



GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“Australia's Wool & Cotton Capital”

Warren Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

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Overview

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

115 Dubbo Street
WARREN NSW 2824

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

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

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

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

Warren Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Warren Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

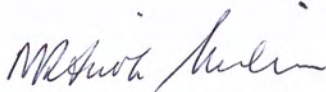
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

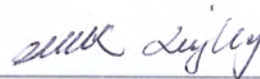
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 23 August 2018.



Clr NRF (Rex) Wilson
Mayor
23 August 2018



Clr MJ Quigley
Councillor
23 August 2018



Mr GA Wilcox
General Manager
23 August 2018



Mr DJ Arthur
Responsible Accounting Officer
23 August 2018

Warren Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
5,563	Rates and annual charges	3a	5,557	5,464
1,187	User charges and fees	3b	1,861	1,774
298	Interest and investment revenue	3c	309	342
304	Other revenues	3d	506	575
5,915	Grants and contributions provided for operating purposes	3e,f	6,819	8,575
500	Grants and contributions provided for capital purposes	3e,f	580	405
Other income:				
–	Net gains from the disposal of assets	5	–	–
–	Fair value increment on investment property		–	–
–	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	–	–
–	Net share of interests in joint ventures and associates using the equity method	15	1	4
13,767	Total income from continuing operations		15,633	17,139
Expenses from continuing operations				
5,009	Employee benefits and on-costs	4a	5,445	4,885
18	Borrowing costs	4b	29	35
2,633	Materials and contracts	4c	3,463	3,562
3,670	Depreciation and amortisation	4d	3,309	3,243
–	Impairment of investments	4d	–	–
1,175	Other expenses	4e	1,164	1,151
–	Interest and investment losses	3c	–	–
–	Net losses from the disposal of assets	5	1,177	470
–	Fair value decrement on investment property		–	–
–	Revaluation decrement / impairment of IPP&E	4d	–	–
–	Net share of interests in joint ventures and associates using the equity method	15	–	–
12,505	Total expenses from continuing operations		14,587	13,346
1,262	Operating result from continuing operations		1,046	3,793
–	Operating result from discontinued operations		–	–
1,262	Net operating result for the year		1,046	3,793
1,262	Net operating result attributable to Council		1,046	3,793
–	Net operating result attributable to non-controlling interests		–	–
762	Net operating result for the year before grants and contributions provided for capital purposes		466	3,388

Warren Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		1,046	3,793
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Nil			
Gain (loss) on revaluation of IPP&E		5,582	4,558
Adjustment to correct prior period errors		–	–
Impairment (loss) reversal relating to IPP&E		–	–
Other comprehensive income – joint ventures and associates		–	–
Total items which will not be reclassified subsequently to the operating result		5,582	4,558
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		5,582	4,558
Total comprehensive income for the year		6,628	8,351
Total comprehensive income attributable to Council		6,628	8,351
Total comprehensive income attributable to non-controlling interests		–	–

Warren Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,704	15,233
Investments		–	–
Receivables	7	1,382	724
Inventories	8	660	654
Other	8	34	17
Non-current assets classified as 'held for sale'		–	–
Total current assets		14,780	16,628
Non-current assets			
Investments		–	–
Receivables	7	73	57
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	179,914	171,506
Investments accounted for using the equity method	15	54	53
Investment property		–	–
Intangible assets	10	121	–
Non-current assets classified as 'held for sale'		–	–
Other	8	–	–
Total non-current assets		180,162	171,616
TOTAL ASSETS		194,942	188,244
LIABILITIES			
Current liabilities			
Payables	11	660	382
Income received in advance	11	114	103
Borrowings	11	87	83
Provisions	12	1,655	1,815
Liabilities associated with assets classified as 'held for sale'		–	–
Total current liabilities		2,516	2,383
Non-current liabilities			
Payables	11	–	–
Income received in advance	11	–	–
Borrowings	11	169	245
Provisions	12	52	39
Investments accounted for using the equity method	15	–	–
Liabilities associated with assets classified as 'held for sale'		–	–
Total non-current liabilities		221	284
TOTAL LIABILITIES		2,737	2,667
Net assets		192,205	185,577
EQUITY			
Accumulated surplus	13	97,766	96,720
Revaluation reserves	13	94,439	88,857
Other reserves	13	–	–
Council equity interest		192,205	185,577
Non-controlling equity interests		–	–
Total equity		192,205	185,577

Warren Shire Council

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	2018				2017			
		Accumulated surplus	IPP&E revaluation reserve	Council interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Council interest	Total equity
Opening balance		96,720	88,857	185,577	185,577	92,927	84,299	177,226	177,226
Correction of prior period errors	15 (b)	–	–	–	–	–	–	–	–
Changes in accounting policies	15 (c)	–	–	–	–	–	–	–	–
Restated opening balance		96,720	88,857	185,577	185,577	92,927	84,299	177,226	177,226
Net operating result for the year prior to correction of errors and changes in accounting policies		1,046	–	1,046	1,046	3,793	–	3,793	3,793
Net operating result for the year		1,046	–	1,046	1,046	3,793	–	3,793	3,793
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	9a		5,582	5,582	5,582	–	4,558	4,558	4,558
– Joint ventures and associates	15	–	–	–	–	–	–	–	–
Other comprehensive income		–	5,582	5,582	5,582	–	4,558	4,558	4,558
Total comprehensive income (c&d)		1,046	5,582	6,628	6,628	3,793	4,558	8,351	8,351
Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–
Transfers between equity items		–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		97,766	94,439	192,205	192,205	96,720	88,857	185,577	185,577

Warren Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
5,563	Rates and annual charges		5,512	5,469
1,187	User charges and fees		1,154	1,998
298	Investment and interest revenue received		315	347
6,415	Grants and contributions		7,622	8,999
1,254	Other		1,471	1,250
Payments:				
(5,009)	Employee benefits and on-costs		(5,604)	(4,867)
(2,633)	Materials and contracts		(3,633)	(3,754)
(18)	Borrowing costs		(18)	(21)
(1,175)	Other		(1,832)	(1,605)
5,882	Net cash provided (or used in) operating activities	14	4,987	7,816
Cash flows from investing activities				
Receipts:				
	Sale of real estate assets		–	3
260	Sale of infrastructure, property, plant and equipment		240	293
	Deferred debtors receipts		–	10
Payments:				
	Nil			
(7,099)	Purchase of infrastructure, property, plant and equipment		(7,641)	(4,177)
(34)	Purchase of Intangible Assets		(32)	(89)
(6,873)	Net cash provided (or used in) investing activities		(7,433)	(3,960)
Cash flows from financing activities				
Receipts:				
350	Proceeds from borrowings and advances		–	–
Payments:				
(83)	Repayment of borrowings and advances		(83)	(79)
267	Net cash flow provided (used in) financing activities		(83)	(79)
(724)	Net increase/(decrease) in cash and cash equivalents		(2,529)	3,777
11,860	Plus: cash and cash equivalents – beginning of year	14	15,233	11,456
11,136	Cash and cash equivalents – end of the year	14	12,704	15,233
Additional Information:				
	plus: Investments on hand – end of year		–	–
	Total cash, cash equivalents and investments		12,704	15,233

Warren Shire Council

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

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Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23rd August 2018.

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

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

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.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 24 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) 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 infrastructure, property, plant and equipment and investment property.

(c) 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

Warren Shire Council

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

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Water supply service
- Sewerage service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

Warren Shire Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Social	270	230	841	708	(571)	(478)	93	37	2,381	2,065
Economic	174	161	332	271	(158)	(110)	5	38	3,044	2,239
Infrastructure	5,331	6,043	8,027	6,682	(2,696)	(639)	1,745	1,184	146,118	139,837
Environmental	2,118	1,853	2,334	2,346	(216)	(493)	605	429	27,763	27,762
Governance	306	311	3,053	3,339	(2,747)	(3,028)	5	14	15,636	16,341
General Purpose Revenues	7,434	8,541	–	–	7,434	8,541	2,665	3,778	–	–
Total functions and activities	15,633	17,139	14,587	13,346	1,046	3,793	5,118	5,480	194,942	188,244

Warren Shire Council

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

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

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

Social

Includes income and expenses relating to Fire Protection, Animal Control, Health, Youth Services, Community Services, Public Cemeteries and Council Housing etc.

Economic

Includes income & expenses relating to Tourism, Economic Development, and other Business Undertakings.

Infrastructure

Includes Income and Expenditure for Roads, Bridges, Footpaths, Recreation, Aerodrome, State Highway 11, Parking Areas and CBD.

Environmental

Includes income and expenses for both Domestic and Industry Waste, Stormwater, Levee Protection, Water and Sewerage Services

Governance

Includes income and expenses for Governance and Administration.

General Purpose Revenues

Includes income from General Rates, General Fund Interest on Investments and Overdue Rates, Financial Assistance Grants, General Fund Pensioner Subsidy Rebates and Shares in Joint Ventures.

Warren Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	600	598
Farmland	3,786	3,757
Business	190	182
Less: pensioner rebates (mandatory)	(35)	(37)
Total ordinary rates	4,541	4,500
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	239	228
Water supply services	361	343
Sewerage services	463	440
Less: pensioner rebates (mandatory) - Domestic waste	(15)	(15)
Less: pensioner rebates (mandatory) - Water supply services	(17)	(17)
Less: pensioner rebates (mandatory) - Sewerage services	(15)	(15)
Total annual charges	1,016	964
TOTAL RATES AND ANNUAL CHARGES	5,557	5,464

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

Accounting policy for rates and annual charges

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

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

Warren Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	9	9
Water supply services	349	290
Sewerage services	40	46
Total specific user charges	398	345
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	18	34
Private works – section 67	104	75
Regulatory/ statutory fees	18	11
Section 149 certificates (EPA Act)	9	–
Section 603 certificates	4	–
Other	–	1
Total fees and charges – statutory/regulatory	153	121
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	26	48
Cemeteries	43	41
Fire and emergency services levy (FESL) implementation	2	67
Quarry revenues	1	25
RMS (formerly RTA) charges (state roads not controlled by Council)	1,192	1,091
Swimming centres	28	29
Waste disposal tipping fees	4	–
Water connection fees	3	–
Other	11	7
Total fees and charges – other	1,310	1,308
TOTAL USER CHARGES AND FEES	1,861	1,774

Accounting policy for user charges and fees

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

Warren Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	10	11
– Cash and investments	299	331
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>309</u>	<u>342</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	10	11
General Council cash and investments	217	248
Restricted investments/funds – external:		
Water fund operations	8	18
Sewerage fund operations	73	65
Domestic waste management operations	1	–
<u>Total interest and investment revenue recognised</u>	<u>309</u>	<u>342</u>

Accounting policy for interest and investment revenue

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

Warren Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		178	189
Fines		–	1
Legal fees recovery – other		–	6
Commissions and agency fees		81	80
Diesel rebate		106	104
Insurance claim recoveries		51	77
Recycling income (non-domestic)		–	7
Swimming pool canteen sales		24	26
WHS incentive payment		17	14
Statewide property rebate		5	11
NSW RFS maintenance and repair reimbursement		10	9
Motor vehicle insurance rebate		–	7
SES maintenance and repair reimbursement		–	2
Risk management incentive		18	4
Community builders and eipp program administration fees		15	14
Other		1	24
<u>TOTAL OTHER REVENUE</u>		<u>506</u>	<u>575</u>

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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

Warren Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	1,305	2,480	–	–
Payment in advance – future year allocation				
Financial assistance	1,341	1,278	–	–
Other				
Pensioners' rates subsidies – general component	19	20	–	–
Total general purpose	2,665	3,778	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	9	10	–	–
– Sewerage	8	9	–	–
– Domestic waste management	8	8	–	–
Water supplies	–	–	349	352
Sewerage services	–	–	231	53
Economic development	5	–	–	–
Employment and training programs	5	3	–	–
Library	76	23	–	–
Recreation and culture	250	–	–	–
Street lighting	29	28	–	–
Transport (roads to recovery)	920	1,154	–	–
Youth services	93	7	–	–
CBD Upgrade	200	33	–	–
Macquarie Park Upgrade	79	–	–	–
Pathways Upgrade	188	–	–	–
Other	3	–	–	–
Total specific purpose	1,873	1,297	580	405
Total grants	4,538	5,075	580	405
Grant revenue is attributable to:				
– Commonwealth funding	3,566	4,912	–	–
– State funding	972	163	580	405
– Other funding	–	–	–	–
	4,538	5,075	580	405

Warren Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Nil					
Other contributions:					
Cash contributions					
Bushfire services		11	53	–	–
Recreation and culture		25	–	–	–
RMS contributions (regional roads, block grant)		2,159	3,348	–	–
Water supplies (excl. section 64 contributions)		–	3	–	–
Library		86	79	–	–
Other		–	17	–	–
Total other contributions – cash		2,281	3,500	–	–
Non-cash contributions					
Nil					
Total other contributions		2,281	3,500	–	–
Total contributions		2,281	3,500	–	–
TOTAL GRANTS AND CONTRIBUTIONS		6,819	8,575	580	405

Accounting policy for contributions

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Warren Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	1,508	809
Add: operating grants recognised in the current period but not yet spent	845	1,480
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(1,508)	(781)
Unexpended and held as restricted assets (operating grants)	<u>845</u>	<u>1,508</u>
Contributions		
Unexpended at the close of the previous reporting period	994	103
Add: contributions recognised in the current period but not yet spent	649	994
Add: contributions received for the provision of goods and services in a future period		–
Less: contributions recognised in a previous reporting period now spent	(994)	(103)
Unexpended and held as restricted assets (contributions)	<u>649</u>	<u>994</u>

Warren Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	4,518	4,209
Travel expenses	–	1
Employee leave entitlements (ELE)	568	415
Superannuation	506	460
Workers' compensation insurance	232	229
Fringe benefit tax (FBT)	26	39
Training costs (other than salaries and wages)	83	55
Protective clothing	20	–
Other	9	–
Total employee costs	5,962	5,408
Less: capitalised costs	(517)	(523)
TOTAL EMPLOYEE COSTS EXPENSED	5,445	4,885
Number of 'full-time equivalent' employees (FTE) at year end	75	74

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

Warren Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		18	21
Total interest bearing liability costs expensed		18	21
(ii) Other borrowing costs			
Interest applicable on interest free (and favourable) loans to Council		11	14
Total other borrowing costs		11	14
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>29</u>	<u>35</u>

Accounting policy for borrowing costs

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

Warren Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	3,371	3,383
Contractor and consultancy costs	36	134
Auditors remuneration ⁽²⁾	56	43
Legal expenses:		
– Legal expenses: other	–	2
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>3,463</u>	<u>3,562</u>

2. Auditor remuneration

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

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

Audit and review of financial statements	52	43
Internal Audit	–	–
Remuneration for audit and other assurance services	<u>52</u>	<u>43</u>
Total Auditor-General remuneration	<u>52</u>	<u>43</u>

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

Internal Audit	4	–
Remuneration for audit and other assurance services	<u>4</u>	<u>–</u>
Total remuneration of non NSW Auditor-General audit firms	<u>4</u>	<u>–</u>
Total Auditor remuneration	<u>56</u>	<u>43</u>

Warren Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		902	941
Office equipment		33	19
Furniture and fittings		15	10
Infrastructure:			
– Buildings – non-specialised		103	99
– Buildings – specialised		178	170
– Other structures		140	140
– Roads		1,523	1,462
– Bridges		177	177
– Footpaths		47	47
– Stormwater drainage		40	39
– Water supply network		220	177
– Sewerage network		181	217
– Swimming pools		37	37
– Other open space/recreational assets		45	26
Total gross depreciation and amortisation costs		3,641	3,561
Less: capitalised costs		(332)	(318)
Total depreciation and amortisation costs		3,309	3,243

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment (continued)			
Impairment / revaluation decrement of IPP&E			
Nil			
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>3,309</u>	<u>3,243</u>

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Impairment of financial assets

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

Warren Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	29	27
Bank charges	10	7
Contributions/levies to other levels of government	–	–
– Emergency services levy (SES)	5	9
– NSW fire and rescue levy	21	16
– NSW rural fire service levy	103	101
– Contribution to Castlereagh Macquarie County Council	103	101
– Other contributions/levies	9	9
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	111	108
Councillors' expenses (incl. mayor) – other (excluding fees above)	23	26
Donations, contributions and assistance to other organisations (Section 356)	5	–
Election expenses	–	15
Electricity and heating	214	185
Insurance	210	233
Postage	10	7
Printing and stationery	21	24
Street lighting	100	88
Subscriptions and publications	31	24
Telephone and communications	30	27
Valuation fees	18	18
Water purchases	27	27
General manager recruitment expenses	–	17
Contribution to north western library co-operative	55	53
Other	4	4
Total other expenses	1,164	1,151
Less: capitalised costs	–	–
TOTAL OTHER EXPENSES	1,164	1,151

Accounting policy for other expenses

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

Warren Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		–	24
Less: carrying amount of property assets sold/written off		(32)	(5)
Net gain/(loss) on disposal		(32)	19
Plant and equipment	9		
Proceeds from disposal – plant and equipment		240	269
Less: carrying amount of plant and equipment assets sold/written off		(154)	(63)
Net gain/(loss) on disposal		86	206
Infrastructure	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,231)	(695)
Net gain/(loss) on disposal		(1,231)	(695)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		–	3
Less: carrying amount of real estate assets sold/written off		–	(3)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,177)	(470)

Accounting policy for disposal of assets

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

Warren Shire Council

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	398	286
Cash-equivalent assets		
– Deposits at call	1,806	947
– Short-term deposits	10,500	14,000
Total cash and cash equivalents	12,704	15,233

Accounting policy for cash and cash equivalents

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

Note 6(b). Investments

Investments

Nil

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	12,704	–	15,233	–
attributable to:				
External restrictions (refer below)	4,178	–	5,543	–
Internal restrictions (refer below)	8,026	–	9,190	–
Unrestricted	500	–	500	–
	12,704	–	15,233	–

Details of restrictions

External restrictions – included in liabilities

Cwcm roadside mapping	7	7
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External restrictions – included in liabilities**External restrictions – other**

RMS contributions	649	994
Specific purpose unexpended grants	845	1,508
Water supplies	144	343
Sewerage services	2,271	2,430
Domestic waste management	262	261
External restrictions – other	4,171	5,536
Total external restrictions	4,178	5,543

Warren Shire Council

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

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	633	1,210
Infrastructure replacement	559	2,545
Employees leave entitlement	500	700
Roadworks	1,000	1,010
Bridgeworks	310	317
Risk management, whs and insurance	217	254
Specific maintenance and repair	60	48
Specific programs	884	1,371
CBD improvements	300	341
Prepaid financial assistance grant	1,341	1,278
Construction of Council Chambers and 2 Dwellings	1,850	–
Depot upgrade	256	–
Other	116	116
Total internal restrictions	8,026	9,190
TOTAL RESTRICTIONS	12,204	14,733

Warren Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	129	45	93	36
Interest and extra charges	8	4	8	3
User charges and fees	1,066	24	212	17
Accrued revenues				
– Interest on investments	23	–	30	–
Deferred debtors	2	–	1	1
Government grants and subsidies	154	–	377	–
Net GST receivable	–	–	3	–
Total	1,382	73	724	57
Less: provision for impairment				
Nil				
TOTAL NET RECEIVABLES	1,382	73	724	57
Externally restricted receivables				
Water supply				
– Specific purpose grants	136	–	337	–
– Rates and availability charges	19	4	18	5
– Other	98	20	60	17
Sewerage services				
– Specific purpose grants	18	–	40	–
– Rates and availability charges	38	7	22	7
– Other	2	–	10	1
Domestic waste management	17	6	16	6
Total external restrictions	328	37	503	36
Internally restricted receivables				
Nil				
Unrestricted receivables	1,054	36	221	21
TOTAL NET RECEIVABLES	1,382	73	724	57

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other 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.

Warren Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	153	–	153	–
Stores and materials	118	–	117	–
Trading stock	277	–	277	–
Loose tools	112	–	107	–
Total inventories at cost	660	–	654	–
<u>TOTAL INVENTORIES</u>	<u>660</u>	<u>–</u>	<u>654</u>	<u>–</u>
(b) Other assets				
Prepayments	34	–	17	–
<u>TOTAL OTHER ASSETS</u>	<u>34</u>	<u>–</u>	<u>17</u>	<u>–</u>
Externally restricted assets				
There are no restrictions applicable to the above assets.				
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>694</u>	<u>–</u>	<u>671</u>	<u>–</u>

Warren Shire Council

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

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Industrial/commercial		72	–	72	–
Other properties		81	–	81	–
Total real estate for resale		153	–	153	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		153	–	153	–
Total real estate for resale		153	–	153	–
Movements:					
Real estate assets at beginning of the year		153	–	156	–
– WDV of sales (expense)	5	–	–	(3)	–
Total real estate for resale		153	–	153	–

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

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

	2018	2017
Real estate for resale	137	137
Trading Stock	255	255
	392	392

Accounting policy**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. 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.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Asset class	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
				Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount								Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	730	–	730	1,372	142	–	–	(495)	(89)	–	1,660	–	1,660
Plant and equipment	9,782	6,723	3,059	1,752	–	(154)	(902)	–	–	–	10,766	7,011	3,755
Office equipment	213	108	105	–	16	–	(33)	–	–	–	228	140	88
Furniture and fittings	195	61	134	–	6	–	(15)	–	–	–	201	76	125
Land:													
– Operational land	1,454	–	1,454	–	252	–	–	–	–	–	1,706	–	1,706
– Community land	1,163	–	1,163	–	–	–	–	–	–	–	1,163	–	1,163
Infrastructure:													
– Buildings – non-specialised	8,778	4,990	3,788	53	–	(28)	(103)	–	–	1,625	8,225	2,890	5,335
– Buildings – specialised	11,446	6,077	5,369	67	–	(5)	(178)	–	–	3,646	13,394	4,495	8,899
– Other structures	11,880	5,788	6,092	–	37	–	(140)	3	–	–	11,864	5,872	5,992
– Roads	132,653	15,826	116,827	2,247	871	(862)	(1,523)	344	–	–	134,867	16,963	117,904
– Bridges	18,496	6,453	12,043	–	–	–	(177)	–	–	–	18,496	6,630	11,866
– Footpaths	4,186	1,800	2,386	7	–	(3)	(47)	–	–	–	4,186	1,843	2,343
– Stormwater drainage	3,993	1,756	2,237	–	–	–	(40)	–	–	–	3,993	1,796	2,197
– Water supply network	15,729	8,054	7,675	47	778	(1)	(220)	148	–	157	16,983	8,399	8,584
– Sewerage network	13,988	6,346	7,642	217	–	(364)	(181)	–	–	154	13,918	6,450	7,468
– Swimming pools	1,631	1,527	104	–	–	–	(37)	–	–	–	1,631	1,564	67
– Other open space/recreational assets	1,922	1,224	698	89	20	–	(45)	–	–	–	2,087	1,325	762
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	238,239	66,733	171,506	5,851	2,122	(1,417)	(3,641)	–	(89)	5,582	245,368	65,454	179,914

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

Warren Shire Council

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

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least 5 yearly, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 100
Water and sewer assets		Stormwater assets	
Reservoirs	100	Drains	80 to 100
Bores	50	Culverts	50 to 80
Reticulation pipes: PVC	80		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: seal	25	Swimming pools	50
Sealed roads: pavement	60	Other open space/recreational assets	20 to 50
Unsealed roads - pavement	30		
Road: formation	100		
Bridge: concrete	100		
Bridge: other	50		
Kerb, gutter and footpaths	80		

Notes to the Financial Statements

for the year ended 30 June 2018

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

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.

Land under roads

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

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

Warren Shire Council

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

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

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	11	–	11	160	–	160
Plant and equipment	275	136	139	269	106	163
Land						
– Operational land	98		98	98	–	98
– Community land	9		9	9	–	9
Other structures	73	33	40	73	31	42
Infrastructure	16,983	8,399	8,584	15,729	8,054	7,675
Total water supply	17,449	8,568	8,881	16,338	8,191	8,147
Sewerage services						
WIP	316	–	316	106	–	106
Plant and equipment	359	194	165	377	159	218
Land						
– Operational land	281	–	281	29	–	29
– Community land	111	–	111	111	–	111
Other structures	20	4	16	20	3	17
Infrastructure	13,918	6,450	7,468	13,988	6,346	7,642
Total sewerage services	15,005	6,648	8,357	14,631	6,508	8,123
Domestic waste management						
Land						
– Operational land	110		110	110	–	110
Total DWM	110	–	110	110	–	110
TOTAL RESTRICTED IPP&E	32,564	15,216	17,348	31,079	14,699	16,380

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

\$ '000

Notes

2018

2017

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 2018

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	–	–
Accumulated amortisation (1/7)	–	–
Accumulated impairment (1/7)	–	–
Net book value – opening balance	<u>–</u>	<u>–</u>
Movements for the year		
– Purchases	32	–
– Transferred from Note 9(a) IPPE - Works in Progress	89	–
Closing values:		
Gross book value (30/6)	121	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	<u><u>121</u></u>	<u><u>–</u></u>

¹ The net book value of intangible assets represent:

– Practical Plus Software	121	–
	<u>121</u>	<u>–</u>

Accounting policy for intangible assets**IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Warren Shire Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	422	–	314	–
Accrued expenses:				
– Salaries and wages	43	–	28	–
– Other expenditure accruals	31	–	–	–
ATO – net GST payable	87	–	–	–
Sundry deposits	77	–	40	–
Total payables	660	–	382	–
Income received in advance				
Payments received in advance	114	–	103	–
Total income received in advance	114	–	103	–
Borrowings				
Loans – secured ¹	59	132	55	191
Government advances	28	37	28	54
Total borrowings	87	169	83	245
TOTAL PAYABLES AND BORROWINGS	861	169	568	245

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	15	–	8	–
Other	7	–	7	7
Payables and borrowings relating to externally restricted assets	22	–	15	7
Internally restricted assets				
Nil				
Total payables and borrowings relating to restricted assets	22	–	15	7
Total payables and borrowings relating to unrestricted assets	839	169	553	238
TOTAL PAYABLES AND BORROWINGS	861	169	568	245

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 20.

Warren Shire Council

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

Note 11. Payables and borrowings (continued)

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

Nil

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	246	(55)	–	–	–	191
Government advances	82	(28)	–	11	–	65
TOTAL	328	(83)	–	11	–	256

\$ '000	2018	2017
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(d) Financing arrangements

Nil

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ⁽¹⁾	500	500
Credit cards/purchase cards	25	10
Total financing arrangements	525	510
Drawn facilities as at balance date:		
– Credit cards/purchase cards	2	2
Total drawn financing arrangements	2	2
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	23	8
Total undrawn financing arrangements	523	508

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

Warren Shire Council

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

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
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Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Warren Shire Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	463	–	467	–
Long service leave	1,192	52	1,348	39
Sub-total – aggregate employee benefits	1,655	52	1,815	39
<u>TOTAL PROVISIONS</u>	<u>1,655</u>	<u>52</u>	<u>1,815</u>	<u>39</u>
(a) Provisions relating to restricted assets				
	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	3	6	17	4
Sewer	23	5	28	4
Provisions relating to externally restricted assets	26	11	45	8
Internally restricted assets				
Nil				
Total provisions relating to restricted assets	26	11	45	8
Total provisions relating to unrestricted assets	1,629	41	1,770	31
TOTAL PROVISIONS	1,655	52	1,815	39
\$ '000			2018	2017

(b) Current provisions not anticipated to be settled within the next twelve months

Nil

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

Provisions – employees benefits	1,006	956
	1,006	956

Warren Shire Council

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

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions		Total
	Annual leave	Long service leave	
At beginning of year	467	1,387	1,854
Additional provisions	366	179	545
Amounts used (payments)	(368)	(388)	(756)
Remeasurement effects	(2)	66	64
Total ELE provisions at end of year	463	1,244	1,707

2017	ELE provisions		Total
	Annual leave	Long service leave	
At beginning of year	408	1,418	1,826
Additional provisions	316	78	394
Amounts used (payments)	(266)	(120)	(386)
Remeasurement effects	9	11	20
Total ELE provisions at end of year	467	1,387	1,854

Accounting policy for provisions

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

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

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

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Warren Shire Council

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

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

(a) 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.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

(b) Correction of errors relating to a previous reporting period

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

(c) Voluntary changes in accounting policies

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

(d) 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 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,704	15,233
Balance as per the Statement of Cash Flows		12,704	15,233
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,046	3,793
Adjust for non-cash items:			
Depreciation and amortisation		3,309	3,243
Net losses/(gains) on disposal of assets		1,177	470
– Interest exp. on interest-free loans received by Council (previously fair value)		11	14
Share of net (profits) or losses of associates/joint ventures		(1)	(4)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(674)	107
Decrease/(increase) in inventories		(6)	8
Decrease/(increase) in other assets		(17)	(4)
Increase/(decrease) in payables		108	145
Increase/(decrease) in other accrued expenses payable		46	11
Increase/(decrease) in other liabilities		135	5
Increase/(decrease) in employee leave entitlements		(147)	28
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		4,987	7,816

(c) Non-cash investing and financing activities

Nil

(d) Net cash flows attributable to discontinued operations

Nil

Warren Shire Council

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

Note 15. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	Actual	Actual	Actual	Actual
	2018	2017	2018	2017
Joint ventures	1	4	54	53
Total	1	4	54	53

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

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

Warren Shire Council

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

Note 15. Interests in other entities (continued)

\$ '000

(b) Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
North Western Library Co-operative	Joint Venture	At Cost	54	53
Total carrying amounts – material joint ventures			54	53

(b) Details

Name of entity	Principal activity	Place of business
North Western Library Co-operative	Joint purchasing of books and 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	
	2018	2017	2018	2017	2018	2017	2018	2017
North Western Library Co-operative	n/a	n/a	25%	25%	25%	25%	25%	25%

(d) Summarised financial information for joint ventures

	North Western Library Co-operative	
Statement of financial position	2018	2017
Current assets		
Cash and cash equivalents	24	9
Non-current assets	190	203
Net assets	214	212
Reconciliation of the carrying amount		
Opening net assets (1 July)	212	196
Profit/(loss) for the period	2	16
Closing net assets	214	212
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	54	53

Warren Shire Council

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

Note 15. Interests in other entities (continued)

\$ '000

	North Western Library Co-operative	
	2018	2017
Statement of comprehensive income		
Income	241	238
Interest income	2	3
Depreciation and amortisation	(83)	(80)
Other expenses	(158)	(145)
Profit/(loss) from continuing operations	2	16
Total comprehensive income	2	16
Share of income – Council (%)	25.0%	25.0%
Profit/(loss) – Council (\$)	1	4
Total comprehensive income – Council (\$)	1	4
Dividends received by Council	–	–
Summarised Statement of cash flows		
Cash flows from operating activities	84	96
Cash flows from investing activities	(69)	(92)
Net increase (decrease) in cash and cash equivalents	15	4

(e) County Councils

Council is a member of the Castlereagh Macquarie County Council, a body corporate established under the Local Government Act 1993 (NSW) to control noxious weeds. Council is one of five constituent council members and does not control the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

(b) Joint arrangements (continued)**(ii) Joint operations**

Council has no interest in any joint operations.

(c) Associates

Council has no interest in any associates.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

Warren Shire Council

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

Note 16. Commitments for expenditure

\$ '000	2018	2017
(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		
Buildings	674	–
Plant and equipment	351	1,242
Purchase of Land	–	225
Total commitments	1,025	1,467
These expenditures are payable as follows:		
Within the next year	1,025	1,467
Total payable	1,025	1,467
Sources for funding of capital commitments:		
Internally restricted reserves	1,025	1,467
Total sources of funding	1,025	1,467

Details of capital commitments

Construction of 2 new Council houses and the purchase of Paveline truck

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

Nil

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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.

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

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

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

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

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

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and other liabilities/assets not recognised

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans - continued

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

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

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

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

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$133,659.45. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$154,711.52.

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

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

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

Warren Shire Council

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

Note 17. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans - continued

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

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

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.22% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(iii) StateCover Limited (continued)

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 2018

Note 17. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED:

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 the 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. The quarry has not been in operation for the last 15 years.

(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 2018

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	12,704	15,233	12,704	15,233
Receivables	1,455	781	1,455	781
Total financial assets	14,159	16,014	14,159	16,014
Financial liabilities				
Payables	660	382	660	382
Loans/advances	256	328	256	328
Total financial liabilities	916	710	916	710

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.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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
2018				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	127	127	127	127
2017				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	152	152	152	152

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	89%	0%	88%
Overdue	100%	11%	100%	12%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value**Rates and annual charges**

	2018	2017
Current	–	–
< 1 year overdue	115	69
1 – 2 years overdue	30	57
2 – 5 years overdue	28	3
> 5 years overdue	1	–
	<u>174</u>	<u>129</u>

Other receivables

	2018	2017
Current	1,243	580
0 – 30 days overdue	3	10
31 – 60 days overdue	7	15
61 – 90 days overdue	4	10
> 91 days overdue	24	37
	<u>1,281</u>	<u>652</u>

Warren Shire Council

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

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	–	660	-	-	660	660
Loans and advances	6.80%	-	101	201	-	302	256
Total financial liabilities		–	761	201	–	962	916
2017							
Trade/other payables	0.00%	–	382	-	-	382	382
Loans and advances	6.80%	-	100	302	-	402	328
Total financial liabilities		–	482	302	–	784	710

Warren Shire Council

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

Note 19. Material budget variations

 \$ '000

Council's original financial budget for 17/18 was adopted by the Council on 29 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	5,563	5,557	(6)	(0%)	U
User charges and fees	1,187	1,861	674	57%	F
Council received additional work orders from the RMS for rehabilitation works on State Highway 11 (Oxley Highway) of \$674K					
Interest and investment revenue	298	309	11	4%	F
Other revenues	304	506	202	66%	F
Council under estimated other revenues when preparing the Estimates for 2017/18					
Operating grants and contributions	5,915	6,819	904	15%	F
Council received additional grant monies from the State Government under the Stronger Country Communities Fund of \$670K for a variety of projects to be undertaken in 2018/19. The Library was also successful in obtaining a grant from the State Library of NSW to upgrade technology of \$55K.					
Capital grants and contributions	500	580	80	16%	F
Renewal works of the Warren sewerage treatment works were more than anticipated during 2017/18, this project is 50% funded by Infrastructure NSW.					
Joint ventures and associates - net profits	–	1	1	0%	F

Warren Shire Council

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

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	5,009	5,445	(436)	(9%) U
The need to complete all flood damage works prior to the end of February 2018 required employees to work considerable overtime, also a full payroll review was undertaken and backpay and pay rises were awarded.				
Borrowing costs	18	29	(11)	(61%) U
Council does not budget for the fair value expense on the interest free loan.				
Materials and contracts	2,633	3,463	(830)	(32%) U
Council received additional funding for the roadworks on State Highway 11 requiring the engagement of contractors to complete the works required within the RMS timeframe.				
Depreciation and amortisation	3,670	3,309	361	10% F
Other expenses	1,175	1,164	11	1% F
Net losses from disposal of assets	–	1,177	(1,177)	0% U
Council does not budget for gains or losses on disposal of assets, this loss represents the write off of road, water and sewerage renewals.				
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	5,882	4,987	(895)	(15.2%) U
The increased employee overtime and retirement of long serving senior employees attributed to the increased costs.				
Cash flows from investing activities	(6,873)	(7,433)	(560)	8.1% U
Council undertook additional road reconstruction and sewerage treatment plant upgrade work than initially budgeted.				
Cash flows from financing activities	267	(83)	(350)	(131.1%) U
Council budgeted to take out a new loan in the amount of \$350K for the Nevertire reservoir upgrade that did not occur.				

Warren Shire Council

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

Note 20. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Infrastructure, property, plant and equipment				
Plant & Equipment	–	–	3,755	3,755
Office Equipment	–	–	88	88
Furniture & Fittings	–	–	125	125
Operational Land	–	–	1,706	1,706
Community Land	–	–	1,163	1,163
Buildings - Non-Specialised	–	–	5,335	5,335
Buildings- Specialised	–	–	8,899	8,899
Other Structures	–	–	5,992	5,992
Roads	–	–	117,904	117,904
Bridges	–	–	11,866	11,866
Footpaths	–	–	2,343	2,343
Stormwater Drainage	–	–	2,197	2,197
Water Supply Network	–	–	8,584	8,584
Sewerage Network	–	–	7,468	7,468
Swimming Pools	–	–	67	67
Other Open Space/Recreational Assets	–	–	762	762
Total infrastructure, property, plant and equipment	–	–	178,254	178,254

Warren Shire Council

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

Note 20. Fair value measurement

\$ '000

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 2018

Note 20. Fair value measurement (continued)

\$ '000

(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.

(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.

Buildings - Non-Specialised & Specialised

Non-Specialised & Specialised Buildings were valued externally using the Rawlinson's Construction Guide in June 2018 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.

Council engaged Aspect Property Consultants P/L to revalue it's buildings in 2017/18.

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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 2018

Note 20. 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 indexed by 2.1% in 2017/18 as required by the NSW Office of Water each year according to their published reference rates.

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

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 indexed by 2.1% in 2017/18 as required by the NSW Office of Water each year according to their published reference rates.

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

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.

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.

Warren Shire Council

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

Note 20. 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 – 1/7/16	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)
FV gains – other comprehensive income	–	3	–	–	3
Revaluation Increment to Equity	–	–	–	292	292
Closing balance – 30/6/17	3,059	105	134	1,454	4,752
Purchases (GBV)	1,752	16	6	252	2,026
Disposals (WDV)	(154)	–	–	–	(154)
Depreciation and impairment	(902)	(33)	(15)	–	(950)
Closing balance – 30/6/18	3,755	88	125	1,706	5,674

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

	Community Land	Buildings Non- Specialised	Buildings Specialised	Other Structures	Total
Opening balance – 1/7/16	1,163	3,797	5,536	6,230	16,726
Purchases (GBV)	–	83	3	2	88
Depreciation and impairment	–	(99)	(170)	(140)	(409)
Transfers from Works in Progress	–	7	–	–	7
Closing balance – 30/6/17	1,163	3,788	5,369	6,092	16,412
Purchases (GBV)	–	53	67	37	157
Disposals (WDV)	–	(28)	(5)	–	(33)
Depreciation and impairment	–	(103)	(178)	(140)	(421)
Transfers from Works in Progress	–	–	–	3	3
Revaluation Increment to Equity	–	1,625	3,646	–	5,271
Closing balance – 30/6/18	1,163	5,335	8,899	5,992	21,389

Warren Shire Council

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

Note 20. 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 – 1/7/16	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)
Transfers from Works in Progress	864	–	–	–	864
Closing balance – 30/6/17	116,827	12,043	2,386	2,237	133,493
Purchases (GBV)	3,118	–	7	–	3,125
Disposals (WDV)	(862)	–	(3)	–	(865)
Depreciation and impairment	(1,523)	(177)	(47)	(40)	(1,787)
Transfers from Works in Progress	344	–	–	–	344
Closing balance – 30/6/18	117,904	11,866	2,343	2,197	134,310

(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)

	Water Supply Network	Sewerage Network	Swimming Pools	Open Space Recreational	Total
Opening balance – 1/7/16	6,367	4,198	141	658	11,364
Purchases (GBV)	229	–	–	66	295
Depreciation and impairment	(177)	(217)	(37)	(26)	(457)
Transfers 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
Purchases (GBV)	825	217	–	109	1,151
Disposals (WDV)	(1)	(364)	–	–	(365)
Depreciation and impairment	(220)	(181)	(37)	(45)	(483)
Transfers from Works in Progress	148	–	–	–	148
Revaluation Increment to Equity	157	154	–	–	311
Closing balance – 30/6/18	8,584	7,468	67	762	16,881

Warren Shire Council

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

Note 20. 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:

Other Structures

An amount of \$3K was transferred from Works in Progress for the purchase and installation of tourism signage along the Mitchell Highway at Nevertire.

Roads

An amount of \$344K was transferred from Works in Progress for the completion of the Ellengerah Road reconstruction project.

Water Supplies

An amount of \$148K was transferred from Works in Progress for the completion of the Restart NSW Water Security project construction 4 new bores and piping.

(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 2018

Note 21. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	674,776	672,160
Post-employment benefits	63,946	46,160
Other long-term benefits	18,315	19,026
Termination benefits	264,902	–
Total	<u>1,021,939</u>	<u>737,346</u>

Warren Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Supply of general household goods	1	6,278	-	30 Days	-	-
Motor vehicle servicing & parts	2	21,572	-	30 Days	-	-
Motor vehicle purchases & trades - nett	3	189,135	-	14 Days	-	-
Building renovations & repair	4	16,220	-	14 Days	-	-
Rent of Council Building	5	9,660	-	30 Days	-	-

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 required urgent repairs to one of its building after a severe wind storm blew in a front window, this was compensated through insurance, the local building contractor undertaking the repairs is the spouse of 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 2018

Note 21. Related party transactions (continued)

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2017						
Supply of general household goods	1	7,839	-	30 Days	-	-
Motor vehicle servicing & parts	2	15,710	-	30 Days	-	-
Motor vehicle purchases & trades - nett	3	77,715	-	30 Days	-	-
Building renovations & repair	4	13,175	-	30 Days	-	-
Rent of Council Building	5	11,960	3,289	30 Days	-	-

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 it's 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 my 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' 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 2018

Note 21. Related party transactions (continued)

c. Other related party transactions

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Joint Venture	1	55,163	-	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.

Warren Shire Council

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

Note 21. Related party transactions (continued)

c. Other related party transactions (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2017						
Joint Venture	1	52,748	-	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.

Warren Shire Council

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

Note 22. Events occurring after the reporting date

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 2018

Note 23. Financial result and financial position by fund

\$ '000			
Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	395	483	4,679
User charges and fees	362	48	1,451
Interest and investment revenue	8	73	228
Other revenues	–	–	506
Grants and contributions provided for operating purposes	9	8	6,802
Grants and contributions provided for capital purposes	349	231	–
Other income			
Net gains from disposal of assets	–	–	–
Share of interests in joint ventures and associates using the equity method	–	–	1
Total income from continuing operations	1,123	843	13,667
Expenses from continuing operations			
Employee benefits and on-costs	257	200	4,988
Borrowing costs	–	–	29
Materials and contracts	362	138	2,963
Depreciation and amortisation	253	225	2,831
Impairment of investments	–	–	–
Other expenses	27	–	1,137
Net losses from the disposal of assets	1	370	806
Share of interests in joint ventures and associates using the equity method	–	–	–
Total expenses from continuing operations	900	933	12,754
Operating result from continuing operations	223	(90)	913
Net operating result for the year	223	(90)	913
Net operating result attributable to each council fund	223	(90)	913
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(126)	(321)	913

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 2018

Note 23. Financial result and financial position by fund (continued)

\$ '000			
Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	144	2,271	10,289
Receivables	253	58	1,071
Inventories	–	–	660
Other	–	–	34
Total current assets	397	2,329	12,054
Non-current assets			
Receivables	24	7	42
Infrastructure, property, plant and equipment	8,881	8,357	162,676
Investments accounted for using the equity method	–	–	54
Intangible assets	–	–	121
Total non-current assets	8,905	8,364	162,893
TOTAL ASSETS	9,302	10,693	174,947
LIABILITIES			
Current liabilities			
Payables	15	–	645
Income received in advance	–	–	114
Borrowings	–	–	87
Provisions	3	23	1,629
Total current liabilities	18	23	2,475
Non-current liabilities			
Borrowings	–	–	169
Provisions	6	5	41
Total non-current liabilities	6	5	210
TOTAL LIABILITIES	24	28	2,685
Net assets	9,278	10,665	172,262
EQUITY			
Accumulated surplus	5,374	4,110	88,282
Revaluation reserves	3,904	6,555	83,980
Council equity interest	9,278	10,665	172,262
Non-controlling interests	–	–	–
Total equity	9,278	10,665	172,262

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 2018

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,642</u>	10.91%	23.04%	16.74%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>15,052</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>8,233</u>	52.67%	47.59%	53.92%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>15,632</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>9,882</u>	6.76x	7.45x	9.76x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>1,462</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>4,980</u>	44.46x	62.56x	48.15x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>112</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>186</u>	3.26%	2.49%	2.66%	10%
Rates, annual and extra charges collectible	<u>5,707</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>12,704</u>	13.65 mths	17.7 mths	15.2 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>931</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 Notes 11 and 12.

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

Warren Shire Council

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

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	12.57%	26.13%	-16.15%	-13.26%	8.01%	-14.55%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	50.23%	44.59%	68.12%	65.60%	71.65%	90.27%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	6.76x	7.45x	22.06x	30.32x	101.26x	89.36x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 24a 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 2018

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
	40.88x	60.06x	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							
	2.39%	1.84%	5.95%	6.41%	9.14%	6.20%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
	12.12	16.05	2.67	6.87	80.63	71.30	> 3 months
Payments from cash flow of operating and financing activities x12							
	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 24a above.

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Warren Shire Council

To the Councillors of the Warren Shire Council

Opinion

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

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

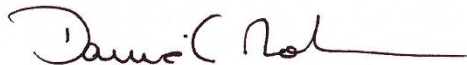
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink, appearing to read "David Nolan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

16 October 2018
SYDNEY

Mr Milton Quigley
Mayor
Warren Shire Council
PO Box 6
WARREN NSW 2824

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1824900/1802

16 October 2018

Dear Mayor

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





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

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

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

INCOME STATEMENT

Operating result

	2018	2017 *	Variance
	\$m	\$m	%
Rates and annual charges revenue	5.56	5.46	 1.8
Grants and contributions revenue	7.40	8.98	 17.6
Operating result for the year	1.05	3.79	 72.3
Net operating result before capital amounts	0.47	3.39	 86.1

Council's operating result (\$1 million including the effect of depreciation expense of \$3.3 million) was \$2.7 million lower than the 2016–17 result. The decrease from the previous period is mainly due to reduced funding from grants and contributions and the disposal of renewed components of infrastructure.

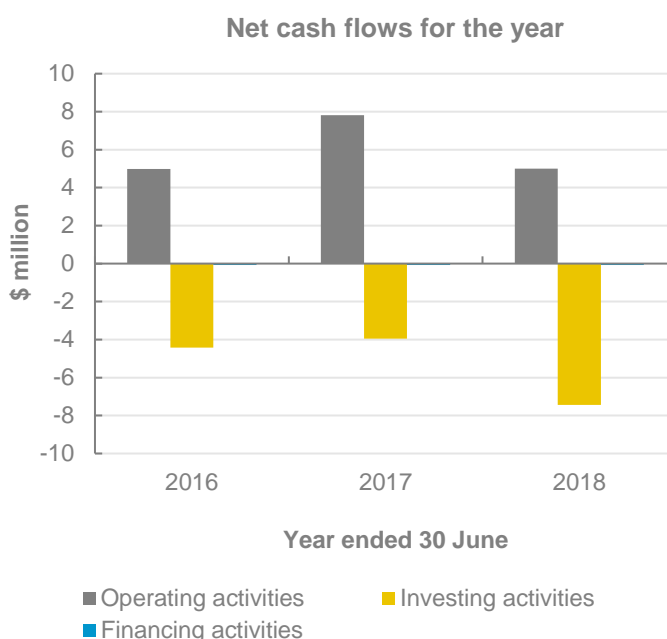
The net operating result before capital grants and contributions (\$466,000) was \$2.9 million lower than the 2016–17 result for the reasons noted above.

Rates and annual charges revenue (\$5.6 million) increased by \$93,000 (1.8 per cent) in 2017–2018.

Grants and contributions revenue (\$7.4 million) decreased by \$1.6 million (18 per cent) in 2017–2018 due to the timing of financial assistance grants received over the past two years and reduced RMS contributions.

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 decreased by \$2.5 million to \$12.7 million at the close of the year.
- The decrease can be mostly attributed increased capital works during the year.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	4.2	5.5	• External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.
Internal restrictions	8.0	9.2	
Unrestricted	0.5	0.5	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	12.7	15.2	

PERFORMANCE RATIOS

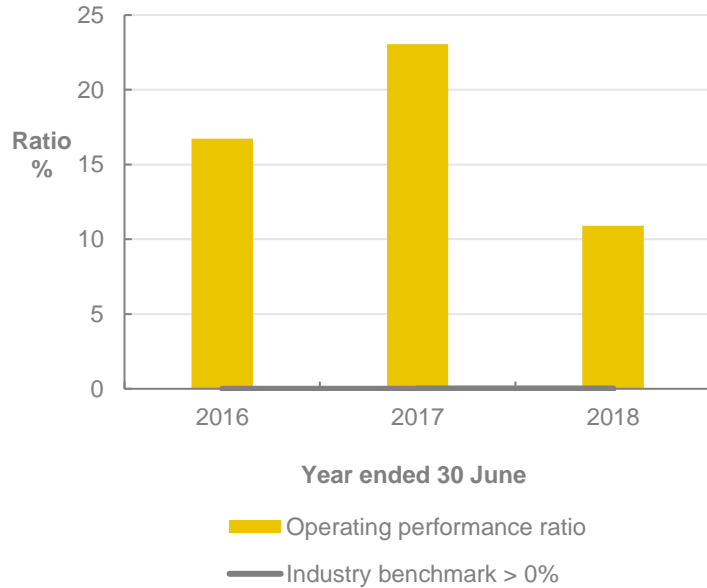
The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 24 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7 which has not been audited.

Operating performance ratio

- The indicator of 10.9 per cent was above the industry benchmark.
- The variance from the previous year is due to the reduced operating result noted above.

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.

Operating performance ratio

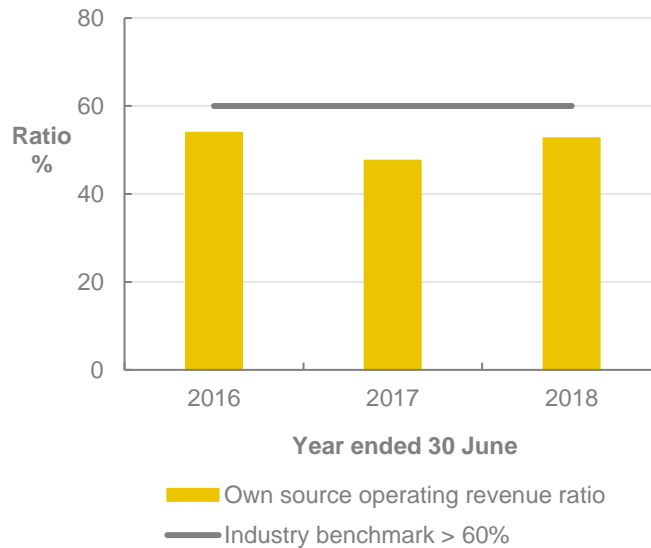


Own source operating revenue ratio

- Council’s own source operating revenue ratio of 52.7 per cent was below the industry benchmark.
- This indicator would increase with the inclusion of the financial assistance grant.

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.

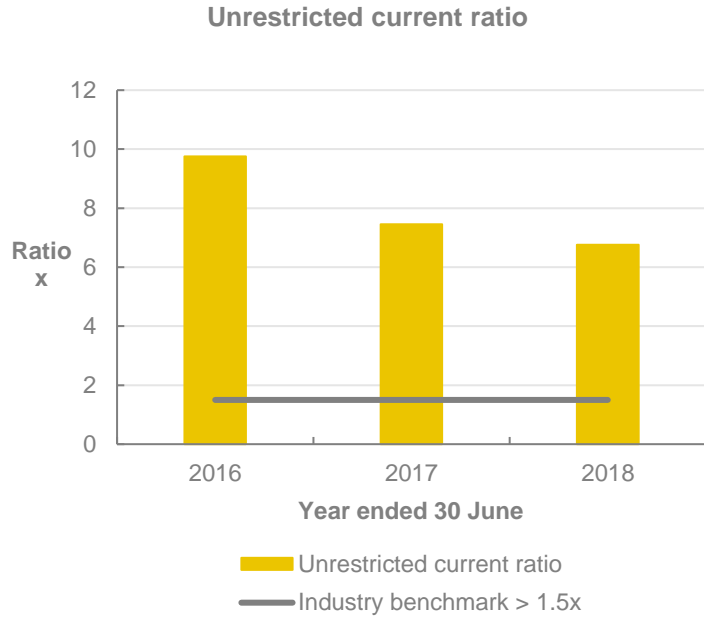
Own source operating revenue ratio



Unrestricted current ratio

- This ratio indicated that Council currently had 6.76 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark.

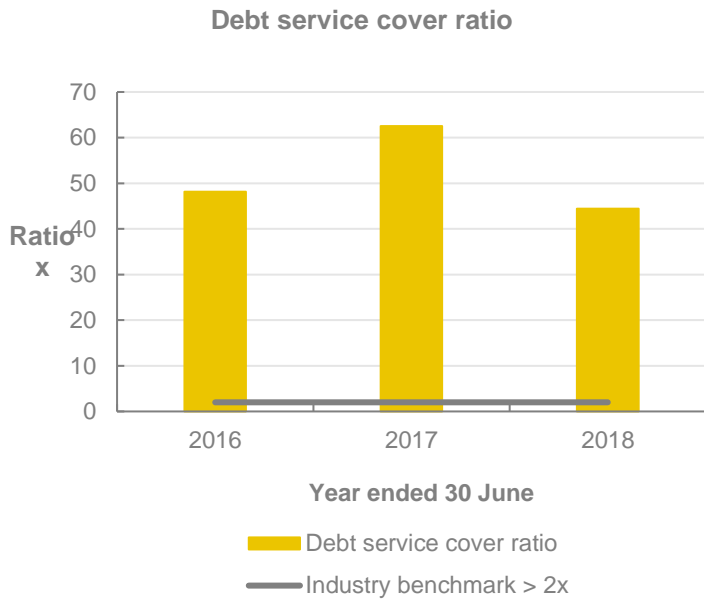
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 44.5 times exceeded the industry benchmark.
- The variance from the previous is a reflection of the reduced operating result for 2017-18.

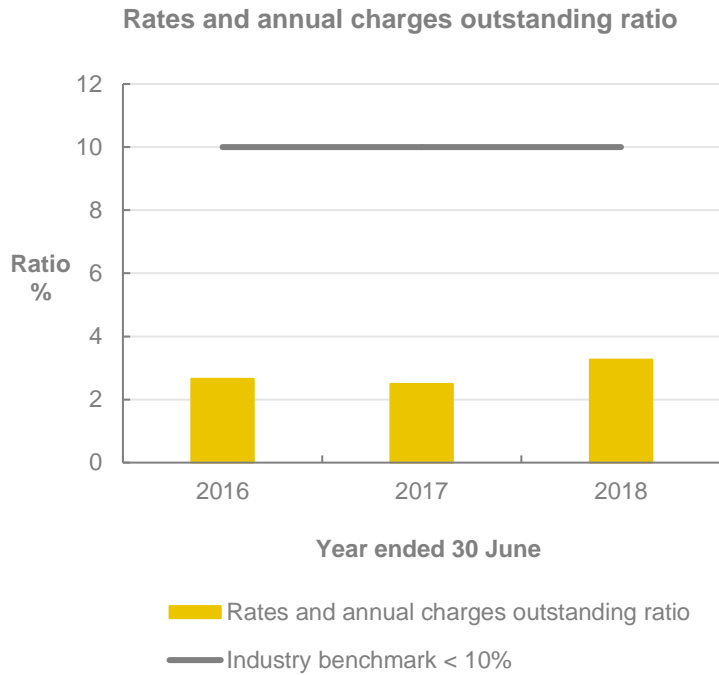
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 3.3 per cent was within the industry benchmark.

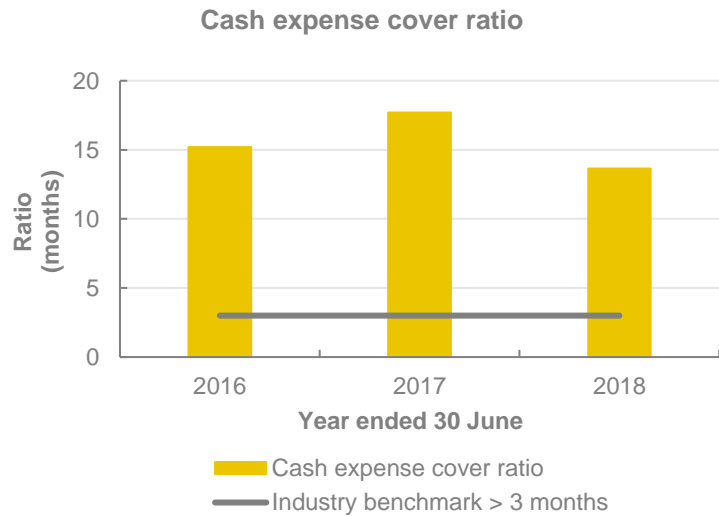
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council's cash expense cover ratio of 13.7 months well exceeded the industry benchmark.

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

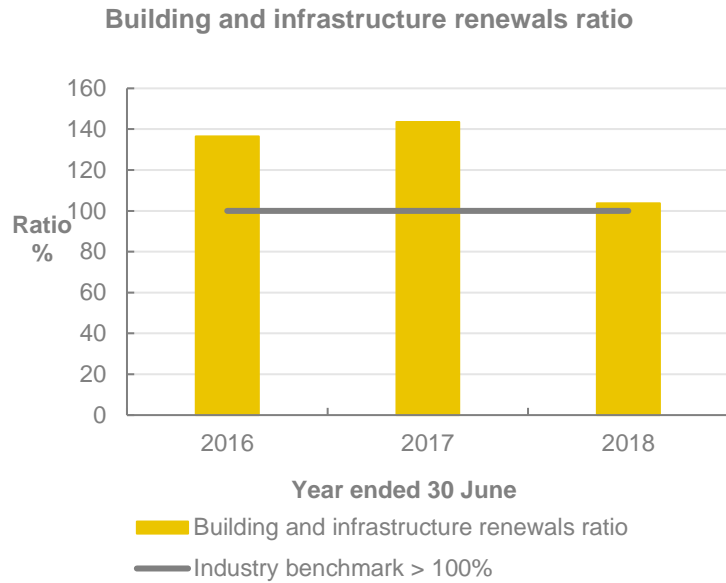


Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 103.6 per cent exceeded the industry benchmark.

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

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



OTHER MATTERS

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.

David Nolan
Director, Financial Audit Services

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