

# Warren Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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“Australia's Wool & Cotton Capital”



## Warren Shire Council

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

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Warren Shire Council.
- (ii) Warren Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
  - (iv) These financial statements were authorised for issue by the Council on 29 August 2016.  
Council has the power to amend and reissue these financial statements.
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# Warren Shire Council

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

### Understanding Council's financial statements

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#### Introduction

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

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### **1. The Income Statement**

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

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

##### **2. The Statement of Comprehensive Income**

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

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

#### Who uses the financial statements?

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

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

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

Warren Shire Council

General Purpose Financial Statements  
for the year ended 30 June 2016

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

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

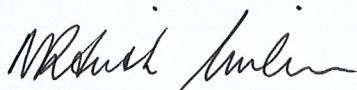
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

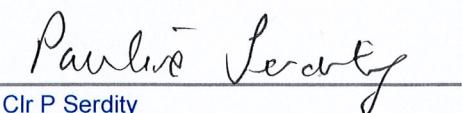
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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

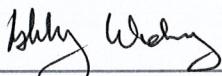
Signed in accordance with a resolution of Council made on 28 July 2016.



Clr NRF Wilson  
Mayor



Clr P Serdity  
Councillor



Mr AP Wielinga  
General manager



Mr DJ Arthur  
Responsible accounting officer

## Warren Shire Council

### Income Statement for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
5,351	Rates and annual charges	3a	5,336	5,192
1,124	User charges and fees	3b	1,630	1,555
236	Interest and investment revenue	3c	336	323
470	Other revenues	3d	450	480
5,503	Grants and contributions provided for operating purposes	3e,f	6,078	4,722
1,365	Grants and contributions provided for capital purposes	3e,f	548	102
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	107	178
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>14,049</b>	<b>Total income from continuing operations</b>		<b>14,485</b>	<b>12,552</b>
<b>Expenses from continuing operations</b>				
4,800	Employee benefits and on-costs	4a	4,676	4,788
25	Borrowing costs	4b	41	46
2,573	Materials and contracts	4c	2,514	2,467
4,032	Depreciation and amortisation	4d	3,181	3,902
–	Impairment	4d	–	–
1,103	Other expenses	4e	1,103	1,033
–	Interest and investment losses	3c	–	–
–	Net losses from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	19	4	13
<b>12,533</b>	<b>Total expenses from continuing operations</b>		<b>11,519</b>	<b>12,249</b>
<b>1,516</b>	<b>Operating result from continuing operations</b>		<b>2,966</b>	<b>303</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>1,516</b>	<b>Net operating result for the year</b>		<b>2,966</b>	<b>303</b>
1,516	Net operating result attributable to Council		2,966	303
–	Net operating result attributable to non-controlling interests		–	–
<b>151</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>2,418</b>	<b>201</b>

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

## Warren Shire Council

**Statement of Comprehensive Income**  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>2,966</b>	<b>303</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	321	24,357
Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	—
Other comprehensive income – joint ventures and associates	19b	—	—
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>321</b>	<b>24,357</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>321</b>	<b>24,357</b>
<b>Total comprehensive income for the year</b>		<b>3,287</b>	<b>24,660</b>
<b>Total comprehensive income attributable to Council</b>		<b>3,287</b>	<b>24,660</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>—</b>	<b>—</b>

**Warren Shire Council**  
**Statement of Financial Position**  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	11,456	10,147
Investments	6b	—	—
Receivables	7	798	506
Inventories	8	665	645
Other	8	13	2
Non-current assets classified as 'held for sale'	22	—	—
<b>Total current assets</b>		<b>12,932</b>	<b>11,300</b>
<b>Non-current assets</b>			
Investments	6b	—	—
Receivables	7	100	91
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	166,688	164,990
Investments accounted for using the equity method	19	49	53
Investment property	14	—	—
Intangible assets	25	—	—
Non-current assets classified as 'held for sale'	22	—	—
Other	8	—	—
<b>Total non-current assets</b>		<b>166,837</b>	<b>165,134</b>
<b>TOTAL ASSETS</b>		<b>179,769</b>	<b>176,434</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	324	330
Borrowings	10	79	75
Provisions	10	1,790	1,670
Liabilities associated with assets classified as 'held for sale'	22	—	—
<b>Total current liabilities</b>		<b>2,193</b>	<b>2,075</b>
<b>Non-current liabilities</b>			
Payables	10	—	—
Borrowings	10	314	377
Provisions	10	36	43
Investments accounted for using the equity method	19	—	—
Liabilities associated with assets classified as 'held for sale'	22	—	—
<b>Total non-current liabilities</b>		<b>350</b>	<b>420</b>
<b>TOTAL LIABILITIES</b>		<b>2,543</b>	<b>2,495</b>
<b>Net assets</b>		<b>177,226</b>	<b>173,939</b>
<b>EQUITY</b>			
Retained earnings	20	92,927	89,961
Revaluation reserves	20	84,299	83,978
Council equity interest		177,226	173,939
Non-controlling equity interests		—	—
<b>Total equity</b>		<b>177,226</b>	<b>173,939</b>

## Warren Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		89,961	83,978	<b>173,939</b>	—	<b>173,939</b>
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
<b>Revised opening balance (as at 1/7/15)</b>		<b>89,961</b>	<b>83,978</b>	<b>173,939</b>	—	<b>173,939</b>
<b>c. Net operating result for the year</b>		<b>2,966</b>	—	<b>2,966</b>	—	<b>2,966</b>
<b>d. Other comprehensive income</b>						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	321	<b>321</b>	—	<b>321</b>
<b>Other comprehensive income</b>		<b>—</b>	<b>321</b>	<b>321</b>	—	<b>321</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>2,966</b>	<b>321</b>	<b>3,287</b>	—	<b>3,287</b>
<b>e. Distributions to/(contributions from) non-controlling Interests</b>		—	—	—	—	—
<b>f. Transfers between equity</b>		—	—	—	—	—
<b>Equity – balance at end of the reporting period</b>		<b>92,927</b>	<b>84,299</b>	<b>177,226</b>	—	<b>177,226</b>
\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		89,658	59,621	<b>149,279</b>	—	<b>149,279</b>
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
<b>Revised opening balance (as at 1/7/14)</b>		<b>89,658</b>	<b>59,621</b>	<b>149,279</b>	—	<b>149,279</b>
<b>c. Net operating result for the year</b>		<b>303</b>	—	<b>303</b>	—	<b>303</b>
<b>d. Other comprehensive income</b>						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	24,357	<b>24,357</b>	—	<b>24,357</b>
<b>Other comprehensive income</b>		<b>—</b>	<b>24,357</b>	<b>24,357</b>	—	<b>24,357</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>303</b>	<b>24,357</b>	<b>24,660</b>	—	<b>24,660</b>
<b>e. Distributions to/(contributions from) non-controlling Interests</b>		—	—	—	—	—
<b>f. Transfers between equity</b>		—	—	—	—	—
<b>Equity – balance at end of the reporting period</b>		<b>89,961</b>	<b>83,978</b>	<b>173,939</b>	—	<b>173,939</b>

## Warren Shire Council

### Statement of Cash Flows for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b><u>Receipts:</u></b>				
5,318	Rates and annual charges		5,327	5,186
1,550	User charges and fees		1,742	1,603
236	Investment and interest revenue received		315	345
6,865	Grants and contributions		6,351	4,950
950	Other		1,051	994
<b><u>Payments:</u></b>				
(4,799)	Employee benefits and on-costs		(4,588)	(4,667)
(2,573)	Materials and contracts		(3,156)	(2,972)
(25)	Borrowing costs		(26)	(29)
(1,550)	Other		(1,210)	(1,500)
<b>5,972</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>5,806</b>	<b>3,910</b>
<b>Cash flows from investing activities</b>				
<b><u>Receipts:</u></b>				
20	Sale of real estate assets		18	–
209	Sale of infrastructure, property, plant and equipment		220	319
12	Deferred debtors receipts		24	22
<b><u>Payments:</u></b>				
(6,100)	Purchase of infrastructure, property, plant and equipment		(4,685)	(3,918)
<b>(5,859)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(4,423)</b>	<b>(3,577)</b>
<b>Cash flows from financing activities</b>				
<b><u>Receipts:</u></b>				
Nil				
<b><u>Payments:</u></b>				
(75)	Repayment of borrowings and advances		(74)	(74)
<b>(75)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(74)</b>	<b>(74)</b>
<b>38</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,309</b>	<b>259</b>
10,147	Plus: cash and cash equivalents – beginning of year	11a	10,147	9,888
<b>10,185</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>11,456</b>	<b>10,147</b>
<b>Total cash, cash equivalents and investments</b>				
<b>Please refer to Note 11 for information on the following:</b>				
– Non-cash financing and investing activities				
– Financing arrangements				
– Net cash flow disclosures relating to any discontinued operations				

## Warren Shire Council

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

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# Warren Shire Council

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

### Note 1. Summary of significant accounting policies

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

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

#### (a) Basis of preparation

##### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

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

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

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

##### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

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

##### (v) Basis of accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

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

##### (vi) Changes in accounting policies

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

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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

##### **(vii) Critical accounting estimates**

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

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

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

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

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

Revenue is measured on major income categories as follows:

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

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

#### User charges, fees and other Income

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

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

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

#### Sale of infrastructure, property, plant and equipment

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

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

#### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

##### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

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

The following entities have been included as part of the consolidated fund:

- General purpose operations
- Water supply
- Sewerage service

##### (ii) The trust fund

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

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

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

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

# Warren Shire Council

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

### Note 1. Summary of significant accounting policies (continued)

#### (iii) Interests in other entities

##### **Subsidiaries**

Council has no interest in any subsidiaries.

##### **Joint arrangements**

##### **Joint ventures**

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

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

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

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

##### **Associates**

Council has no interest in any associates.

##### **County councils**

Council is a member of the following county council (which are bodies incorporated under the *Local Government Act*):

- **Castlereagh Macquarie County Council**

To control weeds on Council roads.

There are 5 constituent member councils being Warren, Coonamble, Gilgandra, Walgett & Warrumbungle.

The governing body of each county council is responsible for managing its own affairs.

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

#### **Unconsolidated structured entities**

Council has no interest in any unconsolidated structured entities.

#### **(d) Leases**

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

##### **Finance leases**

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

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

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

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

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

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

##### **Operating Leases**

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

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

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

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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

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

- **cash on hand,**
- **deposits held at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

##### (f) Investments and other financial assets

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

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

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

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

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

Council has no Financial Assets at fair value.

##### (ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

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

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

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

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

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

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

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

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

# Warren Shire Council

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

### Note 1. Summary of significant accounting policies (continued)

---

Council has no Available-for-sale financial assets.

#### **Financial assets – reclassification**

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

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

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

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

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

#### **General accounting and measurement of financial instruments:**

##### **(i) Initial recognition**

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

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

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

##### **(ii) Subsequent measurement**

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

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

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

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

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

##### **Impairment**

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

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

##### **(iii) Types of investments**

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

# Warren Shire Council

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

### Note 1. Summary of significant accounting policies (continued)

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

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

#### (g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

#### (h) Receivables

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

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### (i) Inventories

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

Raw materials and stores, work in progress and finished goods in respect of business undertakings

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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are all stated at the lower of cost and net realisable value.

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

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

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

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

#### (ii) Land held for resale/capitalisation of borrowing costs

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

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

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

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

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

#### (j) Infrastructure, property, plant and equipment (I,PP&E)

##### Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**  
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**  
(internal valuation)
- **Other structures**  
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths**  
(internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks**  
(internal valuation)
- **Swimming pools**  
(internal valuation)
- **Other open space/recreational assets**  
(internal valuation)

##### Initial recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### **Subsequent costs**

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

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

##### **Asset valuations (including indexation)**

In accounting for asset valuations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

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

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

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

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

##### **Capitalisation thresholds**

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

##### **Land**

- Council land	100% capitalised
- Open space	100% capitalised
- Land under roads (purchases after 30/6/08)	100% capitalised

##### **Plant and equipment**

Office furniture	> \$1,000
Office equipment	> \$1,000
Other plant and equipment	> \$1,000

##### **Buildings and land improvements**

Park furniture and equipment	> \$2,000
Building	
- Construction/extensions	100% capitalised
- Renovations	> \$2,000
Other structures	> \$2,000

##### **Water and sewer assets**

Reticulation extensions	> \$5,000
Other	> \$5,000

##### **Stormwater assets**

Drains and culverts	> \$5,000
Other	> \$5,000

##### **Transport assets**

Road construction and reconstruction	> \$10,000
Reseal/re-sheet and major repairs	> \$10,000
Bridge construction and reconstruction	> \$10,000

##### **Other infrastructure assets**

Swimming pools	> \$10,000
Other open space/recreational assets	> \$10,000

##### **Depreciation**

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

##### **Plant and equipment**

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

##### **Other equipment**

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

##### **Buildings**

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

##### **Water and sewer assets**

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

##### **Stormwater assets**

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

##### **Transportation assets**

- Sealed roads: surface	25 years
- Sealed roads: structure	100 years
- Unsealed roads	30 years
- Bridge: concrete	100 years
- Bridge: other	50 years
- Road pavements	60 years
- Kerb, gutter and footpaths	80 years

##### **Other infrastructure assets**

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

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

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

##### **Disposal and derecognition**

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

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

#### **(k) Land**

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act* (1993) classified as either operational or community.

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

#### **(l) Land under roads**

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

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

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

#### **(m) Intangible assets**

Council has not classified any assets as intangible.

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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##### (n) Crown reserves

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

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

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

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

##### (o) Rural fire service assets

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

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

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

##### (p) Investment property

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

Council has no Investment Properties.

##### (q) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

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

The results of discontinued operations are presented separately on the face of the Income Statement.

##### (r) Impairment of assets

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

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

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

---

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

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

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

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

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (s) Payables

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

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

#### (t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (u) Borrowing costs

Borrowing costs are expensed.

#### (v) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

---

##### **(w) Employee benefits**

###### **(i) Short-term obligations**

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

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

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

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

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

###### **(ii) Other long-term obligations**

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

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

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

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

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

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

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

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

###### **Defined benefit plans**

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

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

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

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24<sup>th</sup> February 2016 and covers the period ended 30/06/2015.

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

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$133,142.45.

The amount of additional contributions included in the total employer contribution advised above is \$ 107,121.00.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$135,094.57 or 0.18% as at 30 June 2016.

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

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

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

#### Defined contribution plans

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

#### (iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

#### (x) Self-insurance

Council does not self-insure.

#### (y) Allocation between current and non-current assets and liabilities

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

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

#### Exceptions

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

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

#### (z) Taxes

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

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

## Warren Shire Council

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

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

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

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

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

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

##### **(aa) New accounting standards and Interpretations issued (not yet effective)**

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

Council has not adopted any of these standards early.

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

##### **AASB 9 – Financial Instruments**

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

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

##### **AASB16 – Leases**

##### **AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

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

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

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

##### **(ab) Rounding of amounts**

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

##### **(ac) Comparative figures**

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

##### **(ad) Disclaimer**

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

## Warren Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	–	–	–	460	464	440	(460)	(464)	(440)	–	–	29	35
Administration	220	219	454	2,450	2,419	2,102	(2,230)	(2,200)	(1,648)	1	2	12,314	10,587
Public order and safety	68	69	61	332	275	261	(264)	(206)	(200)	–	3	294	359
Health	3	–	5	252	254	227	(249)	(254)	(222)	–	–	21	14
Environment	242	247	–	749	678	97	(507)	(431)	(97)	16	–	–	–
Community services and education	–	–	11	–	–	8	–	–	3	142	1	194	199
Housing and community amenities	124	140	448	198	237	686	(74)	(97)	(238)	28	108	9,742	9,733
Water supplies	1,954	1,181	743	755	749	670	1,199	432	73	557	112	8,027	7,451
Sewerage services	779	530	528	735	633	650	44	(103)	(122)	9	9	6,997	6,965
Recreation and culture	218	368	225	1,371	1,422	1,381	(1,153)	(1,054)	(1,156)	–	27	5,187	5,135
Mining, manufacturing and construction	15	23	26	18	20	12	(3)	3	14	–	–	802	799
Transport and communication	3,237	4,443	2,950	4,945	4,161	5,444	(1,708)	282	(2,494)	1,314	494	133,944	132,940
Economic affairs	100	120	119	268	203	258	(168)	(83)	(139)	10	13	2,169	2,164
<b>Total functions and activities</b>	<b>6,960</b>	<b>7,340</b>	<b>5,570</b>	<b>12,533</b>	<b>11,515</b>	<b>12,236</b>	<b>(5,573)</b>	<b>(4,175)</b>	<b>(6,666)</b>	<b>2,077</b>	<b>769</b>	<b>179,720</b>	<b>176,381</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	4	13	–	(4)	(13)	–	–	49	53
General purpose income <sup>1</sup>	7,089	7,145	6,982	–	–	–	7,089	7,145	6,982	2,485	2,455	–	–
<b>Operating result from continuing operations</b>	<b>14,049</b>	<b>14,485</b>	<b>12,552</b>	<b>12,533</b>	<b>11,519</b>	<b>12,249</b>	<b>1,516</b>	<b>2,966</b>	<b>303</b>	<b>4,562</b>	<b>3,224</b>	<b>179,769</b>	<b>176,434</b>

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

## Warren Shire Council

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

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER AND SAFETY**

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

##### **HEALTH**

Includes inspections, food control, and administration etc.

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; youth services; and other family and children services.

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

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

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

Includes public libraries; public halls; sporting grounds and venues; swimming pools; parks; gardens; and other sporting, recreational and cultural services.

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

Includes building control, quarries and pits.

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

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

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

## Warren Shire Council

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

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		546	532
Farmland		3,690	3,599
Business		173	168
<b>Total ordinary rates</b>		<b>4,409</b>	<b>4,299</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		214	204
Water supply services		309	298
Sewerage services		404	391
<b>Total annual charges</b>		<b>927</b>	<b>893</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>5,336</b>	<b>5,192</b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)			
Domestic waste management services		9	8
Water supply services		299	314
Sewerage services		44	49
<b>Total user charges</b>		<b>352</b>	<b>371</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		25	29
Private works – section 67		59	69
Regulatory/ statutory fees		14	6
Other		1	6
<b>Total fees and charges – statutory/regulatory</b>		<b>99</b>	<b>110</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		65	11
Cemeteries		44	49
Quarry revenues		21	25
RMS (formerly RTA) charges (state roads not controlled by Council)		1,012	957
Swimming centres		31	27
Other		6	5
<b>Total fees and charges – other</b>		<b>1,179</b>	<b>1,074</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>1,630</b>	<b>1,555</b>

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		13	11
– Interest earned on investments (interest and coupon payment income)		323	312
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>336</b>	<b>323</b>
 <b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		13	11
General Council cash and investments		238	217
<b>Restricted investments/funds – external:</b>			
Water fund operations		16	17
Sewerage fund operations		69	78
<b>Total interest and investment revenue recognised</b>		<b>336</b>	<b>323</b>
 <b>(d) Other revenues</b>			
Rental income – other council properties		179	173
Fines		2	–
Legal fees recovery – other		12	–
Commissions and agency fees		86	76
Diesel rebate		87	94
Insurance claim recoveries		3	38
Recycling income (non-domestic)		6	4
Sales – general		–	4
Swimming pool canteen sales		28	23
WHS incentive payment		14	14
Statewide property rebate		7	12
NSW RFS maintenance and repair reimbursement		11	8
Motor vehicle insurance rebate		7	7
SES maintenance and repair reimbursement		2	3
Risk management incentive		4	9
Youth services income		–	10
Other		2	5
<b>TOTAL OTHER REVENUE</b>		<b>450</b>	<b>480</b>

## Warren Shire Council

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

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

	2016 Operating	2015 Operating	2016 Capital	2015 Capital
\$ '000				
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	2,465	2,435	–	–
Pensioners' rates subsidies – general component	20	20	–	–
<b>Total general purpose</b>	<b>2,485</b>	<b>2,455</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	9	9	–	–
– Sewerage	9	9	–	–
– Domestic waste management	8	8	–	–
Water supplies	–	–	548	102
Employment and training programs	–	3	–	–
Environmental protection	8	75	–	–
Library	111	20	–	–
Recreation and culture	25	–	–	–
Street lighting	28	27	–	–
Transport (roads to recovery)	1,314	460	–	–
Transport (other roads and bridges funding)	–	8	–	–
Youth services	6	7	–	–
Parental leave scheme	1	13	–	–
Town planning tracking software	–	25	–	–
Cat desexing program	–	3	–	–
Energise Enterprise Funding	10	–	–	–
<b>Total specific purpose</b>	<b>1,529</b>	<b>667</b>	<b>548</b>	<b>102</b>
<b>Total grants</b>	<b>4,014</b>	<b>3,122</b>	<b>548</b>	<b>102</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,779	2,895	–	–
– State funding	235	227	548	102
	<b>4,014</b>	<b>3,122</b>	<b>548</b>	<b>102</b>

## Warren Shire Council

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

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
Nil				
<b>Developer contributions:</b>				
(s93 & s94 – EP&A Act, s64 of the LGA):				
Nil				
<b>Other contributions:</b>				
Bushfire services	47	46	–	–
RMS contributions (regional roads, block grant)	1,935	1,479	–	–
Library	82	74	–	–
Other	–	1	–	–
<b>Total other contributions</b>	<b>2,064</b>	<b>1,600</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>	<b>2,064</b>	<b>1,600</b>	<b>–</b>	<b>–</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>6,078</b>	<b>4,722</b>	<b>548</b>	<b>102</b>

## Warren Shire Council

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

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

	Actual 2016	Actual 2015
\$ '000		
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	130	32
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	<b>912</b>	<b>120</b>
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	<b>(130)</b>	<b>(22)</b>
<b>Net increase (decrease) in restricted assets during the period</b>	<b>782</b>	<b>98</b>
<b>Unexpended and held as restricted assets</b>	<b>912</b>	<b>130</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	809	114
– Other contributions	103	16
	<b>912</b>	<b>130</b>

## Warren Shire Council

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

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		3,983	3,818
Travel expenses		11	3
Employee leave entitlements (ELE)		513	557
Superannuation – defined contribution plans		171	177
Superannuation – defined benefit plans		304	305
Workers' compensation insurance		175	242
Fringe benefit tax (FBT)		34	36
Training costs (other than salaries and wages)		75	56
<b>Total employee costs</b>		<b>5,266</b>	<b>5,194</b>
Less: capitalised costs		(590)	(406)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>4,676</b>	<b>4,788</b>
Number of 'full-time equivalent' employees (FTE) at year end		75	73
 <b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		26	29
<b>Total interest bearing liability costs expensed</b>		<b>26</b>	<b>29</b>
 <b>(ii) Other borrowing costs</b>			
Interest applicable on interest free (and favourable) loans to Council		15	17
<b>Total other borrowing costs</b>		<b>15</b>	<b>17</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>41</b>	<b>46</b>

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,445	2,413
Contractor and consultancy costs		7	15
Auditors remuneration <sup>(1)</sup>		30	30
Legal expenses:			
– Legal expenses: planning and development		30	9
– Legal expenses: debt recovery		1	–
– Legal expenses: other		1	–
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>2,514</b>	<b>2,467</b>

#### 1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):

<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		30	29
– Internal audit services		–	1
<b>Remuneration for audit and other assurance services</b>		<b>30</b>	<b>30</b>
<b>Total Auditor remuneration</b>		<b>30</b>	<b>30</b>

## Warren Shire Council

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

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

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	1,013	1,013
Office equipment		–	–	6	24
Furniture and fittings		–	–	9	6
Infrastructure:					
– Buildings – non-specialised		–	–	97	97
– Buildings – specialised		–	–	172	174
– Other structures		–	–	133	131
– Roads		–	–	1,407	2,153
– Bridges		–	–	177	157
– Footpaths		–	–	47	30
– Stormwater drainage		–	–	38	38
– Water supply network		–	–	176	173
– Sewerage network		–	–	213	209
– Swimming pools		–	–	37	7
– Other open space/recreational assets		–	–	25	25
<b>Total depreciation and impairment costs</b>		—	—	<b>3,550</b>	<b>4,237</b>
Less: capitalised costs		–	–	(369)	(335)
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENDED</b>		—	—	<b>3,181</b>	<b>3,902</b>

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		18	12
Bank charges		6	4
– Emergency Services levy (SES)		5	4
– NSW Fire and Rescue levy		20	19
– NSW Rural Fire Service levy		89	86
– Contribution to Castlereagh Macquarie County Council		100	97
– Other contributions/levies		9	9
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		106	103
Councillors' expenses (incl. mayor) – other (excluding fees above)		25	23
Electricity and heating		197	199
Insurance		220	201
Postage		11	12
Printing and stationery		20	26
Street lighting		81	83
Subscriptions and publications		20	19
Telephone and communications		29	25
Valuation fees		17	17
Water purchases		29	22
Refund Dep't of Planning - App. Tracking & EHC Software		25	–
Contribution to North Western Library Co-operative		52	48
Other		–	1
<b>TOTAL OTHER EXPENSES</b>		<b>1,103</b>	<b>1,033</b>

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		220	319
Less: carrying amount of plant and equipment assets sold/written off		<u>(127)</u>	<u>(141)</u>
<b>Net gain/(loss) on disposal</b>		<b>93</b>	<b>178</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		18	–
Less: carrying amount of real estate assets sold/written off		<u>(4)</u>	<u>–</u>
<b>Net gain/(loss) on disposal</b>		<b>14</b>	<b>–</b>
 <b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		 <b>107</b>	 <b>178</b>

## Warren Shire Council

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

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

\$ '000	Notes	2016		2015	
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		956	–	1,647	–
Cash-equivalent assets <sup>1</sup>					
– Short-term deposits		10,500	–	8,500	–
<b>Total cash and cash equivalents</b>		<b>11,456</b>	<b>–</b>	<b>10,147</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
Nil					
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>11,456</b>	<b>–</b>	<b>10,147</b>	<b>–</b>

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

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

**Cash and cash equivalents**

Nil

**Investments**

Nil

**Note 6(b-i)**

**Reconciliation of investments classified as ‘at fair value through the profit and loss’**

Nil

**Note 6(b-ii)**

**Reconciliation of investments classified as ‘held to maturity’**

Nil

**Note 6(b-iii)**

**Reconciliation of investments classified as ‘loans and receivables’**

Nil

**Note 6(b-iv)**

**Reconciliation of investments classified as ‘available for sale’**

Nil

## Warren Shire Council

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

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	11,456	—	10,147	—
<b>attributable to:</b>				
External restrictions (refer below)	3,755	—	3,094	—
Internal restrictions (refer below)	7,201	—	6,537	—
Unrestricted	500	—	516	—
	<b>11,456</b>	<b>—</b>	<b>10,147</b>	<b>—</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

#### Details of restrictions

<b>External restrictions – included in liabilities</b>				
CWCMA roadside mapping	7	—	—	7
<b>External restrictions – included in liabilities</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>7</b>
<b>External restrictions – other</b>				
RMS contributions	(A)	16	1,934	(1,847)
Specific purpose unexpended grants	(B)	114	695	—
Water supplies	(C)	524	—	(283)
Sewerage services	(C)	2,240	129	—
Domestic waste management	(C)	193	56	(23)
<b>External restrictions – other</b>		<b>3,087</b>	<b>2,814</b>	<b>(2,153)</b>
<b>Total external restrictions</b>		<b>3,094</b>	<b>2,814</b>	<b>(2,153)</b>
				<b>3,755</b>

## Warren Shire Council

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

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	281	39	(67)	253
Infrastructure replacement	2,871	190	(344)	2,717
Employees Leave Entitlement	400	100	–	500
Roadworks	554	1,142	(238)	1,458
Bridgeworks	317	–	–	317
Insurances	281	–	–	281
Specific maintenance and repair	76	82	(99)	59
Specific programs	1,280	290	(400)	1,170
CBD improvements	367	2	(62)	307
Other	110	29	–	139
<b>Total internal restrictions</b>	<b>6,537</b>	<b>1,874</b>	<b>(1,210)</b>	<b>7,201</b>
<b>TOTAL RESTRICTIONS</b>	<b>9,631</b>	<b>4,688</b>	<b>(3,363)</b>	<b>10,956</b>

- A RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- B Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- C Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Warren Shire Council

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

#### Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		97	37	101	24
Interest and extra charges		8	4	6	3
User charges and fees		263	49	269	30
Accrued revenues					
– Interest on investments		34	–	16	–
Deferred debtors		2	10	2	34
Government grants and subsidies		392	–	112	–
Net GST receivable		2	–	–	–
<b>Total</b>		<b>798</b>	<b>100</b>	<b>506</b>	<b>91</b>
<b>Less: provision for impairment</b>					
Nil					
<b>TOTAL NET RECEIVABLES</b>		<b>798</b>	<b>100</b>	<b>506</b>	<b>91</b>
<b>Externally restricted receivables</b>					
Water supply					
– Specific purpose grants		391	–	–	–
– Rates and availability charges		12	5	13	4
– Other		81	5	130	3
Sewerage services					
– Rates and availability charges		15	6	15	6
– Other		10	5	12	4
Domestic waste management		15	3	14	5
<b>Total external restrictions</b>		<b>524</b>	<b>24</b>	<b>184</b>	<b>22</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>274</b>	<b>76</b>	<b>322</b>	<b>69</b>
<b>TOTAL NET RECEIVABLES</b>		<b>798</b>	<b>100</b>	<b>506</b>	<b>91</b>

#### Notes on debtors above:

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

## Warren Shire Council

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

#### Note 8. Inventories and other assets

\$ '000	Notes	2016		2015		
		Current	Non-current	Current	Non-current	
<b>(a) Inventories</b>						
<b>(i) Inventories at cost</b>						
Real estate for resale (refer below)		156	—	160	—	
Stores and materials		121	—	100	—	
Trading stock		286	—	290	—	
Loose tools		102	—	95	—	
<b>Total inventories at cost</b>		<b>665</b>	<b>—</b>	<b>645</b>	<b>—</b>	
<b>(ii) Inventories at net realisable value (NRV)</b>						
Nil						
<b>TOTAL INVENTORIES</b>		<b>665</b>	<b>—</b>	<b>645</b>	<b>—</b>	
<b>(b) Other assets</b>						
Prepayments		13	—	2	—	
<b>TOTAL OTHER ASSETS</b>		<b>13</b>	<b>—</b>	<b>2</b>	<b>—</b>	
<b>Externally restricted assets</b>						
There are no restrictions applicable to the above assets.						
<b>Total unrestricted assets</b>		<b>678</b>	<b>—</b>	<b>647</b>	<b>—</b>	
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>678</b>	<b>—</b>	<b>647</b>	<b>—</b>	

## Warren Shire Council

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

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

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Industrial/commercial	75		75	—
Other properties	81		85	—
<b>Total real estate for resale</b>	<b>156</b>	<b>—</b>	<b>160</b>	<b>—</b>
(Valued at the lower of cost and net realisable value)				

<b>Represented by:</b>				
Acquisition costs	156	—	160	—
<b>Total real estate for resale</b>	<b>156</b>	<b>—</b>	<b>160</b>	<b>—</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	160	—	160	—
– WDV of sales (expense)	(4)		—	—
<b>Total real estate for resale</b>	<b>156</b>	<b>—</b>	<b>160</b>	<b>—</b>

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

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

	2016	2015
Real estate for resale	152	144
Trading Stock	275	285
	<b>427</b>	<b>429</b>

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

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

#### **(d) Inventory write downs**

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

## Warren Shire Council

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

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

\$ '000	as at 30/6/2015				Asset movements during the reporting period							as at 30/6/2016					
					Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)							
	At cost	At fair value	Accumulated depreciation	Carrying value	At cost	At fair value	Accumulated depreciation	Carrying value	At cost	At fair value	Accumulated depreciation	Carrying value	At cost	At fair value	Accumulated depreciation	Carrying value	
Capital work in progress	163	—	—	163	991	467	—	(15)	—	1,606	—	—	—	1,606	—	—	1,606
Plant and equipment	—	9,971	5,939	4,032	883	—	(127)	(1,013)	12	—	—	10,093	6,306	3,787	—	—	—
Office equipment	—	229	208	21	61	—	—	(6)	—	—	—	164	88	76	—	—	—
Furniture and fittings	—	164	75	89	—	7	—	(9)	—	—	—	138	51	87	—	—	—
<b>Land:</b>																	
– Operational land	—	1,167	—	1,167	—	—	—	—	—	—	—	1,167	—	—	—	1,167	—
– Community land	—	1,003	—	1,003	—	—	—	—	—	160	—	1,163	—	—	—	1,163	—
<b>Infrastructure:</b>																	
– Buildings – non-specialised	—	8,548	4,793	3,755	89	50	—	(97)	—	—	—	8,687	4,890	3,797	—	—	—
– Buildings – specialised	—	11,430	5,735	5,695	13	—	—	(172)	—	—	—	11,443	5,907	5,536	—	—	—
– Other structures	—	11,692	5,524	6,168	194	—	—	(133)	1	—	—	11,878	5,648	6,230	—	—	—
– Roads	—	128,065	13,690	114,375	2,075	—	—	(1,407)	2	—	—	130,142	15,097	115,045	—	—	—
– Bridges	—	18,496	6,099	12,397	—	—	—	(177)	—	—	—	18,496	6,276	12,220	—	—	—
– Footpaths	—	4,156	1,728	2,428	32	7	—	(47)	—	—	—	4,194	1,774	2,420	—	—	—
– Stormwater drainage	—	3,824	1,679	2,145	—	83	—	(38)	—	—	—	3,907	1,717	2,190	—	—	—
– Water supply network	—	13,828	7,413	6,415	28	—	—	(176)	—	100	—	14,063	7,696	6,367	—	—	—
– Sewerage network	—	13,626	9,281	4,345	5	—	—	(213)	—	61	—	13,835	9,637	4,198	—	—	—
– Swimming pools	—	1,631	1,453	178	—	—	—	(37)	—	—	—	1,631	1,490	141	—	—	—
– Other open space/recreational assets	—	1,788	1,174	614	64	5	—	(25)	—	—	—	1,857	1,199	658	—	—	—
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>163</b>	<b>229,618</b>	<b>64,791</b>	<b>164,990</b>	<b>4,435</b>	<b>619</b>	<b>(127)</b>	<b>(3,550)</b>	<b>—</b>	<b>321</b>	<b>1,606</b>	<b>232,858</b>	<b>67,776</b>	<b>166,688</b>			

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

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

## Warren Shire Council

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

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

\$ '000

\$ '000	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impair'm't	Carrying value	At cost	At fair value	A/Dep & impair'm't	Carrying value
<b>Water supply</b>								
WIP	662	—	—	<b>662</b>	115	—	—	<b>115</b>
Plant and equipment	—	226	81	<b>145</b>	—	191	66	<b>125</b>
Land								
– Operational land	—	66	—	<b>66</b>	—	66	—	<b>66</b>
– Community land	—	9	—	<b>9</b>	—	10	—	<b>10</b>
Other structures	—	73	29	<b>44</b>	—	73	27	<b>46</b>
Infrastructure	—	14,063	7,696	<b>6,367</b>	—	13,828	7,413	<b>6,415</b>
<b>Total water supply</b>	<b>662</b>	<b>14,437</b>	<b>7,806</b>	<b>7,293</b>	<b>115</b>	<b>14,168</b>	<b>7,506</b>	<b>6,777</b>
<b>Sewerage services</b>								
WIP	19	—	—	<b>19</b>	—	—	—	—
Plant and equipment	—	334	115	<b>219</b>	—	309	88	<b>221</b>
Land								
– Operational land	—	28	—	<b>28</b>	—	28	—	<b>28</b>
– Community land	—	111	—	<b>111</b>	—	76	—	<b>76</b>
Other structures	—	20	3	<b>17</b>	—	20	2	<b>18</b>
Infrastructure	—	13,834	9,636	<b>4,198</b>	—	13,626	9,281	<b>4,345</b>
<b>Total sewerage services</b>	<b>19</b>	<b>14,327</b>	<b>9,754</b>	<b>4,592</b>	—	<b>14,059</b>	<b>9,371</b>	<b>4,688</b>
<b>Domestic waste management</b>								
Land								
– Operational land	—	110	—	<b>110</b>	—	110	—	<b>110</b>
<b>Total DWM</b>	—	<b>110</b>	—	<b>110</b>	—	<b>110</b>	—	<b>110</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>681</b>	<b>28,874</b>	<b>17,560</b>	<b>11,995</b>	<b>115</b>	<b>28,337</b>	<b>16,877</b>	<b>11,575</b>

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

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

## Warren Shire Council

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

#### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		169	–	139	–
Payments received in advance		97	–	132	–
Accrued expenses:					
– Salaries and wages		17	–	22	–
ATO – net GST payable		–	–	5	–
Sundry deposits		41	–	23	–
Other		–	–	9	–
<b>Total payables</b>		<b>324</b>	<b>–</b>	<b>330</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		51	246	47	296
Government advances		28	68	28	81
<b>Total borrowings</b>		<b>79</b>	<b>314</b>	<b>75</b>	<b>377</b>
<b>Provisions</b>					
Employee benefits:					
Annual leave		408	–	417	–
Long service leave		1,382	36	1,253	43
<b>Total provisions</b>		<b>1,790</b>	<b>36</b>	<b>1,670</b>	<b>43</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>2,193</b>	<b>350</b>	<b>2,075</b>	<b>420</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		17	8	23	10
Sewer		24	2	19	–
Other		7	–	7	–
<b>Liabilities relating to externally restricted assets</b>		<b>48</b>	<b>10</b>	<b>49</b>	<b>10</b>
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>48</b>	<b>10</b>	<b>49</b>	<b>10</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>2,145</b>	<b>340</b>	<b>2,026</b>	<b>410</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>2,193</b>	<b>350</b>	<b>2,075</b>	<b>420</b>

<sup>1</sup>. Loans are secured over the general rating income of Council

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

## Warren Shire Council

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

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

	Actual 2016	Actual 2015
\$ '000		
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	1,302	1,147
	<b>1,302</b>	<b>1,147</b>

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

Class of provision	2015		2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed		
Annual leave	417	286	(305)	10	–	408	
Long service leave	1,296	134	(95)	83	–	1,418	
<b>TOTAL</b>	<b>1,713</b>	<b>420</b>	<b>(400)</b>	<b>93</b>	<b>–</b>	<b>1,826</b>	

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

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	<b>11,456</b>	10,147
<b>Balance as per the Statement of Cash Flows</b>		<b>11,456</b>	<b>10,147</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>2,966</b>	<b>303</b>
Adjust for non-cash items:			
Depreciation and amortisation		3,181	3,902
Net losses/(gains) on disposal of assets		(107)	(178)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		15	17
Share of net (profits) or losses of associates/joint ventures		4	13
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(325)	(54)
Decrease/(increase) in inventories		(24)	17
Decrease/(increase) in other assets		(11)	7
Increase/(decrease) in payables		30	(292)
Increase/(decrease) in other accrued expenses payable		(5)	(21)
Increase/(decrease) in other liabilities		(31)	34
Increase/(decrease) in employee leave entitlements		113	162
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>5,806</b>	<b>3,910</b>

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		500	500
Credit cards/purchase cards		10	10
<b>Total financing arrangements</b>		<b>510</b>	<b>510</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		3	2
<b>Total financing arrangements utilised</b>		<b>3</b>	<b>2</b>

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

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

#### **(e) Net cash flows attributable to discontinued operations**

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

**Warren Shire Council****Notes to the Financial Statements**  
for the year ended 30 June 2016**Note 12. Commitments for expenditure**

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Nil			
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
Nil			
(d) Investment property commitments			
Nil			

## Warren Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,315</u>	<u>16.74%</u>	0.29%	-6.85%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>13,830</u>			
<b>2a. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>7,752</u>	<u>53.92%</u>	61.02%	65.29%
Total continuing operating revenue <sup>(1)</sup>	<u>14,378</u>			
<b>2b. Own source operating revenue ratio - Rural Council Model</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions except FAG	<u>10,217</u>	<u>71.06%</u>	80.69%	76.36%
Total continuing operating revenue <sup>(1)</sup>	<u>14,378</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>8,226</u>	<u>9.76x</u>	8.64x	6.30x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>843</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>5,537</u>	<u>48.15x</u>	33.20x	23.88x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>115</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>146</u>	<u>2.66%</u>	2.51%	2.46%
Rates, annual and extra charges collectible	<u>5,483</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>x12</u>	<u>11,456</u>	<u>15.18 mths</u>	13.2 mths
Payments from cash flow of operating and financing activities	<u>755</u>			13.0 mths

Notes

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

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

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

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

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

## Warren Shire Council

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

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

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>-9.17%</b>	<b>-13.35%</b>	<b>19.50%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period:	2.46%	-16.37%
		1.01%	
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>54.90%</b>	<b>98.40%</b>	<b>51.83%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period:	86.00%	98.40%
		57.31%	
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions <sup>(2)</sup>	<b>42.65x</b>	<b>99.75x</b>	<b>9.76x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period:	29.00x	119.32x
		4.93x	
<b>4. Debt service cover ratio</b>			
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>0.00</b>	<b>0.00</b>	<b>45.38x</b>
Principal repayments (Statement of Cash Flows)	prior period:	0.00x	0.00x
plus borrowing costs (Income Statement)			28.47x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
Rates, annual and extra charges outstanding	<b>5.29%</b>	<b>4.98%</b>	<b>2.25%</b>
Rates, annual and extra charges collectible	prior period:	5.15%	4.90%
		2.10%	
<b>6. Cash expense cover ratio</b>			
Current year's cash and cash equivalents	<b>5.25</b>	<b>74.03</b>	<b>13.07</b>
plus all term deposits	<b>mths</b>	<b>mths</b>	<b>mths</b>
Payments from cash flow of operating and financing activities	prior period:	13.02 mths	65.88 mths
		10.61 mths	

#### Notes

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

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

## Warren Shire Council

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

#### Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
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Council has not classified any land or buildings as 'investment properties'.

## Warren Shire Council

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

#### Note 15. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	11,456	10,147	11,456	10,147
Receivables	898	597	898	597
<b>Total financial assets</b>	<b>12,354</b>	<b>10,744</b>	<b>12,354</b>	<b>10,744</b>
<b>Financial liabilities</b>				
Payables	227	198	227	198
Loans/advances	393	452	393	452
<b>Total financial liabilities</b>	<b>620</b>	<b>650</b>	<b>620</b>	<b>650</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

## Warren Shire Council

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

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

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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
<b>2016</b>				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	115	115	115	115
<b>2015</b>				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	101	101	101	101

## Warren Shire Council

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

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

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

	2016	2016	2015	2015
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	84%	0%	77%
Overdue	100%	16%	100%	23%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
Rates and annual charges	Other receivables			
Current	Current	–	644	–
< 1 year overdue	0 – 30 days overdue	97	31	101
1 – 2 years overdue	30 – 60 days overdue	35	28	22
2 – 5 years overdue	60 – 90 days overdue	2	5	2
> 5 years overdue	> 90 days overdue	–	56	–
		<b>134</b>	<b>764</b>	<b>125</b>
				<b>472</b>

## Warren Shire Council

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

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

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	41	186	–	–	–	–	–	227	227
Loans and advances	–	79	83	87	92	68	–	409	393
<b>Total financial liabilities</b>	<b>41</b>	<b>265</b>	<b>83</b>	<b>87</b>	<b>92</b>	<b>68</b>	<b>–</b>	<b>636</b>	<b>620</b>
<b>2015</b>									
Trade/other payables	23	175	–	–	–	–	–	198	198
Loans and advances	–	75	79	83	87	92	95	511	452
<b>Total financial liabilities</b>	<b>23</b>	<b>250</b>	<b>79</b>	<b>83</b>	<b>87</b>	<b>92</b>	<b>95</b>	<b>709</b>	<b>650</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	227	0.00%	198	0.00%
Loans and advances – fixed interest rate	393	6.80%	452	6.80%

## Warren Shire Council

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

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 23 June 2016.

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

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

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

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

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

\$ '000	2016 Budget	2016 Actual	2016 Variance* -----			
<b>REVENUES</b>						
<b>Rates and annual charges</b>						
	<b>5,351</b>	<b>5,336</b>	<b>(15)</b>	(0%) <b>U</b>		
<b>User charges and fees</b>	<b>1,124</b>	<b>1,630</b>	<b>506</b>	45% <b>F</b>		
Council received more work orders from the RMS for State Highway 11 than estimated at the start of the year.						
<b>Interest and investment revenue</b>	<b>236</b>	<b>336</b>	<b>100</b>	42% <b>F</b>		
Council made a conservative estimate on interest on investment based on the RBA cutting rates, Council also received more grants and user charges than anticipated.						
<b>Other revenues</b>	<b>470</b>	<b>450</b>	<b>(20)</b>	(4%) <b>U</b>		
<b>Operating grants and contributions</b>	<b>5,503</b>	<b>6,078</b>	<b>575</b>	10% <b>F</b>		
Council did not budget for the increased funding in Roads to Recovery Grant.						
<b>Capital grants and contributions</b>	<b>1,365</b>	<b>548</b>	<b>(817)</b>	(60%) <b>U</b>		
Council added an estimate for grant funding to renew the Warren Sewage Treatment Plant that did not eventuate, it was also anticipated that the new water bores in Warren, Nevertire & Collie would have been finalised by the end of 2015/16 which did not occur.						
<b>Net gains from disposal of assets</b>	<b>—</b>	<b>107</b>	<b>107</b>	0% <b>F</b>		

## Warren Shire Council

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

#### Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	-----	2016 Variance*	-----
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>4,800</b>	<b>4,676</b>	<b>124</b>	3%	<b>F</b>
<b>Borrowing costs</b>	<b>25</b>	<b>41</b>	<b>(16)</b>	(64%)	<b>U</b>
Council does not budget for the FV interest on our interest free loan.					
<b>Materials and contracts</b>	<b>2,573</b>	<b>2,514</b>	<b>59</b>	2%	<b>F</b>
<b>Depreciation and amortisation</b>	<b>4,032</b>	<b>3,181</b>	<b>851</b>	21%	<b>F</b>
The depreciation was estimated prior to the finalisation of the revaluation of Transport Infrastructure Assets.					
<b>Other expenses</b>	<b>1,103</b>	<b>1,103</b>	<b>—</b>	0%	<b>F</b>
<b>Joint ventures and associates – net losses</b>	<b>—</b>	<b>4</b>	<b>(4)</b>	0%	<b>U</b>
Council does not budget for net gains or losses from the North Western Library Co-operative.					

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

<b>Cash flows from operating activities</b>	<b>5,972</b>	<b>5,806</b>	<b>(166)</b>	(2.8%)	<b>U</b>
<b>Cash flows from investing activities</b>	<b>(5,859)</b>	<b>(4,423)</b>	<b>1,436</b>	(24.5%)	<b>F</b>
Council did not complete all the road works due to the seasonal conditions experienced, these funds will be carried forward into 2016/17.					
<b>Cash flows from financing activities</b>	<b>(75)</b>	<b>(74)</b>	<b>1</b>	(1.3%)	<b>F</b>

## Warren Shire Council

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

#### Note 17. Statement of developer contributions

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\$ '000

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

## Warren Shire Council

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

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

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge & 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 it's Defined Benefit Scheme obligations in accordance with AASB 119.

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

###### **(ii) Statewide Limited**

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

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

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

###### **(iii) StateCover Limited**

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

###### **(iv) Other Guarantees**

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

## Warren Shire Council

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

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

\$ '000

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

###### **2. Other Liabilities**

###### **(i) Third Party Claims**

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

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

###### **(ii) Garbage Depot Reinstatement**

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

###### **(iii) Gravel Pits Reinstatement**

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

###### **(iv) Mount Foster Quarry Remediation**

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

###### **(iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council**

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

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

###### **(i) Land Under Roads**

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

###### **(ii) Infringement Notices/Fines**

Fines & 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 2016

#### Note 19. Interests in other entities

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\$ '000

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

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

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

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##### **Controlled entities (subsidiaries)**

**Note 19(a)**

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

##### **Joint ventures and associates**

**Note 19(b)**

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

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

##### **Joint operations**

**Note 19(c)**

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

##### **Unconsolidated structured entities**

**Note 19(d)**

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

##### **Subsidiaries, joint arrangements and associates not recognised**

**Note 19(e)**

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#### **Accounting recognition:**

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

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

	Council's share of net income		Council's share of net assets	
	Actual	Actual	Actual	Actual
	2016	2015	2016	2015
Joint ventures	(4)	(13)	49	53
<b>Total</b>	<b>(4)</b>	<b>(13)</b>	<b>49</b>	<b>53</b>

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## Warren Shire Council

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

#### Note 19. Interests in other entities (continued)

\$ '000

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

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

##### (b) Joint ventures and associates

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

###### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
North Western Library Co-operative	Joint Venture		49	53
<b>Total carrying amounts – material joint ventures and associates</b>			<b>49</b>	<b>53</b>

###### (b) Details

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

(c) Relevant interests and fair values	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Name of entity								
North Western Library Co-operative	n/a	n/a	25%	25%	25%	25%	25%	25%

###### (d) Summarised financial information for joint ventures and associates

	North Western Library Co-operative	
Statement of financial position	2016	2015
<b>Current assets</b>		
Cash and cash equivalents	5	3
<b>Total current assets</b>	<b>5</b>	<b>3</b>
<b>Non-current assets</b>	<b>191</b>	<b>210</b>
<b>Current liabilities</b>		
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>Net assets</b>	<b>196</b>	<b>213</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	213	265
Profit/(loss) for the period	(17)	(52)
<b>Closing net assets</b>	<b>196</b>	<b>213</b>
<b>Council's share of net assets (%)</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Council's share of net assets (\$)</b>	<b>49</b>	<b>53</b>

## Warren Shire Council

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

#### Note 19. Interests in other entities (continued)

\$ '000

	<b>North Western Library Co-operative</b>	
	2016	2015
<b>Statement of comprehensive income</b>		
Income	211	196
Interest income	2	1
Depreciation and amortisation	(95)	(110)
Other expenses	(135)	(139)
<b>Profit/(loss) from continuing operations</b>	<b>(17)</b>	<b>(52)</b>
<b>Profit/(loss) for period</b>	<b>(17)</b>	<b>(52)</b>
<b>Total comprehensive income</b>	<b>(17)</b>	<b>(52)</b>
<b>Share of income – Council (%)</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(4)</b>	<b>(13)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(4)</b>	<b>(13)</b>
<b>Dividends received by Council</b>	<b>–</b>	<b>–</b>

#### (c) Joint operations

Council has no interest in any joint operations.

#### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

#### (e) Subsidiaries, joint arrangements and associates not recognised

None.

## Warren Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		89,961	89,658
a. Net operating result for the year		2,966	303
<b>Balance at end of the reporting period</b>		<b>92,927</b>	<b>89,961</b>

#### (b) Revaluation reserves

##### (i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	84,299	83,978
<b>Total</b>	<b>84,299</b>	<b>83,978</b>

##### (ii) Reconciliation of movements in reserves:

<b>Infrastructure, property, plant and equipment revaluation reserve</b>		
– Opening balance	83,978	59,621
– Revaluations for the year	321	24,357
<b>– Balance at end of year</b>	<b>84,299</b>	<b>83,978</b>
<b>TOTAL VALUE OF RESERVES</b>	<b>84,299</b>	<b>83,978</b>

##### (iii) Nature and purpose of reserves

###### **Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

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

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

#### (e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

## Warren Shire Council

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

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

\$ '000	Actual 2016	Actual 2016	Actual 2016
<b>Income Statement by fund</b>			
\$ '000	Actual 2016	Actual 2016	Actual 2016
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	324	423	4,589
User charges and fees	338	61	1,231
Interest and investment revenue	45	69	222
Other revenues	—	—	450
Grants and contributions provided for operating purposes	9	9	6,060
Grants and contributions provided for capital purposes	548	—	—
<b>Other income</b>			
Net gains from disposal of assets	—	4	103
<b>Total income from continuing operations</b>	<b>1,264</b>	<b>566</b>	<b>12,655</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	236	233	4,207
Borrowing costs	—	—	41
Materials and contracts	286	147	2,081
Depreciation and amortisation	199	257	2,725
Other expenses	29	—	1,074
Net losses from the disposal of assets	—	—	—
Share of interests in joint ventures and associates using the equity method			4
<b>Total expenses from continuing operations</b>	<b>750</b>	<b>637</b>	<b>10,132</b>
<b>Operating result from continuing operations</b>	<b>514</b>	<b>(71)</b>	<b>2,523</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	—	—	—
<b>Net operating result for the year</b>	<b>514</b>	<b>(71)</b>	<b>2,523</b>
Net operating result attributable to each council fund	514	(71)	2,523
Net operating result attributable to non-controlling interests	—	—	—
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>—</b>	<b>(34)</b>	<b>(71)</b>
			2,523

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

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

## Warren Shire Council

### Notes to the Financial Statements as at 30 June 2016

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

\$ '000	Actual 2016	Actual 2016	Actual 2016
<b>Statement of Financial Position by fund</b>			
<b>\$ '000</b>			
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	241	2,369	8,846
Receivables	484	25	289
Inventories	–	–	665
Other	–	–	13
<b>Total current assets</b>	<b>725</b>	<b>2,394</b>	<b>9,813</b>
<b>Non-current assets</b>			
Receivables	10	11	79
Infrastructure, property, plant and equipment	7,293	4,592	154,803
Investments accounted for using the equity method	–	–	49
<b>Total non-current assets</b>	<b>7,303</b>	<b>4,603</b>	<b>154,931</b>
<b>TOTAL ASSETS</b>	<b>8,028</b>	<b>6,997</b>	<b>164,744</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	8	–	316
Borrowings	–	–	79
Provisions	9	24	1,757
Liabilities associated with assets classified as 'held for sale'			–
<b>Total current liabilities</b>	<b>17</b>	<b>24</b>	<b>2,152</b>
<b>Non-current liabilities</b>			
Borrowings	–	–	314
Provisions	8	2	26
<b>Total non-current liabilities</b>	<b>8</b>	<b>2</b>	<b>340</b>
<b>TOTAL LIABILITIES</b>	<b>25</b>	<b>26</b>	<b>2,492</b>
<b>Net assets</b>	<b>8,003</b>	<b>6,971</b>	<b>162,252</b>
<b>EQUITY</b>			
Retained earnings	4,893	4,232	83,802
Revaluation reserves	3,110	2,739	78,450
<b>Council equity interest</b>	<b>8,003</b>	<b>6,971</b>	<b>162,252</b>
<b>Total equity</b>	<b>8,003</b>	<b>6,971</b>	<b>162,252</b>

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

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

## Warren Shire Council

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

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

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\$ '000	2016	2016	2015	2015
\$ '000	Current	Non-current	Current	Non-current

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

## Warren Shire Council

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

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

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\$ '000

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

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

Accordingly, the 'authorised for issue' date is 24/08/16.

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

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

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

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

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

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

## Warren Shire Council

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

#### Note 24. Discontinued operations

\$ '000	Actual 2016	Actual 2015
\$ '000		

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

## Warren Shire Council

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

#### Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
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Intangible assets represent identifiable non-monetary assets without physical substance.

## Warren Shire Council

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

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

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\$ '000

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

## Warren Shire Council

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

#### Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment

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

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

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

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

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

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

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

## Warren Shire Council

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

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

\$ '000

2015	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Infrastructure, property, plant and equipment</b>				
Plant & Equipment	-	-	4,032	4,032
Office Equipment	-	-	21	21
Furniture & Fittings	-	-	89	89
Operational Land	-	-	1,167	1,167
Community Land	-	-	1,003	1,003
Buildings - Non-Specialised	-	-	3,755	3,755
Buildings- Specialised	-	-	5,695	5,695
Other Structures	-	-	6,168	6,168
Roads	-	-	114,375	114,375
Bridges	-	-	12,397	12,397
Footpaths	-	-	2,428	2,428
Stormwater Drainage	-	-	2,145	2,145
Water Supply Network	-	-	6,415	6,415
Sewerage Network	-	-	4,345	4,345
Swimming Pools	-	-	178	178
Other Open Space/Recreational Assets	-	-	614	614
<b>Total infrastructure, property, plant and equipment</b>	<b>-</b>	<b>-</b>	<b>164,827</b>	<b>164,827</b>

## Warren Shire Council

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

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

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\$ '000

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##### **(2) Transfers between level 1 and level 2 fair value hierarchies**

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## Warren Shire Council

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

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

\$ '000

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

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

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

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

###### **Plant & Equipment, Office Equipment and Furniture & Fittings**

notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

- 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.

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

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

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

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

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

## Warren Shire Council

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

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

\$ '000

##### **Other Structures**

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

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

##### **Roads**

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

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

##### **Bridges**

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

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

##### **Footpaths**

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

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

##### **Drainage Infrastructure**

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence (Level 2) other inputs (such as estimates of pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. The Drainage Assets were revalued in June 2015 the unit costs were calculated based on the actual cost to lay 205 metres of 600mm pipe during 2014/15 by external contractor B & D Brouff Excavations P/L and also the NSW Reference Rates Manual as published 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 2016

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

\$ '000

##### **Water Supply Network**

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

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

##### **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 are indexed each year in line with 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.

##### **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 2016

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

\$ '000

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

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

	Asset Plant & Equipment	Asset Office Equipment	Asset Furniture & Fittings	Asset Operational Land	Total
<b>Opening balance – 1/7/14</b>	4,071	36	74	1,140	5,321
Purchases (GBV)	1,115	9	21	23	1,168
Disposals (WDV)	(141)	–	–	–	(141)
Depreciation and impairment	(1,013)	(24)	(6)	–	(1,043)
Transfer from Works in Progress	–	–	–	4	4
<b>Closing balance – 30/6/15</b>	<b>4,032</b>	<b>21</b>	<b>89</b>	<b>1,167</b>	<b>5,309</b>

Purchases (GBV)	883	61	7	–	951
Disposals (WDV)	(127)	–	–	–	(127)
Depreciation and impairment	(1,013)	(6)	(9)	–	(1,028)
Transfer from Works in Progress	12	–	–	–	12

<b>Closing balance – 30/6/16</b>	<b>3,787</b>	<b>76</b>	<b>87</b>	<b>1,167</b>	<b>5,117</b>
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	Asset Community Land	Buildings Non- Specialised	Asset Buildings Specialised	Asset Other Structures	Total
<b>Opening balance – 1/7/14</b>	1,003	3,834	5,783	6,101	16,721
Purchases (GBV)	–	18	86	127	231
Depreciation and impairment	–	(97)	(174)	(131)	(402)
Transfer from Works in Progress	–	–	–	71	71
<b>Closing balance – 30/6/15</b>	<b>1,003</b>	<b>3,755</b>	<b>5,695</b>	<b>6,168</b>	<b>16,621</b>
Purchases (GBV)	–	139	13	194	346
Depreciation and impairment	–	(97)	(172)	(133)	(402)
FV gains – other comprehensive income	160	–	–	–	160
Transfer from Works in Progress	–	–	–	1	1
<b>Closing balance – 30/6/16</b>	<b>1,163</b>	<b>3,797</b>	<b>5,536</b>	<b>6,230</b>	<b>16,726</b>

## Warren Shire Council

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

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

\$ '000

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

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

	Asset class Roads	Asset class Bridges	Asset class Footpaths	Asset class Stormwater Drainage	Total
<b>Opening balance – 1/7/14</b>	91,957	11,202	1,047	2,099	106,305
Purchases (GBV)	2,278	–	75	83	2,436
Depreciation and impairment	(2,153)	(157)	(30)	(38)	(2,378)
FV gains – other comprehensive income	21,525	1,352	1,336	(14)	24,199
Transfer from Works in Progress	768	–	–	15	783
<b>Closing balance – 30/6/15</b>	<b>114,375</b>	<b>12,397</b>	<b>2,428</b>	<b>2,145</b>	<b>131,345</b>

Purchases (GBV)	2,075	–	39	83	2,197
Depreciation and impairment	(1,407)	(177)	(47)	(38)	(1,669)
Transfer from Works in Progress	2	–	–	–	2

<b>Closing balance – 30/6/16</b>	<b>115,045</b>	<b>12,220</b>	<b>2,420</b>	<b>2,190</b>	<b>131,875</b>
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	Water Supply Network	Asset Sewerage Network	Asset Swimming Pools	Asset Open Space Recreational	Total
<b>Opening balance – 1/7/14</b>	6,428	4,384	35	639	11,486
Purchases (GBV)	66	106	100	–	272
Depreciation and impairment	(173)	(209)	(7)	(25)	(414)
FV gains – other comprehensive income	94	64	–	–	158
Transfer from Works in Progress	–	–	50	–	50
<b>Closing balance – 30/6/15</b>	<b>6,415</b>	<b>4,345</b>	<b>178</b>	<b>614</b>	<b>11,552</b>
Purchases (GBV)	28	5	–	69	102
Depreciation and impairment	(176)	(213)	(37)	(25)	(451)
FV gains – other comprehensive income	100	61	–	–	161
<b>Closing balance – 30/6/16</b>	<b>6,367</b>	<b>4,198</b>	<b>141</b>	<b>658</b>	<b>11,364</b>

## Warren Shire Council

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

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

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\$ '000

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##### (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:

###### Plant & Equipment

An amount of 12K was transferred from Works in Progress for the completion of the installation of the new river pump at the Oxley Park water reservoir.

###### Other Structures

An amount of 1K was transferred from Works in Progress for the completion of the installation of the new emulsion tank at the Warren Shire Depot.

###### Roads

An amount of 2K was transferred from Works in Progress for the completion of the recycling works undertaken on the Bullagreen road.

##### (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

### GENERAL PURPOSE FINANCIAL STATEMENTS

### INDEPENDENT AUDITORS' REPORT

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of Warren Shire Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

#### ***Responsibility of Council for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

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

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

### ***Independence***

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

### ***Auditor's Opinion***

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
  - (i) have been presented in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

HILL ROGERS



BRETT HANGER

Partner

Dated at Sydney this 29th day of August 2016

29 August 2016

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

Mayor,

## Audit Report - Year Ended 30 June 2016

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

### 1. RESULTS FOR THE YEAR

#### 1.1 *Operating Result*

The operating result for the year was a surplus of \$2.966 million as compared with \$303,000 in the previous year.

### Assurance Partners



The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2016 \$000	% of Total	2015 \$000	% of Total	Increase (Decrease) \$000
<b>Revenues before capital items</b>					
Rates & annual charges	5,336	38%	5,192	42%	144
User charges, fees & other revenues	2,187	16%	2,213	18%	(26)
Grants & contributions provided for operating purposes	6,078	44%	4,722	38%	1,356
Interest & investment revenue	336	2%	323	3%	13
	<b>13,937</b>	100%	<b>12,450</b>	100%	<b>1,487</b>
<b>Expenses</b>					
Employee benefits & costs	4,676	41%	4,788	39%	(112)
Materials, contracts & other expenses	3,621	31%	3,513	29%	108
Depreciation, amortisation & impairment	3,181	28%	3,902	32%	(721)
Borrowing costs	41	0%	46	0%	(5)
	<b>11,519</b>	100%	<b>12,249</b>	100%	<b>(730)</b>
<b>Surplus (Deficit) before capital items</b>	<b>2,418</b>		<b>201</b>		<b>2,217</b>
Grants & contributions provided for capital purposes	548		102		446
<b>Net Surplus (Deficit) for the year</b>	<b>2,966</b>		<b>303</b>		<b>2,663</b>
<b>Performance Measures</b>					
Operating Performance		<b>2016</b>		<b>2015</b>	
Own Source Operating Revenue		16.74%		0.29%	
		53.92%		61.02%	

The above table shows an overall increase of \$2.663 million and mainly attributable to an increase in revenue from grants and contributions of \$1.802 million; coupled with a decrease of \$721,000 in depreciation expenses.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 16.74%; above the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 53.92%; below the benchmark of 60%. As identified in Note 13(a), this performance measure would increase to 71.06% with the inclusion of the Financial Assistance Grant (\$2.465 million).

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

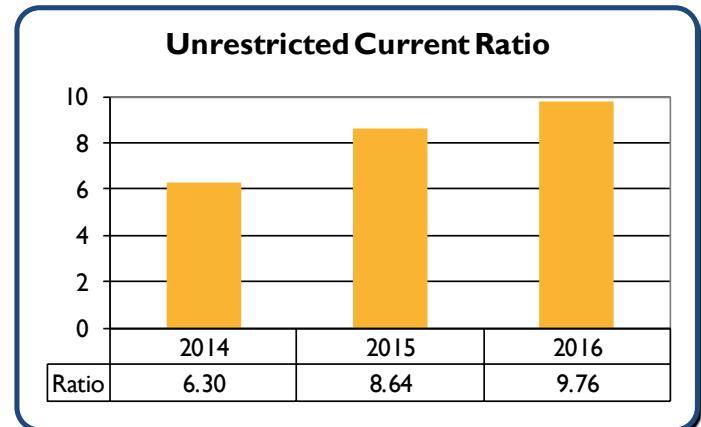
	<b>2016</b>	<b>2015</b>
<b>Funds were provided by:-</b>	\$000	\$000
<b>Operating Result (as above)</b>	<b>2,966</b>	<b>303</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	3,181	3,902
- Book value of non-current assets sold	127	141
- (Surplus)/Deficit in joint ventures	4	13
	<hr/> 6,278	<hr/> 4,359
Repayments from deferred debtors	24	22
Net Changes in current/non-current assets & liabilities	<hr/> 100	<hr/> 184
	<hr/> 6,402	<hr/> 4,565
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(4,685)	(3,918)
Principal repaid on loans	(59)	(57)
Transfers to externally restricted assets (net)	(1,002)	(187)
Transfers to internal reserves (net)	(664)	(130)
	<hr/> (6,410)	<hr/> (4,292)
<b>Increase/(Decrease) in Available Working Capital</b>	<b>(8)</b>	<b>273</b>

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$7.383 million representing a factor of 9.76 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$788,000 as detailed below;

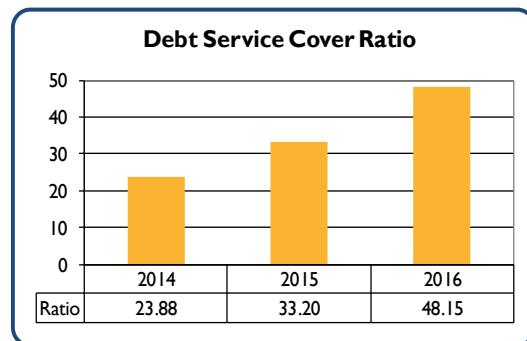
	2016	2015	Change
	\$000	\$000	\$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>10,739</b>	<b>9,225</b>	<b>1,514</b>
<b>Add:</b> Payables, provisions & inventories not expected to be realised in the next 12 months included above	875	718	157
<b>Adjusted Net Current Assets</b>	<b>11,614</b>	<b>9,943</b>	<b>1,671</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	79	75	4
- Employees leave entitlements	488	523	(35)
- Deposits & retention moneys	41	23	18
- Deferred debtors	(2)	(2)	0
<b>Less:</b> Externally restricted assets	(4,231)	(3,229)	(1,002)
<b>Less:</b> Internally restricted assets	(7,201)	(6,537)	(664)
<b>Available Working Capital as at 30 June</b>	<b>788</b>	<b>796</b>	<b>(8)</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

## 2.3 Debt

After repaying principal and interest of \$100,000, total debt as at 30 June 2016 stood at \$393,000 (2015 - \$452,000).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 48.15 to 1.



## 2.4 Summary

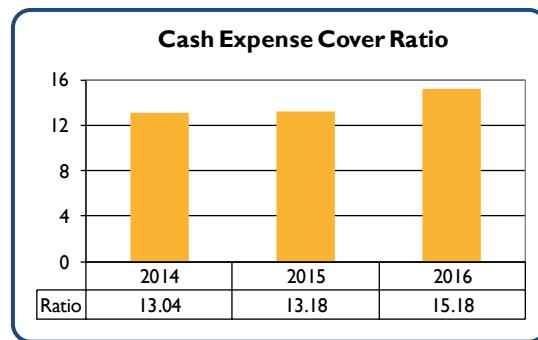
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

### 3. CASH ASSETS

#### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

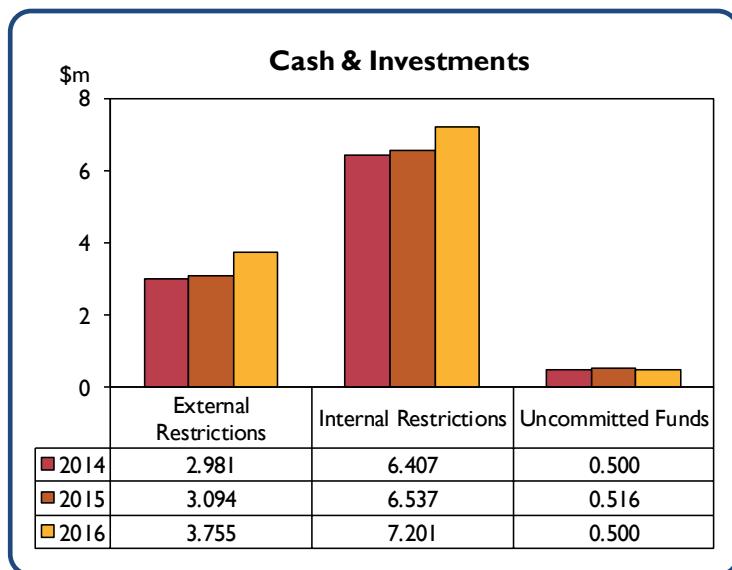
For 2016, this ratio stood at 15.18 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$11.456 million at 30 June 2016 as compared with \$10.147 million in 2015 and \$9.888 million in 2014.

The chart alongside summarises the purposes for which cash and investments securities were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consist of unexpended grants and contributions (\$919,000), domestic waste management charges (\$226,000) and water and sewerage funds (\$2.61 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$7.201 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$500,000, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash moving in and out of Council during the year and reveals that Cash Assets increased by \$1.309 million to \$11.456 million at the close of the year.

In addition to operating activities which contributed net cash of \$5.806 million were the proceeds from the sale of assets (\$238,000) and receipts from deferred debtors (\$24,000). Cash outflows other than operating activities were used to repay borrowings (\$74,000) and to purchase and construct assets (\$4.685 million).

## 4. RECEIVABLES

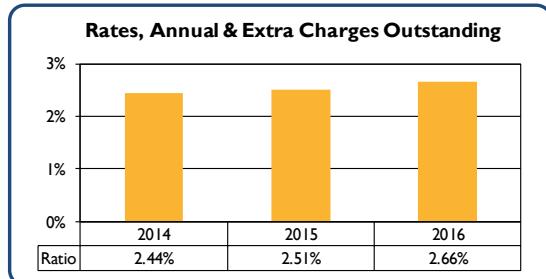
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$5.336 million and represented 37% of Council's total revenue.

Including arrears, the total rates and annual charges collectible was \$5.461 million of which \$5.327 million (98%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$146,000 at the end of the year and represented 2.66% of those receivables.



### 4.3 Other Receivables

Receivables (other than Rates & Annual Charges) totalled \$752,000 and included amounts due from other levels of government of \$394,000 and user charges of \$312,000.

## 5. PAYABLES

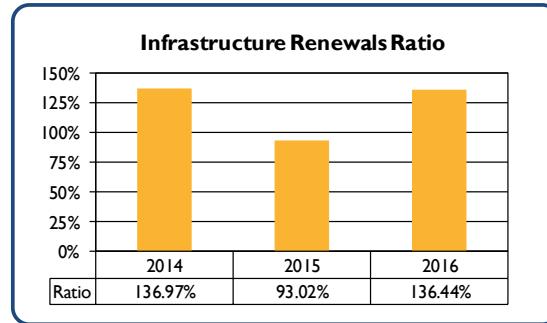
**Employees Leave Entitlements** - Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$1.826 million.

A cash reserve of \$500,000 was held at year end representing 27% of this liability and was, in our opinion, sufficient to enable Council to meet unbudgeted and unanticipated retirements.

## 6. INFRASTRUCTURE RENEWALS

The Infrastructure Renewals Ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2016 represented 136% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



## 7. REVALUATION OF ASSETS

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

During the year, water and sewerage asset values were indexed and community land was revalued. This resulted in a net increase of \$321,000 that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

## 8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 14 March 2016. This included our recommendations on possible ways to strengthen and/or improve procedures.

## 9. CONCLUSION

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit and once again commend management for the early completion and presentation of the financial statements.

Yours faithfully,  
HILL ROGERS

  
**BRETT HANGER**  
Partner