143	140	216	211	237	(84)	(68)	(97)	36	28	9,780	9,742
Water supplies	810	1,008	1,181	791	798	749	19	210	432	362	557	8,927	8,027
Sewerage services	588	600	530	737	665	633	(149)	(65)	(103)	61	9	10,632	6,997
Recreation and culture	238	260	368	1,343	1,485	1,422	(1,105)	(1,225)	(1,054)	29	–	5,221	5,187
Mining, manufacturing and construction	16	29	23	15	48	20	1	(19)	3	–	–	303	802
Transport and communication	3,991	5,754	4,443	4,427	5,149	4,161	(436)	605	282	1,155	1,314	134,313	133,944
Economic affairs	124	161	120	269	271	203	(145)	(110)	(83)	38	10	2,239	2,169
Total functions and activities	6,509	8,598	7,340	12,479	13,346	11,515	(5,970)	(4,748)	(4,175)	1,702	2,077	188,191	179,720
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	4	–	–	–	4	–	4	(4)	–	–	53	49
General purpose income ¹	7,271	8,537	7,145	–	–	–	7,271	8,537	7,145	3,778	2,485	–	–
Operating result from continuing operations	13,780	17,139	14,485	12,479	13,346	11,519	1,301	3,793	2,966	5,480	4,562	188,244	179,769

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

Warren 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, beach control, enforcement of regulations and animal control.

HEALTH

Includes food control, health centres etc.

ENVIRONMENT

Includes noxious plants 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 and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services.

HOUSING AND COMMUNITY AMENITIES

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

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; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Warren 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		561	546
Farmland		3,757	3,690
Business		182	173
Total ordinary rates		4,500	4,409
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		213	214
Water supply services		326	309
Sewerage services		425	404
Total annual charges		964	927
TOTAL RATES AND ANNUAL CHARGES		5,464	5,336

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

Warren 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)			
Domestic waste management services		9	9
Water supply services		290	299
Sewerage services		46	44
Total user charges		345	352
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		34	25
Private works – section 67		75	59
Regulatory/ statutory fees		11	14
Other		1	1
Total fees and charges – statutory/regulatory		121	99
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		48	65
Cemeteries		41	44
Fire and emergency services levy (FESL) implementation		67	–
Quarry revenues		25	21
RMS (formerly RTA) charges (state roads not controlled by Council)		1,091	1,012
Swimming centres		29	31
Other		7	6
Total fees and charges – other		1,308	1,179
TOTAL USER CHARGES AND FEES		1,774	1,630

Warren 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)		11	13
– Interest earned on investments (interest and coupon payment income)		331	323
TOTAL INTEREST AND INVESTMENT REVENUE		342	336
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		11	13
General Council cash and investments		248	238
Restricted investments/funds – external:			
Water fund operations		18	16
Sewerage fund operations		65	69
Total interest and investment revenue recognised		342	336
(d) Other revenues			
Rental income – other council properties		189	179
Fines		1	2
Legal fees recovery – other		6	12
Commissions and agency fees		80	86
Diesel rebate		104	87
Insurance claim recoveries		77	3
Recycling income (non-domestic)		7	6
Swimming pool canteen sales		26	28
WHS incentive payment		14	14
Statewide property rebate		11	7
NSW RFS maintenance and repair reimbursement		9	11
Motor vehicle insurance rebate		7	7
SES maintenance and repair reimbursement		2	2
Risk management incentive		4	4
Community Builders & EIPP Program Administration Fees		14	–
Other		24	2
TOTAL OTHER REVENUE		575	450

Warren 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	3,758	2,465	–	–
Pensioners' rates subsidies – general component	20	20	–	–
Total general purpose	3,778	2,485	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	10	9	–	–
– Sewerage	9	9	–	–
– Domestic waste management	8	8	–	–
Water supplies	–	–	352	548
Sewerage services	–	–	53	–
Employment and training programs	3	–	–	–
Environmental protection	6	8	–	–
Library	23	111	–	–
Recreation and culture	–	25	–	–
Street lighting	28	28	–	–
Transport (roads to recovery)	1,154	1,314	–	–
Youth services	7	6	–	–
Parental leave scheme	11	1	–	–
Business Development	5	–	–	–
Energise enterprise funding	33	10	–	–
Total specific purpose	1,297	1,529	405	548
Total grants	5,075	4,014	405	548
Grant revenue is attributable to:				
– Commonwealth funding	4,912	3,779	–	–
– State funding	163	235	405	548
	5,075	4,014	405	548

Warren 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:				
Bushfire services	53	47	–	–
RMS contributions (regional roads, block grant)	3,348	1,935	–	–
Water supplies (excl. section 64 contributions)	3	–	–	–
Library	79	82	–	–
Other	17	–	–	–
Total other contributions	3,500	2,064	–	–
Total contributions	3,500	2,064	–	–
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>8,575</u>	<u>6,078</u>	<u>405</u>	<u>548</u>

Warren Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '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	912	130
Add: grants and contributions recognised in the current period but not yet spent:	2,474	912
Less: grants and contributions recognised in a previous reporting period now spent:	(884)	(130)
Net increase (decrease) in restricted assets during the period	1,590	782
Unexpended and held as restricted assets	<u><u>2,502</u></u>	<u><u>912</u></u>
Comprising:		
– Specific purpose unexpended grants	1,508	809
– Other contributions	994	103
	<u><u>2,502</u></u>	<u><u>912</u></u>

Warren 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		4,209	3,983
Travel expenses		1	11
Employee leave entitlements (ELE)		415	513
Superannuation – defined contribution plans		139	171
Superannuation – defined benefit plans		321	304
Workers' compensation insurance		229	175
Fringe benefit tax (FBT)		39	34
Training costs (other than salaries and wages)		55	75
Total employee costs		5,408	5,266
Less: capitalised costs		(523)	(590)
TOTAL EMPLOYEE COSTS EXPENSED		4,885	4,676
Number of 'full-time equivalent' employees (FTE) at year end		74	75
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		21	26
Total interest bearing liability costs expensed		21	26
(ii) Other borrowing costs			
Interest applicable on interest free (and favourable) loans to Council		14	15
Total other borrowing costs		14	15
TOTAL BORROWING COSTS EXPENSED		35	41

Warren 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			
Raw materials and consumables		3,383	2,445
Contractor and consultancy costs		134	7
Auditors remuneration ⁽¹⁾		43	30
Legal expenses:			
– Legal expenses: planning and development		–	30
– Legal expenses: debt recovery		–	1
– Legal expenses: other		2	1
Total materials and contracts		3,562	2,514
Less: capitalised costs		–	–
TOTAL MATERIALS AND CONTRACTS		3,562	2,514
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		43	–
Remuneration for audit and other assurance services		43	–
Total Auditor-General remuneration		43	–
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		–	30
Total remuneration of other Council's Auditors		–	30
Total Auditor remuneration		43	30

Warren 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
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		941	1,013
Office equipment		19	6
Furniture and fittings		10	9
Infrastructure:			
– Buildings – non-specialised		99	97
– Buildings – specialised		170	172
– Other structures		140	133
– Roads		1,462	1,407
– Bridges		177	177
– Footpaths		47	47
– Stormwater drainage		39	38
– Water supply network		177	176
– Sewerage network		217	213
– Swimming pools		37	37
– Other open space/recreational assets		26	25
Total gross depreciation and amortisation costs		3,561	3,550
Less: capitalised costs		(318)	(369)
Total depreciation and amortisation costs		3,243	3,181
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		3,243	3,181

Warren 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		27	18
Bank charges		7	6
Contributions/levies to other levels of government			
– Emergency services levy (SES)		9	5
– NSW fire and rescue levy		16	20
– NSW rural fire service levy		101	89
– Contribution to Castlereagh Macquarie County Council		101	100
– Other contributions/levies		9	9
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		108	106
Councillors' expenses (incl. mayor) – other (excluding fees above)		26	25
Election expenses		15	–
Electricity and heating		185	197
Insurance		233	220
Postage		7	11
Printing and stationery		24	20
Street lighting		88	81
Subscriptions and publications		24	20
Telephone and communications		27	29
Valuation fees		18	17
Contribution to North Western Library co-operative		53	52
Water purchases		27	29
Refund dep't of planning – app. tracking and EHC software		–	25
General Manager Recruitment Expenses		17	–
Other		4	–
<u>TOTAL OTHER EXPENSES</u>		<u>1,151</u>	<u>1,103</u>

Warren 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
Property (excl. investment property)			
Proceeds from disposal – property		24	–
Less: carrying amount of property assets sold/written off		(5)	–
Net gain/(loss) on disposal		19	–
Plant and equipment			
Proceeds from disposal – plant and equipment		269	220
Less: carrying amount of plant and equipment assets sold/written off		(63)	(127)
Net gain/(loss) on disposal		206	93
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(695)	–
Net gain/(loss) on disposal		(695)	–
Real estate assets held for sale			
Proceeds from disposal – real estate assets		3	18
Less: carrying amount of real estate assets sold/written off		(3)	(4)
Net gain/(loss) on disposal		–	14
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(470)	107

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		286	–	956	–
Cash-equivalent assets ¹					
– Deposits at call		947	–	–	–
– Short-term deposits		14,000	–	10,500	–
Total cash and cash equivalents		15,233	–	11,456	–
Investments (Note 6b)					
Nil					
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		15,233	–	11,456	–

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

Nil

Investments

Nil

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

Warren 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	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	15,233	–	11,456	–
attributable to:				
External restrictions (refer below)	5,543	–	3,755	–
Internal restrictions (refer below)	9,190	–	7,201	–
Unrestricted	500	–	500	–
	15,233	–	11,456	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
External restrictions – included in liabilities				
CWCMA roadside mapping	7	–	–	7
External restrictions – included in liabilities	7	–	–	7
External restrictions – other				
RMS contributions (A)	103	3,289	(2,398)	994
Specific purpose unexpended grants (B)	809	699	–	1,508
Water supplies (C)	241	102	–	343
Sewerage services (C)	2,369	61	–	2,430
Domestic waste management (C)	226	35	–	261
External restrictions – other	3,748	4,186	(2,398)	5,536
Total external restrictions	3,755	4,186	(2,398)	5,543

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	253	957	–	1,210
Infrastructure replacement	2,717	497	(669)	2,545
Employees leave entitlement	500	200	–	700
Roadworks	1,458	724	(1,172)	1,010
Bridgeworks	317	–	–	317
Risk Management, WHS & Insurance	281	–	(27)	254
Specific maintenance and repair	59	7	(18)	48
Specific programs	1,170	439	(238)	1,371
CBD improvements	307	35	(1)	341
Prepaid Financial Assistance Grant	–	1,278	–	1,278
Other	139	–	(23)	116
Total internal restrictions	7,201	4,137	(2,148)	9,190
TOTAL RESTRICTIONS	10,956	8,323	(4,546)	14,733

- A** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- C** 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.

Warren 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		93	36	97	37
Interest and extra charges		8	3	8	4
User charges and fees		212	17	263	49
Accrued revenues					
– Interest on investments		30	–	34	–
Deferred debtors		1	1	2	10
Government grants and subsidies		377	–	392	–
Net GST receivable		3	–	2	–
Total		724	57	798	100
Less: provision for impairment					
Nil					
TOTAL NET RECEIVABLES		724	57	798	100
Externally restricted receivables					
Water supply					
– Specific purpose grants		337	–	391	–
– Rates and availability charges		18	5	12	5
– Other		60	17	81	5
Sewerage services					
– Specific purpose grants		40	–	–	–
– Rates and availability charges		22	7	15	6
– Other		10	1	10	5
Domestic waste management		16	6	15	3
Total external restrictions		503	36	524	24
Internally restricted receivables					
Nil					
Unrestricted receivables		221	21	274	76
TOTAL NET RECEIVABLES		724	57	798	100

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.

Warren 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)		153	–	156	–
Stores and materials		117	–	121	–
Trading stock		277	–	286	–
Loose tools		107	–	102	–
Other		–	–	–	–
Total inventories at cost		654	–	665	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>654</u>	<u>–</u>	<u>665</u>	<u>–</u>
(b) Other assets					
Prepayments		17	–	13	–
<u>TOTAL OTHER ASSETS</u>		<u>17</u>	<u>–</u>	<u>13</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Warren 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	–	–	–	–
Industrial/commercial	72	–	75	–
Other properties	81	–	81	–
Total real estate for resale	153	–	156	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	153	–	156	–
Total real estate for resale	153	–	156	–
Movements:				
Real estate assets at beginning of the year	156	–	160	–
– WDV of sales (expense)	(3)	–	(4)	–
Total real estate for resale	153	–	156	–

(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	137	152
Trading Stock	255	275
	392	427

(c) Inventories recognised as an expense for the year included:

– Real estate for resale	–	–
– Stores and materials	–	–
– Trading stock	–	–

(d) 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.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and	Net carrying amount
Capital work in progress	1,606	–	1,606	386	263	–	–	(1,525)	–	730	–	730
Plant and equipment	10,093	6,306	3,787	201	75	(63)	(941)	–	–	9,782	6,723	3,059
Office equipment	164	88	76	42	3	–	(19)	3	–	213	108	105
Furniture and fittings	138	51	87	57	–	–	(10)	–	–	195	61	134
Land:												
– Operational land	1,167	–	1,167	–	–	(5)	–	–	292	1,454	–	1,454
– Community land	1,163	–	1,163	–	–	–	–	–	–	1,163	–	1,163
Infrastructure:												
– Buildings – non-specialised	8,687	4,890	3,797	83	–	–	(99)	7	–	8,778	4,990	3,788
– Buildings – specialised	11,443	5,907	5,536	–	3	–	(170)	–	–	11,446	6,077	5,369
– Other structures	11,878	5,648	6,230	2	–	–	(140)	–	–	11,880	5,788	6,092
– Roads	130,142	15,097	115,045	3,043	–	(663)	(1,462)	864	–	132,653	15,826	116,827
– Bridges	18,496	6,276	12,220	–	–	–	(177)	–	–	18,496	6,453	12,043
– Footpaths	4,194	1,774	2,420	45	–	(32)	(47)	–	–	4,186	1,800	2,386
– Stormwater drainage	3,907	1,717	2,190	–	86	–	(39)	–	–	3,993	1,756	2,237
– Water supply network	14,063	7,696	6,367	25	204	–	(177)	651	605	15,729	8,054	7,675
– Sewerage network	13,835	9,637	4,198	–	–	–	(217)	–	3,661	13,988	6,346	7,642
– Swimming pools	1,631	1,490	141	–	–	–	(37)	–	–	1,631	1,527	104
– Other open space/recreational assets	1,857	1,199	658	66	–	–	(26)	–	–	1,922	1,224	698
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	234,464	67,776	166,688	3,950	634	(763)	(3,561)	–	4,558	238,239	66,733	171,506

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.

Warren Shire Council

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

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	160	–	160	662	–	662
Plant and equipment	269	106	163	226	81	145
Land						
– Operational land	98	–	98	66	–	66
– Community land	9	–	9	9	–	9
Other structures	73	31	42	73	29	44
Infrastructure	15,729	8,054	7,675	14,063	7,696	6,367
Other assets			–	–	–	–
Total water supply	16,338	8,191	8,147	15,099	7,806	7,293
Sewerage services						
WIP	106	–	106	19	–	19
Plant and equipment	377	159	218	334	115	219
Land						
– Operational land	29	–	29	28	–	28
– Community land	111	–	111	111	–	111
Other structures	20	3	17	20	3	17
Infrastructure	13,988	6,346	7,642	13,834	9,636	4,198
Other assets			–	–	–	–
Total sewerage services	14,631	6,508	8,123	14,346	9,754	4,592
Domestic waste management						
Land						
– Operational land	110	–	110	110	–	110
Total DWM	110	–	110	110	–	110
TOTAL RESTRICTED I,PP&E	31,079	14,699	16,380	29,555	17,560	11,995

Warren Shire Council

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

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

\$ '000	Notes	Actual 2017	Actual 2016
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Warren 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		314	–	169	–
Accrued expenses:					
– Salaries and wages		28	–	17	–
Sundry deposits		40	–	41	–
Total payables		382	–	227	–
Income received in advance					
Payments received in advance		103	–	97	–
Total income received in advance		103	–	97	–
Borrowings					
Loans – secured ¹		55	191	51	246
Government advances		28	54	28	68
Total borrowings		83	245	79	314
Provisions					
Employee benefits:					
Annual leave		467	–	408	–
Long service leave		1,348	39	1,382	36
Total provisions		1,815	39	1,790	36
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		2,383	284	2,193	350

(i) Liabilities relating to restricted assets

	2017		2016	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	25	4	17	8
Sewer	28	4	24	2
Other	7	7	7	–
Liabilities relating to externally restricted assets	60	15	48	10
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	60	15	48	10
Total liabilities relating to unrestricted assets	2,323	269	2,145	340
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	2,383	284	2,193	350

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.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	956	1,302
	956	1,302

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	408	316	(266)	9	–	467
Long service leave	1,418	78	(120)	11	–	1,387
TOTAL	1,826	394	(386)	20	–	1,854

- 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.

Warren 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	15,233	11,456
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		15,233	11,456
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,793	2,966
Adjust for non-cash items:			
Depreciation and amortisation		3,243	3,181
Net losses/(gains) on disposal of assets		470	(107)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		14	15
Share of net (profits) or losses of associates/joint ventures		(4)	4
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		107	(325)
Decrease/(increase) in inventories		8	(24)
Decrease/(increase) in other assets		(4)	(11)
Increase/(decrease) in payables		145	30
Increase/(decrease) in other accrued expenses payable		11	(5)
Increase/(decrease) in other liabilities		5	(31)
Increase/(decrease) in employee leave entitlements		28	113
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		7,816	5,806

Warren Shire Council

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

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(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:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		10	10
Total financing arrangements		510	510
Amounts utilised as at balance date:			
– Credit cards/purchase cards		2	3
Total financing arrangements utilised		2	3

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

(e) Net cash flows attributable to discontinued operations

Please refer to Note 24 for details of cash flows that relate to discontinued operations

Warren 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		1,242	–
Land Purchase		225	–
Total commitments		1,467	–
These expenditures are payable as follows:			
Within the next year		1,467	–
Total payable		1,467	–
Sources for funding of capital commitments:			
Internally restricted reserves		1,467	–
Total sources of funding		1,467	–
Details of capital commitments			
Purchase of Heavy Plant & Equipment & Land for Sewerage Treatment Works			

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

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

Warren 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	<u>3,854</u>	23.04%	16.74%	0.29%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>16,730</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>8,155</u>	47.59%	53.92%	61.02%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>17,135</u>				
2b. Own source operating revenue ratio - Rural Council Model					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions except FAG	<u>11,913</u>	69.52%	71.06%	80.69%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>17,135</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>10,190</u>	7.45x	9.76x	8.64x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>1,367</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>7,132</u>	62.56x	48.15x	33.20x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>114</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>140</u>	2.49%	2.66%	2.51%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	<u>5,621</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>15,233</u>	17.70 mths	15.2 mths	13.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>861</u>				

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).

Warren 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/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	26.13%	19.50%	-13.26%	-9.17%	-14.55%	-13.35%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	44.59%	51.83%	65.60%	54.90%	90.27%	98.40%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	7.45x	9.76x	30.32x	42.65x	89.36x	99.75x	>1.5x

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.

Warren 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	60.06x	45.38x	0.00x	0.00x	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	1.84%	2.25%	6.41%	5.29%	6.20%	4.98%	< 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	16.05	13.07	6.87	5.25	71.30	74.03	> 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.

Warren Shire Council

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

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
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Council has not classified any land or buildings as 'investment properties'.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	15,233	11,456	15,233	11,456
Receivables	781	898	781	898
Total financial assets	16,014	12,354	16,014	12,354
Financial liabilities				
Payables	382	227	382	227
Loans/advances	328	393	328	393
Total financial liabilities	710	620	710	620

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.

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

The risks associated with the investments held are:

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

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

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	152	152	152	152
2016				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	115	115	115	115

Warren 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 at higher than market rates which further encourages the payment of debt.

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	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	88%	0%	84%
Overdue	100%	12%	100%	16%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges		Other receivables	Rates and annual charges	Other receivables
Current	–	580	–	644
< 1 year overdue	69	10	97	31
1 – 2 years overdue	57	15	35	28
2 – 5 years overdue	3	10	2	5
> 5 years overdue	–	37	–	56
	129	652	134	764

Warren 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 to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	40	342	–	–	–	–	–	382	382
Loans and advances	–	100	101	100	101	–	–	402	328
Total financial liabilities	40	442	101	100	101	–	–	784	710
2016									
Trade/other payables	41	186	–	–	–	–	–	227	227
Loans and advances	–	101	100	101	100	101	–	503	393
Total financial liabilities	41	287	100	101	100	101	–	730	620

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	382	0.00%	227	0.00%
Loans and advances – fixed interest rate	328	6.80%	393	6.80%
	<u>710</u>		<u>620</u>	

Warren 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 23 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	5,455	5,464	9	0%	F
User charges and fees	1,171	1,774	603	51%	F
Due to the floods in August 2016 Council received additional funding from the RMS for restoration works on State Highway 11.					
Council delayed the purchase of major plant items in 2016/17 along with contributions received for restoration works of Council assets as result of the August 2016 floods resulted in Council's cash estimation being greater than anticipated.					
Other revenues	450	575	125	28%	F
Council did not budget income for the proposed ESPL implementation also the August 2016 flood restoration had all Council plant working which in turn increased the Diesel Fuel Rebate.					
Operating grants and contributions	6,044	8,575	2,531	42%	F
Council did not budget for the prepayment of the FAG or RMS contributions to flood restoration works.					
Capital grants and contributions	400	405	5	1%	F
Joint ventures and associates - net profits	-	4	4	0%	F
Council does not budget for any profit or loss from the North Western Library Co-operation joint venture.					

Warren 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	4,873	4,885	(12)	(0%)	U
Borrowing costs	22	35	(13)	(59%)	U
Council does not budget for the fair value amount of interest on the interest free loan.					
Materials and contracts	3,130	3,562	(432)	(14%)	U
Due to the August 2016 floods Council had to hire external contractors to help restore its road network.					
Depreciation and amortisation	3,300	3,243	57	2%	F
Other expenses	1,154	1,151	3	0%	F
Net losses from disposal of assets	-	470	(470)	0%	U
Council does not budget for any profit or loss on sale/disposal of assets.					

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

Cash flows from operating activities	4,876	7,816	2,940	60.3%	F
This favourable result is due to the prepayment of the FAG and funding received for State Highway 11 flood restoration works.					
Cash flows from investing activities	(4,138)	(3,960)	178	(4.3%)	F
Cash flows from financing activities	(78)	(79)	(1)	1.3%	U

Warren 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.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Warren 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) Garbage Depot Reinstatement

Garbage is disposed of in pits at the Ewenmar Depot. When a new pit is required the old pit is reinstated at same time as the digging of the new pit. As a result reinstatement costs are expensed each year. Should current practices change, it will be necessary to consider the need to establish a Garbage Depot remediation provision

(iii) Gravel Pits Reinstatement

Council's practice with regard to the remediation of road reserve and private property gravel pits is to construct water storage for future road maintenance or a farm dam in return for the use of material where feasible. If this is not feasible for whatever reason then the pit is scarified and seeded upon completion of works undertaken and expensed accordingly, therefore future remediation costs are zero.

(iv) Mount Foster Quarry Remediation

Mt Foster is an above ground crushing operation of material that Council utilises from the hill for the supply of road making materials, there will be no remediation costs involved with this operation.

(v) 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.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	4	(4)	53	49
Total	4	(4)	53	49

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
North Western Library Co-operative	Joint Venture	At Cost	53	49
Total carrying amounts – material joint ventures and associates			53	49

(b) Details

Name of entity	Principal activity	Place of business
North Western Library Co-operative	Joint Purchase of Books & E-Resources	Warren

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
North Western Library Co-operative	n/a	n/a	25%	25%	25%	25%	25%	25%

(d) Summarised financial information for joint ventures and associates

	North Western Library Co-operative	
Statement of financial position	2017	2016
Current assets		
Cash and cash equivalents	9	5
Non-current assets	203	191
Current liabilities		
Non-current liabilities		
Net assets	212	196
Reconciliation of the carrying amount		
Opening net assets (1 July)	196	213
Profit/(loss) for the period	16	(17)
Closing net assets	212	196
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	53	49

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

	North Western Library Co-operative	
	2017	2016
Statement of comprehensive income		
Income	238	211
Interest income	3	2
Depreciation and amortisation	(80)	(95)
Other expenses	(145)	(135)
Profit/(loss) from continuing operations	16	(17)
Total comprehensive income	16	(17)
Share of income – Council (%)	25.0%	25.0%
Profit/(loss) – Council (\$)	4	(4)
Total comprehensive income – Council (\$)	4	(4)
Dividends received by Council	–	–

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Warren 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)		92,927	89,961
a. Net operating result for the year		3,793	2,966
Balance at end of the reporting period		96,720	92,927
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		88,857	84,299
Total		88,857	84,299
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		84,299	83,978
– Revaluations for the year	9(a)	4,558	321
– Balance at end of year		88,857	84,299
TOTAL VALUE OF RESERVES		88,857	84,299

(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.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Warren 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	342	445	4,804
User charges and fees	326	61	1,389
Interest and investment revenue	18	65	259
Other revenues	10	4	594
Grants and contributions provided for operating purposes	13	9	8,553
Grants and contributions provided for capital purposes	352	53	–
Other income			
Share of interests in joint ventures and associates using the equity method	–	–	4
Total income from continuing operations	1,061	637	15,603
Expenses from continuing operations			
Employee benefits and on-costs	272	234	4,379
Borrowing costs	–	–	35
Materials and contracts	300	175	3,249
Depreciation and amortisation	204	260	2,779
Other expenses	27	–	1,124
Net losses from the disposal of assets	–	–	470
Total expenses from continuing operations	803	669	12,036
Operating result from continuing operations	258	(32)	3,567
Net operating result for the year	258	(32)	3,567
Net operating result attributable to each council fund	258	(32)	3,567
Net operating result for the year before grants and contributions provided for capital purposes	(94)	(85)	3,567

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.

Warren 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	Actual 2017
ASSETS		Water	Sewer	General¹
Current assets				
Cash and cash equivalents		343	2,430	12,460
Receivables		415	72	237
Inventories		–	–	654
Other		–	–	17
Total current assets		758	2,502	13,368
Non-current assets				
Receivables		22	8	27
Infrastructure, property, plant and equipment		8,147	8,123	155,236
Investments accounted for using the equity method		–	–	53
Total non-current assets		8,169	8,131	155,316
TOTAL ASSETS		8,927	10,633	168,684
LIABILITIES				
Current liabilities				
Payables		8	–	374
Income received in advance		–	–	103
Borrowings		–	–	83
Provisions		17	28	1,770
Total current liabilities		25	28	2,330
Non-current liabilities				
Borrowings		–	–	245
Provisions		4	4	31
Total non-current liabilities		4	4	276
TOTAL LIABILITIES		29	32	2,606
Net assets		8,898	10,601	166,078
EQUITY				
Retained earnings		5,151	4,200	87,369
Revaluation reserves		3,747	6,401	78,709
Total equity		8,898	10,601	166,078

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.

Warren 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'.

Warren Shire Council

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

Note 23. Events occurring after the reporting date

\$ '000

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 dd/mm/yy.

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.

Warren Shire Council

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

Note 24. Discontinued operations

\$ '000

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

Warren Shire Council

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

Note 25. Intangible assets

\$ '000

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.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Warren 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:

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	3,059	3,059
Office Equipment	–	–	105	105
Furniture & Fittings	–	–	134	134
Operational Land	–	–	1,454	1,454
Community Land	–	–	1,163	1,163
Buildings - Non-Specialised	–	–	3,788	3,788
Buildings- Specialised	–	–	5,369	5,369
Other Structures	–	–	6,092	6,092
Roads	–	–	116,827	116,827
Bridges	–	–	12,043	12,043
Footpaths	–	–	2,386	2,386
Stormwater Drainage	–	–	2,237	2,237
Water Supply Network	–	–	7,675	7,675
Sewerage Network	–	–	7,642	7,642
Swimming Pools	–	–	104	104
Other Open Space/Recreational Assets	–	–	698	698
Total infrastructure, property, plant and equipment	–	–	170,776	170,776

Warren Shire Council

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

Note 27. Fair value measurement

\$ '000

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	3,787	3,787
Office Equipment	–	–	76	76
Furniture & Fittings	–	–	87	87
Operational Land	–	–	1,167	1,167
Community Land	–	–	1,163	1,163
Buildings - Non-Specialised	–	–	3,797	3,797
Buildings- Specialised	–	–	5,536	5,536
Other Structures	–	–	6,230	6,230
Roads	–	–	115,045	115,045
Bridges	–	–	12,220	12,220
Footpaths	–	–	2,420	2,420
Stormwater Drainage	–	–	2,190	2,190
Water Supply Network	–	–	6,367	6,367
Sewerage Network	–	–	4,198	4,198
Swimming Pools	–	–	141	141
Other Open Space/Recreational Assets	–	–	658	658
Total infrastructure, property, plant and equipment	–	–	165,082	165,082

(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.

Warren 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:

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

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks and display boards.

There has been no change to the valuation process during the reporting period.

Operational & Community Land

Operational & Community Land are based on either the Land Value provided by the Valuer-General or an average unit rate based on the Land Value for similar properties where the Valuer-General did not provide a Land Value having regard to the highest and best use for the land. Operational Land is based on the Valuer General's land value as these are representative of the actual market values in the Warren Shire LGA. As these rates were not considered to be observable market evidence they have been classified a Level 3.

Council revalued it's operational land in 2016/17.

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings are valued internally using the Rawlinson's Construction Guide in June 2013 using the cost approach. The approach estimated the replacement cost for each building by componentising the building into significant parts. While all buildings were physically inspected and the unit rates based on square metres from Rawlinson's Construction Guide no market based evidence (Level 2) could not be established. As such these assets were classified as having been valued as Level 3 valuation inputs.

While the costs were current and the impact of depreciation negligible, the building has been classified as Level 3 as they are immaterial in relation to the overall value of the asset type.

There has been no change to the valuation process during the reporting period.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

Other Structures

Other Structures comprise of Aerodrome runway, lighting, irrigation systems and fencing etc. The cost approach has been utilised whereby replacement cost was estimated for each asset by taking into account a range of factors. No market based evidence (Level 2) could be supported as such these assets were all classified as having been valued using Level 3 valuation inputs.

There has been no change to the valuation process during the reporting period.

Roads

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house in June 2015 based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

Bridges

Bridges were valued in-house in June 2015 the unit rates were calculated by indexing the June 2010 rates by the June CPI each year no other reliable rates could be sourced and no bridge replacement was undertaken since the previous revaluation. While all bridges were physically inspected and unit rates based on square metres were used there was no reliable market evidence (Level 2) as other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value

There has been no change to the valuation process during the reporting period.

Footpaths

Footpaths were valued in-house by Council's Engineering Department in June 2015 and were based on actual cost per square metre of works carried out during the year. Footpaths are inspected annually and condition assessed

There has been no change to the valuation process during the reporting period.

Drainage Infrastructure

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. The Drainage Assets were revalued in June 2015 the unit costs were calculated based on the actual cost to lay 205 metres of 600mm pipe during 2014/15 by external contractor B & D Brouff Excavations P/L and also the NSW Reference Rates Manual as publish by the Office of Water.

There has been no change to the valuation process during the reporting period.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

Water Supply Network

Assets within this class comprise reservoirs, pumping stations and, water pipelines.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets were revalued in 2016/17 by Australis Asset Advisory Group as a group tender from the Lower Macquarie Water Utilities Alliance (LMWUA).

The valuation process has changed from annual indexation to a full external revaluation.

Sewerage Network

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets were revalued in 2016/17 by Australis Asset Advisory Group as a group tender from the Lower Macquarie Water Utilities Alliance (LMWUA).

The valuation process has changed from annual indexation to a full external revaluation.

Swimming Pools

Assets within this class comprise Council's outdoor swimming pool. The swimming pool was valued in-house by experienced staff in Council's Health & Development Department using the cost approach. The approach estimated the replacement cost for each pool by componentising its significant parts.

While some elements of gross replacement values may be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

Assets within this class comprise synthetic & turf surfaces, lighting, playground equipment etc. All assets in Other Structures were valued in-house by experienced engineering staff.

There has been no change to the valuation process during the reporting period.

Warren 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.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
Opening balance – 1/7/15	4,032	21	89	1,167	5,309
Purchases (GBV)	883	61	7	–	951
Disposals (WDV)	(127)	–	–	–	(127)
Depreciation and impairment	(1,013)	(6)	(9)	–	(1,028)
Transfer from Works in Progress	12	–	–	–	12
Closing balance – 30/6/16	3,787	76	87	1,167	5,117
Purchases (GBV)	276	45	57	–	378
Disposals (WDV)	(63)	–	–	(5)	(68)
Depreciation and impairment	(941)	(19)	(10)	–	(970)
Transfer from Works in Progress	–	3	–	–	3
Revaluation Increment to Equity	–	–	–	292	292
Closing balance – 30/6/17	3,059	105	134	1,454	4,752

	Community Land	Buildings Non- Specialised	Buildings Specialised	Other Structures	Total
Opening balance – 1/7/15	1,003	3,755	5,695	6,168	16,621
Purchases (GBV)	–	139	13	194	346
Depreciation and impairment	–	(97)	(172)	(133)	(402)
Transfer from Works in Progress	–	–	–	1	1
Closing balance – 30/6/16	1,163	3,797	5,536	6,230	16,726
Purchases (GBV)	–	83	3	2	88
Depreciation and impairment	–	(99)	(170)	(140)	(409)
Transfer from Works in Progress	–	7	–	–	7
Closing balance – 30/6/17	1,163	3,788	5,369	6,092	16,412

Warren 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) (continued)

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

	Roads	Bridges	Footpaths	Stormwater Drainage	Total
Opening balance – 1/7/15	114,375	12,397	2,428	2,145	131,345
Purchases (GBV)	2,075	–	39	83	2,197
Depreciation and impairment	(1,407)	(177)	(47)	(38)	(1,669)
Transfer from Works in Progress	2	–	–	–	2
Closing balance – 30/6/16	115,045	12,220	2,420	2,190	131,875
Purchases (GBV)	3,043	–	45	86	3,174
Disposals (WDV)	(663)	–	(32)	–	(695)
Depreciation and impairment	(1,462)	(177)	(47)	(39)	(1,725)
Transfer from Works in Progress	864	–	–	–	864
Closing balance – 30/6/17	116,827	12,043	2,386	2,237	133,493

	Water Supply Network	Sewerage Network	Swimming Pools	Open Space Recreational	Total
Opening balance – 1/7/15	6,415	4,345	178	614	11,552
Purchases (GBV)	28	5	–	69	102
Depreciation and impairment	(176)	(213)	(37)	(25)	(451)
Transfer from Works in Progress	100	61	–	–	161
Closing balance – 30/6/16	6,367	4,198	141	658	11,364
Purchases (GBV)	229	–	–	66	295
Depreciation and impairment	(177)	(217)	(37)	(26)	(457)
Transfer from Works in Progress	651	–	–	–	651
Revaluation Increment to Equity	605	3,661	–	–	4,266
Closing balance – 30/6/17	7,675	7,642	104	698	16,119

Warren 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) (continued)

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

Office Equipment

An amount of \$3K was transferred from Works in Progress for the Library Refurbishment Grant.

Buildings- non-specialised

An amount of \$7 was transferred from Works in Progress for the completion of renovation works on Council Housing.

Roads

An amount of \$864K was transferred from Works in Progress for the completion of the recycling road works undertaken on the Lemongrove & Buckiinguy Roads.

Water Supply Network

An amount of \$651K was transferred from Works in Progress for the completion of the 4 new bores, Warren - 2, Nevertire- 1 and Collie - 1

(5). Highest and best use

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

Warren 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
	2017
Compensation:	
Short-term benefits	672
Post-employment benefits	46
Other long-term benefits	19
Total	<u>737</u>

Warren 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	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Supply of general household goods	1	8	-	30 Day Invoice	-	-
Motor vehicle servicing & parts	2	16	-	30 Day Invoice	-	-
Motor vehicle purchases & trades - nett	3	78	-	30 Day Invoice	-	-
Building renovations - Library	4	13	-	30 Day Invoice	-	-
Rent of Council Building	5	12	3	30 Day Invoice	-	-

1. Council purchases general household goods such as cleaning material, drinks, batteries etc. from the local supermarket of which a KMP is the owner, all goods purchased are at normal retail prices that the general public are offered.

2. Council has its small plant fleet serviced as per the manufacturer's handbook at the local dealership of which a KMP is a Director, the services are undertaken locally as the other nearest other service centre is 120 kms away, the services are carried out on a normal cost basis as would be charged to the general public.

3. Council advertises and seeks expressions and quotations for the supply and of sale of all motor vehicles, all responses are then evaluated by management and the Plant Committee, a KMP is a Director of a motor vehicle dealership that was successful in the supply and trade of three vehicles, the KMP is not a member of the Plant Committee

4. Council's Librarian applied and was successful with a grant from the the State Library of NSW for library upgrade works, two quotations were required for works to be undertaken prior to submitting the grant application, the successful quotation was awarded to a local building contractor whose spouse is a KMP of Council.

5. A KMP rents one of Council's commercial premises at market value as assessed by an independent valuer every two years as per Council's Policy.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

c. Other related party transactions

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Joint Venture	1	53	-	Payments are shared between the parties of the Joint Venture	-	-

1. Council is a member of a Joint Venture being the North Western Library Co-operative with three other councils, each council contributes an equal amount to the joint venture each year for the operation of the service which is to purchase books and e-resources for the benefit of the residents and ratepayers in the four local government areas.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Warren Shire Council

To the Councillors of the Warren Shire Council

Opinion

I have audited the accompanying financial statements of Warren 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.

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.

A handwritten signature in black ink, appearing to read "David Nolan", with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

17 October 2017
SYDNEY

Mr NRF (Rex) Wilson
Mayor
Warren Shire Council
PO Box 6
WARREN NSW 2824

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1726947/1802

17 October 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Warren Shire Council**

I have audited the general purpose financial statements of Warren 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

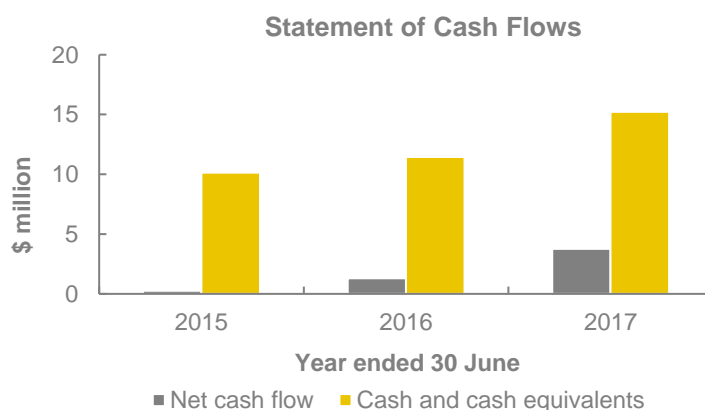
	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	5.46	5.34	2.2 ↑
Grants and contributions revenue	8.98	6.63	35.4 ↑
Operating result for the year	3.79	2.97	27.6 ↑
Net operating result before capital amounts	3.39	2.42	40.1 ↑

The operating result for the year was a surplus of \$3.8 million (2016: \$3 million) and included a depreciation expense of \$3.2 million (2016: \$3.2 million). The higher operating result for this year is mainly due to increased grants and contributions, including a prepayment of the Financial Assistance Grant relating to 2017/18.

Rates and annual charges represent 32 per cent of Council's total revenues.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$3.8 million to \$15.3 million at the close of the year. The increase can be attributed to more funds being held in short term investments to fund upcoming capital works.



In addition to operating activities which contributed net cash of \$7.8 million were the proceeds from the sale of assets (\$296,000) and receipts from deferred debtors (\$10,000). Cash outflows other than operating activities were used to repay borrowings (\$79,000) and to purchase and construct assets (\$4.3 million).

FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	5.5	3.8	Cash and investments amounted \$15.2 million at 30 June 2017 (2016: \$11.4 million). The increase is mainly due to the Council's surplus for the year.
Internal restrictions	9.2	7.2	
Unrestricted	0.5	0.5	
Cash and investments	15.2	11.5	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$9.2 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$500,000, which is available to provide liquidity for day to day operations.

Debt

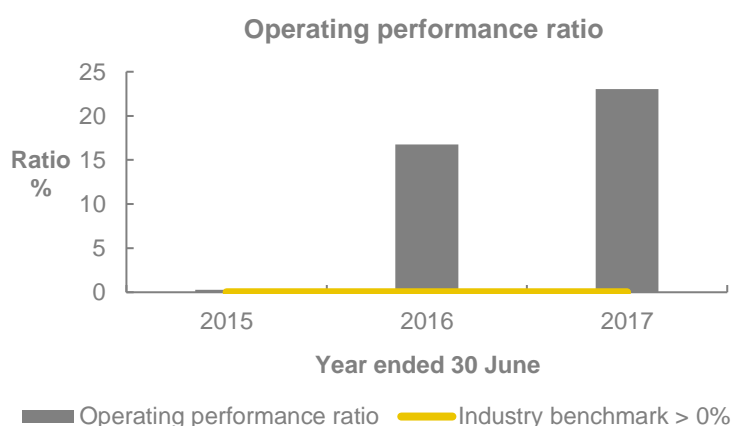
After repaying principal and interest of \$100,000 during the financial year, total debt as at 30 June 2017 was \$328,000 (2016: \$393,000).

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

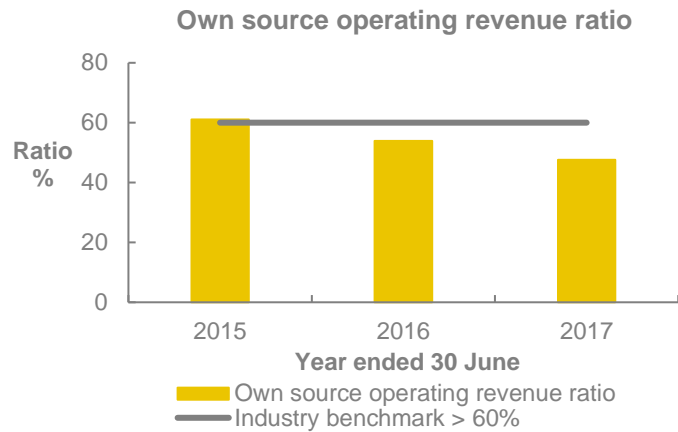
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Council's operating performance indicator of 23 per cent (16.7 per cent in 2016) exceeded the benchmark due to the improved operating result before capital grants and contributions; which was driven by the increase in operating grants received.

Own source operating revenue ratio

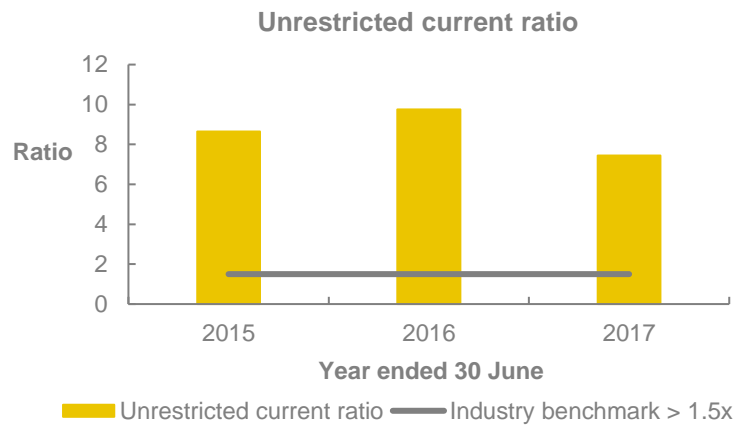
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio was 48 per cent for 2016-17 (54 per cent in 2016), below the benchmark of 60 per cent. As identified in Note 13(a), this performance measure would increase to 70% with the inclusion of the Financial Assistance Grant (\$3.8 million).

Unrestricted current ratio

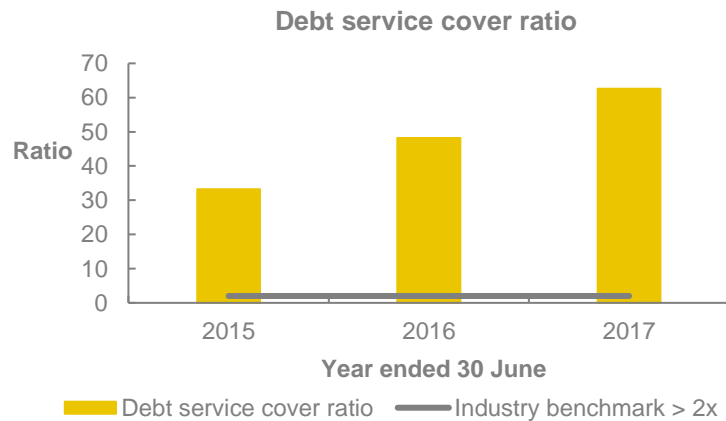
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio decreased to 7.5 as at 30 June 2017 (9.8 in 2016) and exceeded the benchmark of 1.5 times. The decrease in the ratio is mainly due to the increase in externally restricted funds.

Debt service cover ratio

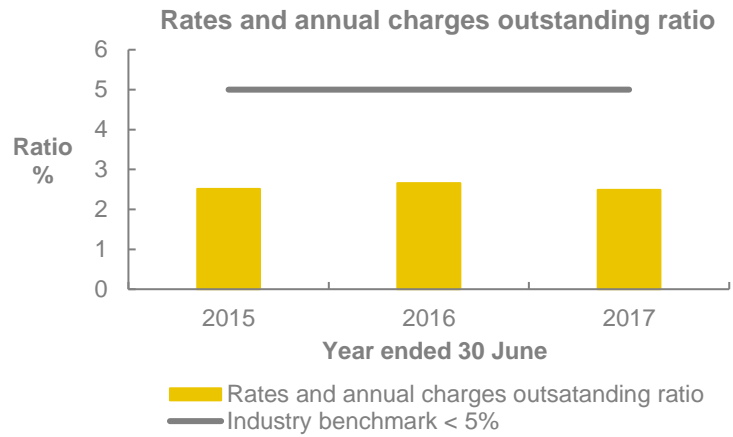
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2017 was 62.6 (48.2 in 2016). This improvement is mainly due to Council's improved operating result before capital grants and contributions.

Rates and annual charges outstanding ratio

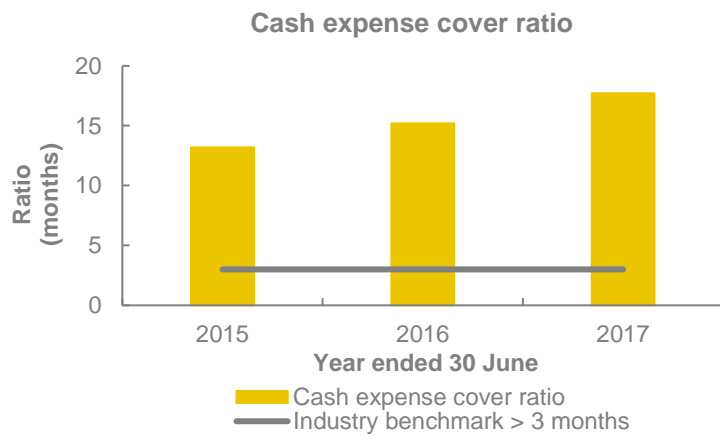
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 5 per cent for rural councils.



The rates and annual charges outstanding ratio stood at 2.5 per cent as at 30 June 2017 (2.7 per cent in 2016) and is better than industry benchmark of being below 10 per cent for a rural council.

Cash expense cover ratio

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.

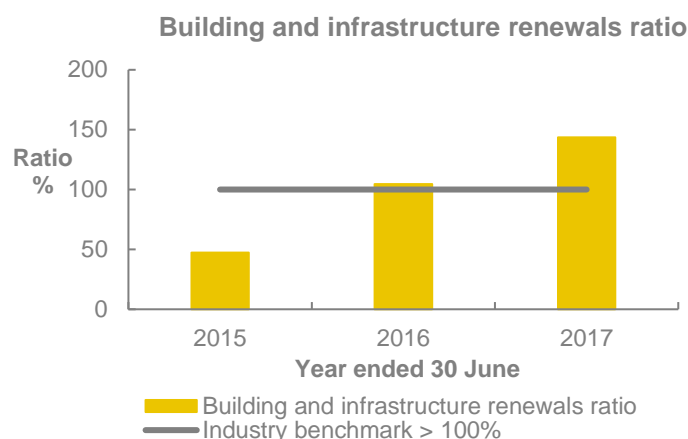


Council's cash expense cover ratio was over seventeen months and continues to easily exceed the benchmark of three months.

Building and infrastructure renewals ratio

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.



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 144 per cent (136 per cent in 2016) of the depreciation charges for those assets; exceeding the benchmark of 100 per cent.

OTHER MATTERS

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).

Asset Revaluations

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

During the year, water and sewerage infrastructure and operational land was revalued. This resulted in a net increase of \$4.6 million recognised directly in Asset Revaluation Reserves.

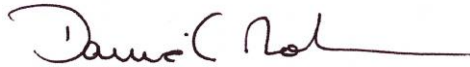
Legislative compliance

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.

Management acknowledgement

The audit team appreciated the co-operation and help received from the Council's staff, in particular, the finance team for their invaluable assistance throughout the audit.



David Nolan
Director, Financial Audit Services

17 October 2017
SYDNEY

cc: Glenn Wilcox, General Manager
Tim Hurst, Acting Chief Executive of the Office of Local Government