

Bourke Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*"To build a strong, united community, proud
of our past and committed to our future"*



Bourke Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	73
– On the Conduct of the Audit (Sect 417 [3])	75

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Bourke Shire Council.
- (ii) Bourke 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 26 October 2016. Council has the power to amend and reissue these financial statements.

Bourke Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

Bourke 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:

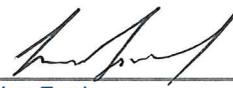
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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

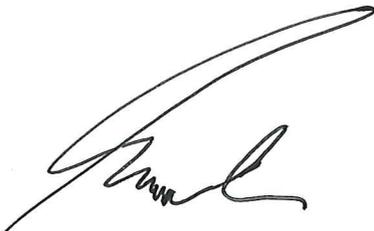
Signed in accordance with a resolution of Council made on 22 August 2016.



Barry Hollman
Mayor



Lachlan Ford
Councillor



Ross Earl
General manager



Leonie Brown
Responsible accounting officer

Bourke Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹				Actual	Actual
2016	\$ '000		Notes	2016	2015
		Income from continuing operations			
		Revenue:			
3,427		Rates and annual charges	3a	3,674	3,527
6,939		User charges and fees	3b	4,397	7,090
305		Interest and investment revenue	3c	454	400
967		Other revenues	3d	1,045	2,217
6,281		Grants and contributions provided for operating purposes	3e,f	9,153	7,168
12,863		Grants and contributions provided for capital purposes	3e,f	2,332	2,174
		Other income:			
–		Net gains from the disposal of assets	5	–	–
30,782		Total income from continuing operations		21,055	22,576
		Expenses from continuing operations			
7,518		Employee benefits and on-costs	4a	7,140	6,837
285		Borrowing costs	4b	258	262
16,932		Materials and contracts	4c	4,501	6,337
4,022		Depreciation and amortisation	4d	4,126	3,946
1,061		Other expenses	4e	1,389	1,513
–		Net losses from the disposal of assets	5	35	13
29,818		Total expenses from continuing operations		17,449	18,908
964		Operating result from continuing operations		3,606	3,668
964		Net operating result for the year		3,606	3,668
964		Net operating result attributable to Council		3,606	3,668
		Net operating result for the year before grants and contributions provided for capital purposes			
(11,899)				1,274	1,494

¹ Original budget as approved by Council – refer Note 16

Bourke Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		3,606	3,668
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	441	12,193
Total items which will not be reclassified subsequently to the operating result		441	12,193
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		441	12,193
Total comprehensive income for the year		4,047	15,861
Total comprehensive income attributable to Council		4,047	15,861

Bourke Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	2,774	5,098
Investments	6b	10,405	6,532
Receivables	7	2,829	2,471
Inventories	8	90	73
Other	8	34	31
Total current assets		16,132	14,205
Non-current assets			
Receivables	7	128	81
Infrastructure, property, plant and equipment	9	225,376	224,105
Total non-current assets		225,504	224,186
TOTAL ASSETS		241,636	238,391
LIABILITIES			
Current liabilities			
Payables	10	2,167	2,282
Borrowings	10	818	903
Provisions	10	2,709	2,631
Total current liabilities		5,694	5,816
Non-current liabilities			
Borrowings	10	3,253	3,938
Provisions	10	86	81
Total non-current liabilities		3,339	4,019
TOTAL LIABILITIES		9,033	9,835
Net assets		232,603	228,556
EQUITY			
Retained earnings	20	124,131	120,525
Revaluation reserves	20	108,472	108,031
Total equity		232,603	228,556

Bourke 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
2016						
Opening balance (as per last year's audited accounts)		120,525	108,031	228,556	–	228,556
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		120,525	108,031	228,556	–	228,556
c. Net operating result for the year		3,606	–	3,606	–	3,606
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	441	441	–	441
Other comprehensive income		–	441	441	–	441
Total comprehensive income (c&d)		3,606	441	4,047	–	4,047
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		124,131	108,472	232,603	–	232,603

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		116,320	95,838	212,158	–	212,158
a. Correction of prior period errors	20 (c)	537	–	537	–	537
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		116,857	95,838	212,695	–	212,695
c. Net operating result for the year		3,668	–	3,668	–	3,668
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	12,193	12,193	–	12,193
Other comprehensive income		–	12,193	12,193	–	12,193
Total comprehensive income (c&d)		3,668	12,193	15,861	–	15,861
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		120,525	108,031	228,556	–	228,556

Bourke Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
3,427	Rates and annual charges		3,596	3,392
7,647	User charges and fees		4,271	7,048
305	Investment and interest revenue received		397	375
19,320	Grants and contributions		11,395	8,988
–	Bonds, deposits and retention amounts received		38	58
83	Other		1,154	2,236
Payments:				
(5,525)	Employee benefits and on-costs		(7,026)	(6,711)
(9,025)	Materials and contracts		(5,950)	(5,471)
(285)	Borrowing costs		(260)	(264)
–	Bonds, deposits and retention amounts refunded		(37)	(57)
(1,321)	Other		(1,392)	(1,516)
14,626	Net cash provided (or used in) operating activities	11b	6,186	8,078
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		6,532	5,641
60	Sale of infrastructure, property, plant and equipment		400	275
Payments:				
–	Purchase of investment securities		(10,405)	(7,730)
(14,141)	Purchase of infrastructure, property, plant and equipment		(4,267)	(7,437)
(14,081)	Net cash provided (or used in) investing activities		(7,740)	(9,251)
Cash flows from financing activities				
Receipts:				
852	Proceeds from borrowings and advances		252	1,278
Payments:				
(1,129)	Repayment of borrowings and advances		(1,022)	(816)
(277)	Net cash flow provided (used in) financing activities		(770)	462
268	Net increase/(decrease) in cash and cash equivalents		(2,324)	(711)
5,098	Plus: cash and cash equivalents – beginning of year	11a	5,098	5,809
5,366	Cash and cash equivalents – end of the year	11a	2,774	5,098
Additional Information:				
	plus: Investments on hand – end of year	6b	10,405	6,532
Total cash, cash equivalents and investments			13,179	11,630

Please refer to Note 11 for information on the following:

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	24
2(b)	Council functions/activities – component descriptions	25
3	Income from continuing operations	26
4	Expenses from continuing operations	31
5	Gains or losses from the disposal of assets	33
6(a)	Cash and cash equivalent assets	34
6(b)	Investments	34
6(c)	Restricted cash, cash equivalents and investments – details	35
7	Receivables	36
8	Inventories and other assets	37
9(a)	Infrastructure, property, plant and equipment	38
9(b)	Externally restricted infrastructure, property, plant and equipment	39
9(c)	Infrastructure, property, plant and equipment – current year impairments	39 n/a
10(a)	Payables, borrowings and provisions	40
10(b)	Description of (and movements in) provisions	41
11	Statement of cash flows – additional information	42
12	Commitments for expenditure	43 n/a
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	44
	13a (ii) Local government industry graphs (consolidated)	45
	13b Local government industry indicators (by fund)	47
14	Investment properties	48 n/a
15	Financial risk management	48
16	Material budget variations	52
17	Statement of developer contributions	54 n/a
18	Contingencies and other liabilities/assets not recognised	54
19	Interests in other entities	55 n/a
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	56
21	Financial result and financial position by fund	58
22	'Held for sale' non-current assets and disposal groups	60 n/a
23	Events occurring after the reporting date	60
24	Discontinued operations	60 n/a
25	Intangible assets	60 n/a
26	Reinstatement, rehabilitation and restoration liabilities	61 n/a
27	Fair value measurement	61
 Additional council disclosures		
28	Financial review	71
29	Council information and contact details	72

n/a – not applicable

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* 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.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

(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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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
- Bourke Shire Council Water Supply Fund
- Bourke Shire Council Sewerage Service Fund

(ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust 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.

Bourke 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

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

Council has no Finance or Operating Leases.

(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

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

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

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

(ii) Loans and receivables

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

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

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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.

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 transactions costs.

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

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

(ii) Subsequent measurement

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

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

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 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**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- **Roads assets including roads, bridges and footpaths**
(External valuation)
- **Stormwater drainage** (external valuation)
- **Water and sewerage networks**
(external valuation)
- **Swimming pools**
(external valuation)
- **Other open space/recreational assets**
(external valuation)
- **Other infrastructure**
(external valuation)
- **Other assets**
(as approximated by depreciated historical cost)

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

Subsequent costs

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

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

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, 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 revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

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

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

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

Capitalisation thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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	> \$10,000

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 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 equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	5 to 25 years
------------------------	---------------

- Benches, seats etc	10 to 30 years
----------------------	----------------

Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

Stormwater Drainage

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

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	10 to 50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	100 years

- Road Pavements	60 years
- Kerb, Gutter and Paths	35 to 75 years

Water and Sewer Assets

- Dams and reservoirs	25 to 100 years
- Bores	20 to 40 years
- Reticulation pipes : PVC	70 to 80 years
- Reticulation pipes : Other	25 to 80 years
- Pumps and telemetry	10 to 50 years

- 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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

(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 incorporate the assets, their values and depreciation charges within 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.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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,

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- 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.

(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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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 24/02/2016 and covers the period ended 30/06/2016.

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 \$144,728.81.

The amount of additional contributions included in the total employer contribution advised above is \$76,496.04.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$112,578.81 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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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).

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.

(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.

Bourke 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	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	568	225	218	(568)	(225)	(218)	151	–	7,103	1,015
Administration	1,164	413	1,375	2,118	1,594	1,043	(954)	(1,181)	332	15	23	21,960	22,060
Public order and safety	288	252	363	603	457	524	(315)	(205)	(161)	–	3	1,423	1,641
Health	89	66	86	508	658	651	(419)	(592)	(565)	–	117	1,238	1,361
Environment	65	706	764	171	1,185	1,085	(106)	(479)	(321)	51	40	–	–
Community services and education	21	28	1	44	111	25	(23)	(83)	(24)	1	1	177	2,670
Housing and community amenities	808	171	211	2,074	533	723	(1,266)	(362)	(512)	–	9	16,092	15,506
Water supplies	4,379	2,522	2,681	4,729	1,999	1,829	(350)	523	852	833	647	10,330	10,659
Sewerage services	952	830	831	1,277	694	748	(325)	136	83	6	5	9,386	7,798
Recreation and culture	4,671	341	40	4,752	1,419	1,142	(81)	(1,078)	(1,102)	330	26	12,148	11,398
Mining, manufacturing and construction	18	14	19	–	–	–	18	14	19	–	–	–	–
Transport and communication	10,060	8,366	9,210	11,705	7,225	9,555	(1,645)	1,141	(345)	2,749	1,435	154,603	156,649
Economic affairs	3,689	498	484	1,269	1,349	1,365	2,420	(851)	(881)	6	3	7,176	7,634
Total functions and activities	26,204	14,207	16,065	29,818	17,449	18,908	(3,614)	(3,242)	(2,843)	4,142	2,309	241,636	238,391
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	4,578	6,848	6,511	–	–	–	4,578	6,848	6,511	5,041	4,787	–	–
Operating result from continuing operations	30,782	21,055	22,576	29,818	17,449	18,908	964	3,606	3,668	9,183	7,096	241,636	238,391

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

Bourke 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

Costs relating to the 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, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER AND SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES AND EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING AND COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Bourke 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
(a) Rates and annual charges			
Ordinary rates			
Residential		352	354
Farmland		1,047	1,027
Business		102	105
Total ordinary rates		1,501	1,486
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		301	255
Water supply services		835	808
Sewerage services		752	709
Drainage		155	146
Waste management services (non-domestic)		130	123
Total annual charges		2,173	2,041
TOTAL RATES AND ANNUAL CHARGES		3,674	3,527

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Bourke 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) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		640	664
Sewerage services		1	2
Waste management services (non-domestic)		59	58
Total user charges		700	724
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		42	47
Private works – section 67		83	247
Registration fees		5	10
Total fees and charges – statutory/regulatory		130	304
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		4	5
Cemeteries		15	22
RMS (formerly RTA) charges (state roads not controlled by Council)		3,457	5,906
Saleyards		2	5
Water connection fees		6	14
Other		83	110
Total fees and charges – other		3,567	6,062
TOTAL USER CHARGES AND FEES		4,397	7,090

Bourke 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
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		82	61
– Interest earned on investments (interest and coupon payment income)		372	339
TOTAL INTEREST AND INVESTMENT REVENUE		454	400
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		82	46
General Council cash and investments		224	192
Restricted investments/funds – external:			
Water fund operations		120	96
Sewerage fund operations		28	66
Total interest and investment revenue recognised		454	400
(d) Other revenues			
Rental income – other council properties		218	174
Fines		2	1
Legal fees recovery – rates and charges (extra charges)		4	24
Aboriginal communities program		44	315
Back O’ Bourke centre		395	424
Commissions and agency fees		113	92
Diesel rebate		82	90
Insurance claim recoveries		18	1,024
Jandra boat		59	42
Recycling income (non-domestic)		6	8
Tourism		15	–
Other		1	–
Other		88	23
TOTAL OTHER REVENUE		1,045	2,217

Bourke 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
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,261	2,995	–	–
Financial assistance – local roads component	1,771	1,783	–	–
Pensioners' rates subsidies – general component	9	9	–	–
Total general purpose	5,041	4,787	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	7	6	–	–
– Sewerage	6	5	–	–
– Domestic waste management	6	6	–	–
– Urban drainage	3	3	–	–
Water supplies	17	–	809	641
Economic development	6	3	–	–
Employment and training programs	15	23	–	–
Environmental protection	–	40	–	–
Health	–	58	–	–
Heritage and cultural	8	4	–	–
Library	22	22	–	–
Noxious weeds	51	59	–	–
Public order and safety	–	3	–	–
Recreation and culture	–	–	300	–
Street lighting	33	32	–	–
Transport (roads to recovery)	2,240	1,003	–	–
Transport (other roads and bridges funding)	196	–	422	400
Youth services	1	1	–	–
Total specific purpose	2,611	1,268	1,531	1,041
Total grants	7,652	6,055	1,531	1,041
Grant revenue is attributable to:				
– Commonwealth funding	7,272	5,781	–	–
– State funding	350	243	1,231	1,041
– Other funding	30	31	300	–
	7,652	6,055	1,531	1,041

Bourke 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
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
Nil				
Other contributions:				
Bushfire services	247	252	–	–
Business development	8	–	–	–
Other capital contribution	–	98	–	–
RMS contributions (regional roads, block grant)	1,246	763	801	1,133
Total other contributions	1,501	1,113	801	1,133
Total contributions	1,501	1,113	801	1,133
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>9,153</u>	<u>7,168</u>	<u>2,332</u>	<u>2,174</u>

\$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	191	315
Add: grants and contributions recognised in the current period but not yet spent:	383	64
Less: grants and contributions recognised in a previous reporting period now spent:	(89)	(188)
Net increase (decrease) in restricted assets during the period	294	(124)
Unexpended and held as restricted assets	<u>485</u>	<u>191</u>
Comprising:		
– Specific purpose unexpended grants	485	191
	<u>485</u>	<u>191</u>

Bourke 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
(a) Employee benefits and on-costs			
Salaries and wages		4,778	4,923
Travel expenses		397	186
Employee leave entitlements (ELE)		1,204	1,163
Superannuation		638	596
Workers' compensation insurance		166	139
Fringe benefit tax (FBT)		23	27
Training costs (other than salaries and wages)		131	169
Sick leave insurance		6	13
Protective clothing		27	–
Other		37	44
Total employee costs		7,407	7,260
Less: capitalised costs		(267)	(423)
TOTAL EMPLOYEE COSTS EXPENSED		7,140	6,837
Number of 'full-time equivalent' employees (FTE) at year end		79	81
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		85	85
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		258	262
Total interest bearing liability costs expensed		258	262
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		258	262
(c) Materials and contracts			
Raw materials and consumables		6,564	9,845
Contractor and consultancy costs		211	219
Auditors remuneration ⁽¹⁾		39	40
Legal expenses:			
– Legal expenses: planning and development		14	–
– Legal expenses: other		10	24
Total materials and contracts		6,838	10,128
Less: capitalised costs		(2,337)	(3,791)
TOTAL MATERIALS AND CONTRACTS		4,501	6,337

continued on next page

Bourke 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
(c) Materials and contracts (continued)			
Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
Audit and review of financial statements: Council's Auditor		39	40
Remuneration for audit and other assurance services		39	40
Total Auditor remuneration		39	40

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		–	–	832	831
Office equipment		–	–	35	35
Infrastructure:					
– Buildings – non-specialised		–	–	45	45
– Buildings – specialised		–	–	425	424
– Other structures		–	–	164	158
– Roads		–	–	1,266	1,118
– Bridges		–	–	230	247
– Footpaths		–	–	106	81
– Stormwater drainage		–	–	87	88
– Water supply network		–	–	341	336
– Sewerage network		–	–	180	177
– Swimming pools		–	–	67	67
– Other open space/recreational assets		–	–	149	141
– Levee bank		–	–	188	188
Other assets					
– Library books		–	–	11	10
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	4,126	3,946

Bourke 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
(e) Other expenses			
Advertising		18	24
Bad and doubtful debts		10	52
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		5	4
– NSW Fire Brigade levy		32	31
– NSW Rural Fire Service levy		88	84
Councillor expenses – mayoral fee		25	24
Councillor expenses – councillors' fees		107	105
Councillors' expenses (incl. mayor) – other (excluding fees above)		47	33
Donations, contributions and assistance to other organisations (Section 356)		29	29
Electricity and heating		340	418
Insurance		434	451
Street lighting		143	164
Subscriptions and publications		30	20
Telephone and communications		79	74
Other		2	–
<u>TOTAL OTHER EXPENSES</u>		<u>1,389</u>	<u>1,513</u>

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2016	2015
Plant and equipment			
Proceeds from disposal – plant and equipment		280	275
Less: carrying amount of plant and equipment assets sold/written off		(295)	(272)
Net gain/(loss) on disposal		(15)	3
Infrastructure			
Proceeds from disposal – infrastructure		120	–
Less: carrying amount of infrastructure assets sold/written off		(140)	(16)
Net gain/(loss) on disposal		(20)	(16)
Financial assets *			
Proceeds from disposal of financial assets – held to maturity investment:		6,532	5,641
Less: carrying amount of financial assets sold/redeemed/matured		(6,532)	(5,641)
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(35)</u>	<u>(13)</u>

Bourke 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 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		62	–	1,123	–
Cash-equivalent assets ¹					
– Short-term deposits		2,712	–	3,975	–
Total cash and cash equivalents		2,774	–	5,098	–
Investments (Note 6b)					
– Long term deposits		10,405	–	6,532	–
Total investments		10,405	–	6,532	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		13,179	–	11,630	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		2,774	–	5,098	–
--	--	-------	---	-------	---

Investments

a. 'Held to maturity'	6(b-i)	10,405	–	6,532	–
Investments		10,405	–	6,532	–

Note 6(b-i)

**Reconciliation of investments
classified as 'held to maturity'**

Balance at the beginning of the year		6,532	–	4,443	–
Additions		10,405	–	7,730	–
Disposals (sales and redemptions)		(6,532)	–	(5,641)	–
Balance at end of year		10,405	–	6,532	–

Comprising:

– Long term deposits		10,405	–	6,532	–
Total		10,405	–	6,532	–

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

Bourke 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	13,179	–	11,630	–
attributable to:				
External restrictions (refer below)	4,658	–	3,983	–
Internal restrictions (refer below)	1,132	–	1,114	–
Unrestricted	7,389	–	6,533	–
	13,179	–	11,630	–

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Specific purpose unexpended grants (F)	117	308	–	425
Specific purpose unexpended grants-water fund (F)	–	7	–	7
Specific purpose unexpended grants-sewer fund (F)	74	–	(21)	53
Water supplies (G)	2,958	218	–	3,176
Sewerage services (G)	834	163	–	997
External restrictions – other	3,983	696	(21)	4,658
Total external restrictions	3,983	696	(21)	4,658

Internal restrictions

Employees leave entitlement	594	6	–	600
Deposits, retentions and bonds	30	37	(36)	31
Loan – drainage	490	–	(160)	330
Loan – Heavy Plant	–	171	–	171
Total internal restrictions	1,114	214	(196)	1,132
TOTAL RESTRICTIONS	5,097	910	(217)	5,790

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

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

Bourke 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
Purpose					
Rates and annual charges		524	191	476	173
Interest and extra charges		110	41	89	34
User charges and fees		1,710	–	1,445	–
Accrued revenues					
– Interest on investments		93	–	52	–
Government grants and subsidies		465	–	375	–
Net GST receivable		13	–	122	–
Total		2,915	232	2,559	207
Less: provision for impairment					
Rates and annual charges		(64)	(64)	(70)	(70)
Interest and extra charges		(19)	(28)	(14)	(21)
User charges and fees		(3)	(12)	(4)	(35)
Total provision for impairment – receivables		(86)	(104)	(88)	(126)
<u>TOTAL NET RECEIVABLES</u>		<u>2,829</u>	<u>128</u>	<u>2,471</u>	<u>81</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		–	–	185	–
– Rates and availability charges		220	–	196	–
– Other		253	–	308	–
Sewerage services					
– Rates and availability charges		190	–	177	–
Total external restrictions		663	–	866	–
Internally restricted receivables					
Nil					
Unrestricted receivables		2,166	128	1,605	81
<u>TOTAL NET RECEIVABLES</u>		<u>2,829</u>	<u>128</u>	<u>2,471</u>	<u>81</u>

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.

Bourke 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
(a) Inventories					
(i) Inventories at cost					
Stores and materials		90	–	73	–
Total inventories at cost		90	–	73	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>90</u>	<u>–</u>	<u>73</u>	<u>–</u>
(b) Other assets					
Prepayments		34	–	31	–
<u>TOTAL OTHER ASSETS</u>		<u>34</u>	<u>–</u>	<u>31</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures**Inventory write downs**

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

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

Bourke Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period								as at 30/6/2016					
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	3,282	–	–	–	3,282	1,360	882	(10)	–	(2,622)	–	–	–	2,892	–	–	–	2,892
Plant and equipment	–	9,100	5,352	–	3,748	544	–	(295)	(832)	–	–	–	–	–	8,945	5,780	–	3,165
Office equipment	–	468	230	–	238	34	–	–	(35)	–	–	–	–	–	501	264	–	237
Land:																		
– Operational land	–	1,146	–	–	1,146	–	–	(72)	–	186	–	–	–	–	1,260	–	–	1,260
– Community land	–	842	–	–	842	–	–	–	–	–	–	601	–	1,443	–	–	–	1,443
Infrastructure:																		
– Buildings – non-specialised	–	2,849	385	–	2,464	7	–	–	(45)	–	–	–	–	–	2,855	429	–	2,426
– Buildings – specialised	–	26,690	5,198	–	21,492	159	118	–	(425)	675	–	–	–	–	27,641	5,622	–	22,019
– Other structures	–	3,471	1,024	–	2,447	125	27	–	(164)	–	170	(233)	–	–	3,982	1,610	–	2,372
– Roads	–	158,525	24,715	–	133,810	1,748	9	(52)	(1,266)	176	–	–	–	–	160,418	25,993	–	134,425
– Bridges	–	26,103	8,632	–	17,471	–	–	–	(230)	–	(2,075)	–	–	–	23,573	8,407	–	15,166
– Footpaths	–	5,087	2,983	–	2,104	30	–	–	(106)	–	2,075	–	–	–	7,647	3,544	–	4,103
– Stormwater drainage	–	7,111	2,933	–	4,178	–	65	–	(87)	–	–	–	–	–	7,175	3,019	–	4,156
– Water supply network	–	22,984	12,977	–	10,007	10	–	–	(341)	120	–	–	150	–	23,459	13,513	–	9,946
– Sewerage network	–	15,270	7,499	–	7,771	214	–	–	(180)	1,465	–	–	117	–	17,178	7,791	–	9,387
– Swimming pools	–	2,045	1,147	–	898	–	–	–	(67)	–	(30)	(6)	–	–	2,018	1,223	–	795
– Other open space/recreational assets	–	6,487	2,921	–	3,566	39	–	–	(149)	–	(140)	(188)	–	–	6,912	3,784	–	3,128
– Levee bank	–	13,136	4,590	–	8,546	–	–	–	(188)	–	–	–	–	–	13,136	4,778	–	8,358
Other assets:																		
– Library books	–	119	24	–	95	20	–	(6)	(11)	–	–	–	–	–	126	28	–	98
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	3,282	301,433	80,610	–	224,105	4,290	1,101	(435)	(4,126)	–	–	(427)	868	2,892	308,269	85,785	–	225,376

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.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
WIP	1,595	–	–	1,595	702	–	–	702
Plant and equipment	–	386	190	196	–	386	132	254
Infrastructure	–	23,459	13,513	9,946	–	22,984	12,977	10,007
Total water supply	1,595	23,845	13,703	11,737	702	23,370	13,109	10,963
Sewerage services								
WIP	4	–	–	4	1,465	–	–	1,465
Plant and equipment	–	96	76	20	–	96	68	28
Other structures	–	17,178	7,793	9,385	–	–	–	–
Infrastructure	–	–	–	–	–	15,270	7,499	7,770
Total sewerage services	4	17,274	7,869	9,409	1,465	15,366	7,567	9,263
TOTAL RESTRICTED I,PP&E	1,599	41,119	21,572	21,146	2,166	38,736	20,676	20,226

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.

Bourke 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
Payables					
Goods and services – operating expenditure		479	–	1,911	–
Goods and services – capital expenditure		1,136	–	12	–
Payments received in advance		304	–	141	–
Accrued expenses:					
– Borrowings		20	–	22	–
– Salaries and wages		197	–	166	–
Security bonds, deposits and retentions		31	–	30	–
Total payables		2,167	–	2,282	–
Borrowings					
Loans – secured ¹		818	3,253	903	3,938
Total borrowings		818	3,253	903	3,938
Provisions					
Employee benefits:					
Annual leave		805	–	763	–
Sick leave		243	–	276	–
Long service leave		1,632	86	1,541	81
Other leave		29	–	51	–
Total provisions		2,709	86	2,631	81
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,694	3,339	5,816	4,019
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		75	448	71	478
Sewer		3	82	3	86
Liabilities relating to externally restricted assets		78	530	74	564
Internally restricted assets					
Loan – drainage		43	416	31	458
Liabilities relating to internally restricted assets		43	416	31	458
Total liabilities relating to restricted assets		121	946	105	1,022
Total liabilities relating to unrestricted assets		5,573	2,393	5,711	2,997
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,694	3,339	5,816	4,019

¹ Loans are secured over the general rating income of Council

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

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

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,600	1,600
	<u>1,600</u>	<u>1,600</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	763	574	(532)	–	–	805
Sick leave	276	243	(276)	–	–	243
Long service leave	1,622	340	(244)	–	–	1,718
Other leave	51	2	(24)	–	–	29
TOTAL	2,712	1,159	(1,076)	–	–	2,795

- 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.

Bourke 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
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	2,774	5,098
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		2,774	5,098
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		3,606	3,668
Adjust for non-cash items:			
Depreciation and amortisation		4,126	3,946
Net losses/(gains) on disposal of assets		35	13
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(381)	(586)
Increase/(decrease) in provision for doubtful debts		(24)	51
Decrease/(increase) in inventories		(17)	(27)
Decrease/(increase) in other assets		(3)	(3)
Increase/(decrease) in payables		(1,432)	893
Increase/(decrease) in accrued interest payable		(2)	(2)
Increase/(decrease) in other accrued expenses payable		31	20
Increase/(decrease) in other liabilities		164	(1)
Increase/(decrease) in employee leave entitlements		83	106
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		6,186	8,078

Bourke 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
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		200	200
Credit cards/purchase cards		10	10
Total financing arrangements		210	210
Amounts utilised as at balance date:			
– Credit cards/purchase cards		8	8
Total financing arrangements utilised		8	8

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.

Note 12. Commitments for expenditure

Nil

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,309</u>	6.99%	7.39%	-9.98%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>18,723</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>9,570</u>	45.45%	58.62%	64.47%
Total continuing operating revenue ⁽¹⁾	<u>21,055</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>10,811</u>	2.69x	2.26x	2.13x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>4,016</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>5,693</u>	4.45x	5.30x	3.13x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,280</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>691</u>	15.86%	14.75%	11.00%
Rates, annual and extra charges collectible	<u>4,357</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>13,179</u>	10.08	9.4 mths	8.1 mths
Payments from cash flow of operating and financing activities	<u>1,307</u>	mths		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

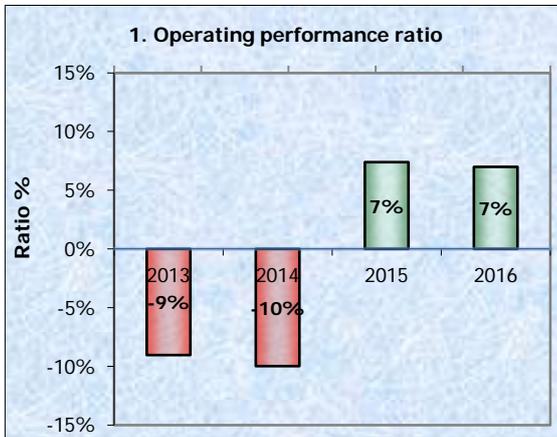
⁽³⁾ Refer to Note 10(a).

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

Bourke Shire Council

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

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



Purpose of operating performance ratio

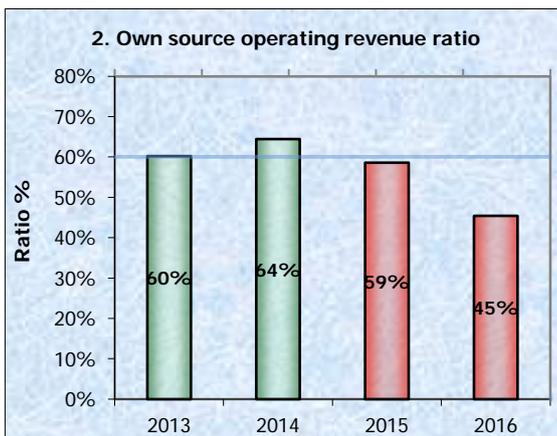
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

2015/16 ratio	6.99%
----------------------	--------------

Benchmark: — Minimum $\geq 0.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

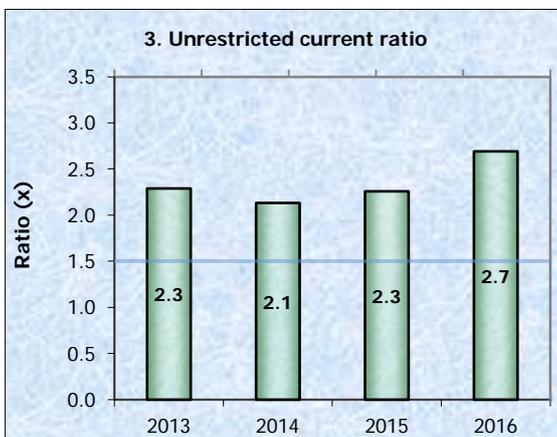
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

2015/16 ratio	45.45%
----------------------	---------------

Benchmark: — Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

2015/16 ratio	2.69x
----------------------	--------------

Benchmark: — Minimum ≥ 1.50

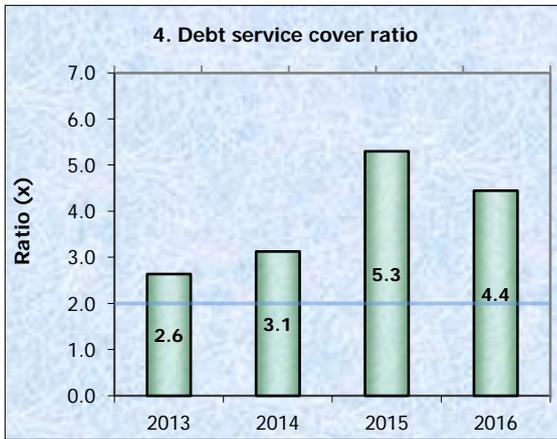
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

Bourke Shire Council

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

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



Purpose of debt service cover ratio

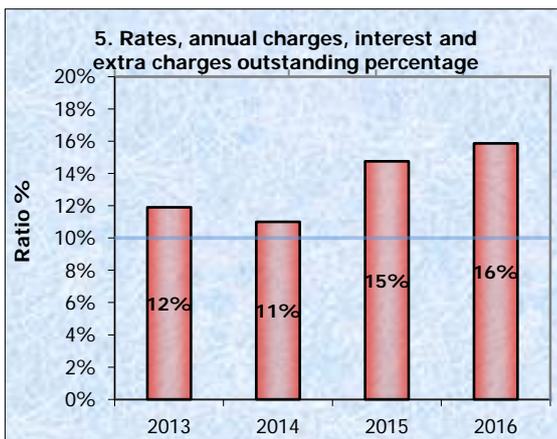
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

2015/16 ratio 4.45x

Benchmark: ——— Minimum ≥ 2.00

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

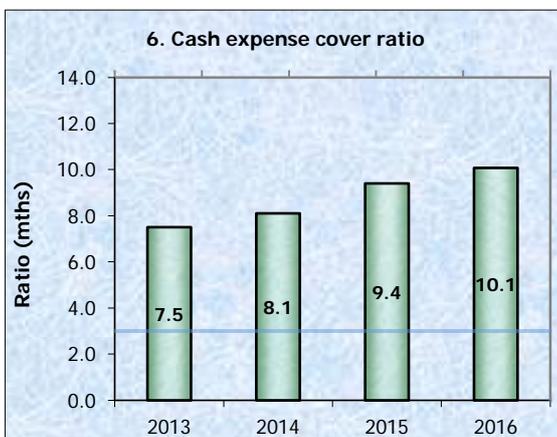
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

2015/16 ratio 15.86%

Benchmark: ——— Maximum $< 10.00\%$

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

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

2015/16 ratio 10.08 mths

Benchmark: ——— Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

Bourke 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 ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	-8.05%	21.29%	7.94%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 10.35%	10.00%	6.92%
2. Own source operating revenue ratio			
<u>Total continuing operating revenue⁽¹⁾ excluding all grants and contributions</u>	68.72%	99.32%	39.20%
Total continuing operating revenue ⁽¹⁾	prior period: 75.85%	99.40%	54.43%
3. Unrestricted current ratio			
<u>Current assets less all external restrictions⁽²⁾</u>	48.65x	395.67x	2.69x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 51.37x	337.00x	2.26x
4. Debt service cover ratio			
<u>Operating result⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	20.15x	51.75x	3.71x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 17.64x	34.88x	4.64x
5. Rates, annual charges, interest and extra charges outstanding percentage			
<u>Rates, annual and extra charges outstanding</u>	48.56%	23.63%	1.09%
Rates, annual and extra charges collectible	prior period: 15.68%	16.13%	13.45%
6. Cash expense cover ratio			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	0.00	0.00	6.84 mths
Payments from cash flow of operating and financing activities	prior period: 24.18 mths	19.39 mths	7.28 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.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	2,774	5,098	2,774	5,098
Investments				
– 'Held to maturity'	10,405	6,532	10,405	6,532
Receivables	2,957	2,552	2,957	2,552
Total financial assets	16,136	14,182	16,136	14,182
Financial liabilities				
Payables	1,863	2,141	1,925	2,141
Loans/advances	4,071	4,841	4,071	4,841
Total financial liabilities	5,934	6,982	5,996	6,982

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.

Bourke 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.

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	92	92	(92)	(92)
2015				
Possible impact of a 1% movement in interest rates	92	92	(92)	(92)

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	31%	0%	31%
Overdue	100%	69%	100%	69%
	100%	100%	100%	100%

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	–	–	–	17
< 1 year overdue	0 – 30 days overdue	448	1,405	476	911
1 – 2 years overdue	30 – 60 days overdue	267	572	173	648
2 – 5 years overdue	60 – 90 days overdue	–	336	–	333
> 5 years overdue	> 90 days overdue	–	119	–	208
		715	2,432	649	2,117

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	214	163
+ new provisions recognised during the year	21	59
– amounts already provided for and written off this year	(35)	(8)
– amounts provided for but recovered during the year	(10)	–
Balance at the end of the year	190	214

Bourke 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		
2016									
Trade/other payables	31	1,832	–	–	–	–	–	1,863	1,863
Loans and advances	–	818	658	554	428	292	1,821	4,571	4,071
Total financial liabilities	31	2,650	658	554	428	292	1,821	6,434	5,934
2015									
Trade/other payables	30	2,113	–	–	–	–	–	2,143	2,141
Loans and advances	–	903	770	609	504	377	2,218	5,381	4,841
Total financial liabilities	30	3,016	770	609	504	377	2,218	7,524	6,982

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,863	0.00%	2,141	0.00%
Loans and advances – fixed interest rate	3,926	6.33%	4,576	7.05%
Loans and advances – variable interest rate	145	4.80%	265	7.80%
	<u>5,934</u>		<u>6,982</u>	

Bourke 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 25 May 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
REVENUES					
Rates and annual charges	3,427	3,674	247	7%	F
User charges and fees	6,939	4,397	(2,542)	(37%)	U
Council received less works orders from RMS for State Highway works than estimated at the start of the year					
Interest and investment revenue	305	454	149	49%	F
A conservative approach was taken when setting the budget. Council was able to maintain reasonable investments for the period					
Other revenues	967	1,045	78	8%	F
Operating grants and contributions	6,281	9,153	2,872	46%	F
The actual amount of grants received depends on decisions made by the State and Federal Government after the original budget is adopted					
Capital grants and contributions	12,863	2,332	(10,531)	(82%)	U
Council added an estimate for grant funding to upgrade Bourke swimming pool, cemetery waterlines, build new Cultural centre and upgrade displays at Back O Bourke Exhibition Centre all items were reliant on Grant Funding that was not received					
Net gains from disposal of assets	-	-	-	0%	F
Not included in original budget sale of land					

Bourke 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*		
EXPENSES					
Employee benefits and on-costs	7,518	7,140	378	5%	F
Borrowing costs	285	258	27	9%	F
Materials and contracts	16,932	4,501	12,431	73%	F
A favourable outcome mainly due to savings with improved buying power and also grant applications that were not successful that included a Materials and Contract component					
Depreciation and amortisation	4,022	4,126	(104)	(3%)	U
Other expenses	1,061	1,389	(328)	(31%)	U

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

Cash flows from operating activities	14,626	6,186	(8,440)	(57.7%)	U
Cash flow income is lower than anticipated due to unsuccessful applications for anticipated grant funding					
Cash flows from investing activities	(14,081)	(7,740)	6,341	(45.0%)	F
Not all infrastructure renewals were carried out due to limited funding availability					
Cash flows from financing activities	(277)	(770)	(493)	178.0%	U
Council did not take up all borrowings after the original budget was adopted					

Bourke Shire Council

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

Note 17. Statement of Developer Contributions

\$ '000

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

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Bourke 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.

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.

Note 19. Interests in other entities

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

Bourke 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			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		120,525	116,320
a. Correction of prior period errors	20 (c)	–	537
b. Net operating result for the year		3,606	3,668
Balance at end of the reporting period		124,131	120,525
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		108,472	108,031
Total		108,472	108,031
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		108,031	95,838
– Revaluations for the year	9(a)	441	12,193
– Balance at end of year		108,472	108,031
TOTAL VALUE OF RESERVES		108,472	108,031
(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.			

Bourke 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 (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors as disclosed in last year's financial statements:			
<p>In the 2013 year, an independent revaluation was done for buildings and other structure assets. This was done on a consumption based method, the Council's asset register uses a straight line method. This skewed depreciation for some asset categories.</p> <p>This was not identified in 2014, but has been identified in 2015 and corrections have been implemented.</p> <p>In 2015 there has been identified and corrected, previous period errors with incorrect category assignment and correction to life or value.</p> <p>This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's financial reports had previously indicated.</p> <p>Council recognised this process has affected accumulated depreciation and asset values recorded in previous reporting periods.</p> <p>As a result, Council adjusted the accumulated depreciation for the asset classes below as at 30/6/14 to reflect the correct value of accumulated depreciation;</p>			
Buildings – non specialised	(incr)/decr to accumulated depreciation		34
Buildings – specialised	incr/(decr) to at fair value		12
Buildings – specialised	(incr)/decr to accumulated depreciation		317
Other structures	incr/(decr) to at fair value		(18)
Other structures	(incr)/decr to accumulated depreciation		193
<p>Assets across these categories have also been more correctly align with asset type.</p> <p>This adjustment resulted in a net increase/(decrease) in Council's accumulated surplus as at 30/6/14.</p> <p>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</p> <p>These amounted to the following equity adjustments:</p>			
– Adjustments to opening equity – 1/7/14	(relating to adjustments for the 30/6/14 reporting year end and prior periods)	–	539
– Adjustments to closing equity – 30/6/15	(relating to adjustments for the 30/6/15 year end)	–	(2)
Total prior period adjustments – prior period errors		–	537

(d) Voluntary changes in accounting policies

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	974	804	1,896
User charges and fees	646	1	3,750
Interest and investment revenue	120	28	306
Other revenues	88	44	913
Grants and contributions provided for operating purposes	23	6	9,124
Grants and contributions provided for capital purposes	809	–	1,523
Other income			
Net gains from disposal of assets	–	–	–
Total income from continuing operations	2,660	883	17,512
Expenses from continuing operations			
Employee benefits and on-costs	185	74	6,881
Borrowing costs	34	8	216
Materials and contracts	842	366	3,293
Depreciation and amortisation	800	218	3,108
Impairment	–	–	–
Other expenses	139	29	1,221
Total expenses from continuing operations	2,000	695	14,754
Operating result from continuing operations	660	188	2,758
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	660	188	2,758
Net operating result attributable to each council fund	660	188	2,758
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(149)	188	1,235

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

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

Bourke Shire Council

Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,183	1,050	(1,459)
Investments	–	–	10,405
Receivables	473	190	2,166
Inventories	–	–	90
Other	–	–	34
Total current assets	3,656	1,240	11,236
Non-current assets			
Investments	–	–	–
Receivables	–	–	128
Inventories	–	–	–
Infrastructure, property, plant and equipment	11,737	9,409	204,230
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	11,737	9,409	204,358
TOTAL ASSETS	15,393	10,649	215,594
LIABILITIES			
Current liabilities			
Payables	44	–	2,123
Borrowings	31	3	784
Provisions	–	–	2,709
Total current liabilities	75	3	5,616
Non-current liabilities			
Payables	–	–	–
Borrowings	448	82	2,723
Provisions	–	–	86
Total non-current liabilities	448	82	2,809
TOTAL LIABILITIES	523	85	8,425
Net assets	14,870	10,564	207,169
EQUITY			
Retained earnings	8,363	4,727	111,041
Revaluation reserves	6,507	5,837	96,128
Total equity	14,870	10,564	207,169

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

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

Bourke 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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 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 26/10/16.

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

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

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

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

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

Council is aware of the following 'non-adjusting events' that merit disclosure:

Council forms part of the Far West Initiative (FWI). The FWI is made up of eight Councils in the west of the State. The FWI brings together Balranald, Bourke, Brewarrina, Broken Hill, Central Darling, Cobar, Walgett and Wentworth with the Unincorporated Area, non-government organisations and key government agencies to develop solutions for the unique challenges facing the communities in the Far West NSW. Council is not aware of any Financial implications as at 30/06/16

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Note 27. Fair value measurement

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	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	3,165	3,165
Furniture and fittings	–	–	237	237
Operational land	–	–	1,260	1,260
Community land	–	–	1,443	1,443
Buildings non-specialised	–	–	2,426	2,426
Buildings specialised	–	–	22,019	22,019
Other structures	–	–	2,372	2,372
Roads	–	–	134,425	134,425
Bridges	–	–	15,166	15,166
Footpaths	–	–	4,103	4,103
Stormwater drainage	–	–	4,156	4,156
Levee banks	–	–	8,358	8,358
Water supply network	–	–	9,946	9,946
Sewerage network	–	–	9,387	9,387
Swimming pools	–	–	795	795
Open spaces/recreational	–	–	3,128	3,128
Other assets	–	–	98	98
Total infrastructure, property, plant and equipment	–	–	222,484	222,484

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

2015	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	—	—	3,746	3,746
Furniture and fittings	—	—	238	238
Operational land	—	—	1,147	1,147
Community land	—	—	842	842
Buildings non-specialised	—	—	2,463	2,463
Buildings specialised	—	—	21,492	21,492
Other structures	—	—	2,617	2,617
Roads	—	—	133,811	133,811
Bridges	—	—	17,471	17,471
Footpaths	—	—	2,104	2,104
Stormwater drainage	—	—	4,179	4,179
Levee banks	—	—	8,547	8,547
Water supply network	—	—	10,007	10,007
Sewerage network	—	—	7,770	7,770
Swimming pools	—	—	868	868
Open spaces/recreational	—	—	3,425	3,425
Other assets	—	—	96	96
Total infrastructure, property, plant and equipment	—	—	220,823	220,823

(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.

Bourke 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 and equipment

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

Examples of assets within these classes are as follows:

Graders, trucks, rollers, tractors and motor vehicles

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

Operational and community land

Operational & Community Land are based on the Land Value provided by the Valuer-General. Operational land is based on the Valuer-General's land value as these are representative of actual market values in the Bourke LGA 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.

As these rates are not considered to be observable market evidence they have been classified as a Level 3

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

Buildings – non specialised and specialised

Non Specialised & Specialised Buildings were valued by APV as at 30th June 2013, at Fair Value.

This approach estimated the fair value for each building by componentising the building into significant parts.

All buildings were physically inspected and elements such as useful life reassessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2018.

These assets have been classified as Level 3 valuation inputs.

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

Bourke 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 (continued)

Other structures

A portion of this class of assets was valued by SFV as at 30th June 2016, at Fair Value.

The remaining portion is valued utilising the cost approach. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

Examples of assets within these classes are as follows:

Waste Depot, Structure other than Buildings and Sale Yards

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

Roads

Roads comprise of road carriageway, roadside shoulders, islands, kerb & guttering. They include sections sealed and unsealed. Road assets were valued by EMC-Works as at 30th June 2015, at Current Replacement Cost. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

An independent valuation is conducted every five years and is scheduled for revaluation in 2020.

Bridges

Bridge assets were valued by EMC-Works as at 30th June 2015, at Current Replacement Cost.

This category consists of all concrete bridges excepting three timber bridges which are to be replaced by end 2017. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

While some elements of value may be supported from market based evidence (Level 2 inputs) other inputs such as, pattern of consumption, traffic load and frequency, residual value, asset condition and useful life will impact significantly on the final determination of the fair value.

These assets have been classified as Level 3 valuation inputs.

Footpaths

Footpath assets were valued by EMC-Works as at 30th June 2015, at Current Replacement Cost.

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

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, traffic load and frequency, residual value, asset condition and useful life, will impact significantly on the final determination of fair value.

These assets have been classified as at Level 3 valuation inputs.

Footpaths are inspected annually and condition assessed.

An independent valuation is conducted every five years and is scheduled for revaluation in 2020.

Bourke 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 (continued)

Drainage infrastructure

Stormwater Drainage assets were valued by EMC-Works as at 30th June 2015, at Current Replacement Cost. Assets within this class comprise pit, traps, pipes and channels.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors in determination of fair value.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

An independent valuation is conducted every five years. This asset class is scheduled for revaluation in 2020.

Water supply network

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

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

Water assets are independently valued every five years. And are scheduled for revaluation in 2017.

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

Sewerage network

Assets within this class comprise pumping stations, treatment plant and pipelines.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

While unit rates based on elements, such as linear metres and pipe diameter, may be supported by market evidence (Level 2) other inputs such as estimates of consumption, residual value, asset condition and useful life, require extensive professional judgement and impact significantly on the final determination of fair value.

These assets have been classified as Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates manual as published by the Office of Water.

Sewerage assets are independently valued every five years and are scheduled for revaluation in 2017.

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

Bourke 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 (continued)

Swimming pools

Assets within this class comprise Council's outdoor swimming pool.

The Cost Approach was utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

Valuations for this asset class were undertaken in-house based on actual costs and assumptions from the Council's Environmental Services Department.

These assets have been classified as Level 3 valuation inputs.

While some elements of value may be supported from market evidence (Level 2 inputs) other inputs such as, estimates of pattern of consumption, residual value, asset condition and useful life, required extensive professional judgement and impact significantly on the final determination of fair value.

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

Open spaces/recreational assets

Assets within this class comprise leisure and sporting equipment and facilities within cemeteries, parks, ovals sporting complexes and other recreational areas.

The Cost Approach is utilised with each asset being componentised into significant parts, with different useful lives and taking into account a range of factors.

These assets have been classified as Level 3 valuation inputs.

All assets were valued in-house by experienced Department staff.

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

Bourke 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.

	Plant and equipment	Office equipment	Operational land	Community land	Total
Opening balance – 1/7/14	3,734	177	1,011	842	5,764
Purchases (GBV)	1,117	96	108	–	1,321
Disposals (WDV)	(273)	–	–	–	(273)
Depreciation and impairment	(831)	(35)	–	–	(866)
Transfer from work in progress	–	–	28	–	28
Closing balance – 30/6/15	3,747	238	1,147	842	5,974
Purchases (GBV)	544	34	–	–	578
Disposals (WDV)	(295)	–	(72)	–	(367)
Depreciation and impairment	(832)	(35)	–	–	(867)
Transfer from work in progress	–	–	186	–	186
Revaluation movement	–	–	–	601	601
Other movement	1	–	(1)	–	–
Closing balance – 30/6/16	3,165	237	1,260	1,443	6,105
	Buildings non- specialised	Buildings specialised	Other structures	Swimming pools	Total
Opening balance – 1/7/14	2,475	21,474	2,708	897	27,554
Purchases (GBV)	–	43	78	8	129
Disposals (WDV)	–	–	(16)	–	(16)
Depreciation and impairment	(45)	(424)	(156)	(67)	(692)
Revaluation 2015	–	70	–	–	70
Prior period adjustment	34	329	5	30	398
Closing balance – 30/6/15	2,464	21,492	2,619	868	27,443
Purchases (GBV)	7	277	152	–	436
Depreciation and impairment	(45)	(425)	(164)	(67)	(701)
Transfer from work in progress	–	675	–	–	675
Revaluation movement	–	–	(233)	(6)	(239)
Other movement (details here)	–	–	(2)	–	(2)
Closing balance – 30/6/16	2,426	22,019	2,372	795	27,612

Bourke 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)

	Roads	Bridges	Footpaths	Recreati- -onal	Total
Opening balance – 1/7/14	123,528	14,693	2,117	3,070	143,408
Purchases (GBV)	1,716	834	–	355	2,905
Depreciation and impairment	(1,118)	(247)	(81)	(141)	(1,587)
Revaluation 2015	9,686	2,191	68	–	11,945
Prior period adjustment	–	–	–	140	140
Closing balance – 30/6/15	133,812	17,471	2,104	3,424	156,811
Purchases (GBV)	1,757	–	30	39	1,826
Depreciation and impairment	(1,266)	(230)	(106)	(149)	(1,751)
Transfer from work in progress	176	–	–	–	176
Revaluation movement	–	–	–	(188)	(188)
Adjustments	(54)	–	–	2	(52)
Movement within Asset Category	–	(2,075)	2,075	–	–
Closing balance – 30/6/16	134,425	15,166	4,103	3,128	156,822
	Water supply network	Sewerage network	Levee banks stormwater drainage	Other assets	Total
Opening balance – 1/7/14	10,188	7,806	13,021	92	31,107
Purchases (GBV)	–	25	–	15	40
Depreciation and impairment	(336)	(177)	(276)	(10)	(799)
FV gains – other comprehensive income	153	117	–	–	270
Revaluation 2015	–	–	(22)	–	(22)
Closing balance – 30/6/15	10,005	7,771	12,723	97	30,596
Purchases (GBV)	10	214	65	20	309
Disposals (WDV)	–	–	–	(6)	(6)
Depreciation and impairment	(341)	(180)	(275)	(11)	(807)
Transfer from work in progress	120	1,465	–	–	1,585
Revaluation/Indexation movement	150	117	–	–	267
Other movement (details here)	2	–	1	(2)	1
Closing balance – 30/6/16	9,946	9,387	12,514	98	31,945

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

There were no transfers into nor out of the Level 3 Fair Valuation hierarchy

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

I,PP&E

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Plant and equipment			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value
Office equipment			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value
Operational land			<ul style="list-style-type: none"> •Land Value (as per Valuer General value)
Community land			<ul style="list-style-type: none"> •Land Value (as per Valuer General value)
Buildings non-specialised			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Buildings specialised			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Other structures			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Roads			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Bridges			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Footpaths			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Stormwater drainage			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Water supply network			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Sewerage network			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Levee Banks			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Swimming pools			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition
Open spaces / recreational			<ul style="list-style-type: none"> •Gross Replacement Cost •Remaining Useful Life •Residual Value •Asset Condition

(5). Highest and best use

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	3,674	3,527	3,439	3,348	3,205
User charges revenue	4,397	7,090	6,827	6,759	6,707
Interest and investment revenue (losses)	454	400	435	450	346
Grants income – operating and capital	9,183	7,096	4,276	5,632	8,071
Total income from continuing operations	21,055	22,576	18,246	19,200	21,085
Sale proceeds from I,PP&E	400	275	336	395	375
New loan borrowings and advances	252	1,278	965	716	731
Outflows:					
Employee benefits and on-cost expenses	7,140	6,837	6,411	6,870	6,145
Borrowing costs	258	262	264	269	247
Materials and contracts expenses	4,501	6,337	6,566	7,291	8,243
Total expenses from continuing operations	17,449	18,908	19,566	21,820	21,327
Total cash purchases of I,PP&E	4,267	7,437	4,754	3,303	3,539
Total loan repayments (incl. finance leases)	1,022	816	687	599	696
Operating surplus/(deficit) (excl. capital income)	1,274	1,494	(2,074)	(3,599)	(1,889)
Financial position figures	2016	2015	2014	2013	2012
Current assets	16,132	14,205	12,268	12,702	10,876
Current liabilities	5,694	5,816	4,723	4,869	4,892
Net current assets	10,438	8,389	7,545	7,833	5,984
Available working capital (Unrestricted net current assets)	7,590	6,034	4,647	5,238	3,877
Cash and investments – unrestricted	7,389	6,533	4,695	5,602	2,420
Cash and investments – internal restrictions	1,132	1,114	773	619	668
Cash and investments – total	13,179	11,630	10,252	10,891	7,322
Total borrowings outstanding (Loans, advances and finance leases)	4,071	4,841	4,379	4,101	3,792
Total value of I,PP&E (excl. land and earthworks)	308,458	302,727	286,273	282,895	284,140
Total accumulated depreciation	85,785	80,610	79,418	76,238	101,223
Indicative remaining useful life (as a % of GBV)	72%	73%	72%	73%	64%

Source: published audited financial statements of Council (current year and prior year)

Bourke Shire Council

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

Note 29. Council information and contact details

Principal place of business:

29 Mitchell St
Bourke NSW 2840

Contact details

Mailing address:

PO Box 21
Bourke NSW 2840

Opening hours:

Shire Office: Mon - Fri 8:00am to 4:30pm
Service NSW Mon - Thur 8:30am to 4:00pm
Agency Fri 8:30am to 3:45pm

Telephone: 02 6830 8000

Facsimile: 02 6872 3030

Internet: <http://www.bourke.nsw.gov.au>

Email: bourkeshire@bourke.nsw.gov.au

Officers

GENERAL MANAGER

Ross Earl

RESPONSIBLE ACCOUNTING OFFICER

Leonie Brown

PUBLIC OFFICER

Leonie Brown

AUDITORS

Hill Rogers
Level 5
1 Chifley Square
Sydney NSW 2000

Elected members

MAYOR

Barry Hollman

COUNCILLORS

Lachlan Ford (Deputy Mayor)
Victor Bartley
Sally Davis
Cecil Dorrington
Robert Stutsel
Sarah Barton
Ian Cole
Samuel Rice
John Thompson

Other information

ABN: 96 716 194 950



BOURKE SHIRE COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying general purpose financial statements of Bourke 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.

Assurance Partners

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



GARY MOTTAU
Partner

Dated at Sydney this 26th day of October 2016



26 October 2016

The Mayor
Bourke Shire Council
PO Box 21
BOURKE NSW 2840

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 \$3.606 million as compared with \$3.668 million in the previous year.

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

Assurance Partners

	2016	% of Total	2015	% of Total	Increase (Decrease)
	\$'000		\$'000		\$'000
Revenues before capital items					
Rates & annual charges	3,674	20%	3,527	17%	147
User charges, fees & other revenues	5,442	29%	9,307	46%	(3,865)
Grants & contributions provided for operating purposes	9,153	49%	7,168	35%	1,985
Interest & investment revenue	454	2%	400	2%	54
	18,723	100%	20,402	100%	(1,679)
Expenses					
Employee benefits & costs	7,140	41%	6,837	36%	303
Materials, contracts & other expenses	5,925	34%	7,863	42%	(1,938)
Depreciation, amortisation & impairment	4,126	24%	3,946	21%	180
Borrowing costs	258	1%	262	1%	(4)
	17,449	100%	18,908	100%	(1,459)
Surplus (Deficit) before capital items	1,274		1,494		(220)
Grants & contributions provided for capital purposes	2,332		2,174		158
Net Surplus (Deficit) for the year	3,606		3,668		(62)
Performance Measures					
	2016		2015		
Operating Performance	6.99%		7.39%		
Own Source Operating Revenue	45.45%		58.62%		

The above table shows an overall decrease of \$62,000 from the previous year and is mainly attributable to reduced RMS charges (\$2.449 million) and offset by reduced expenses for materials and contracts (\$1.836 million).

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 6.99% and exceeded 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 45.45% and was below the benchmark of 60%.

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.

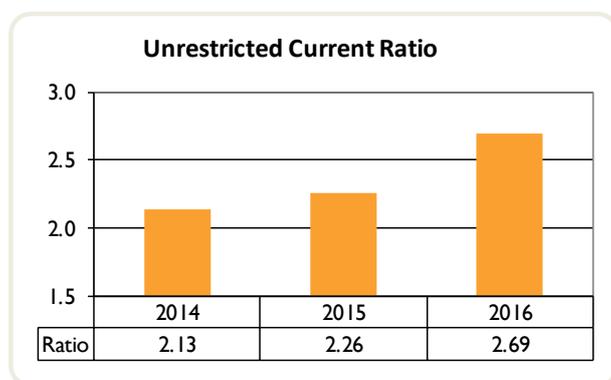
	2016	2015
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	3,606	3,668
Add back non funding items:-		
- Depreciation, amortisation & impairment	4,126	3,946
- Book value of non-current assets sold	435	288
	<u>8,167</u>	<u>7,902</u>
New loan borrowings	252	1,278
Transfers from externally restricted assets (net)	0	702
Net Changes in current/non-current assets & liabilities	37	101
	<u>8,456</u>	<u>9,983</u>
Funds were applied to:-		
Purchase and construction of assets	(5,391)	(7,438)
Principal repaid on loans	(1,022)	(816)
Transfers to externally restricted assets (net)	(468)	0
Transfers to internal reserves (net)	(18)	(341)
	<u>(6,899)</u>	<u>(8,595)</u>
Increase/(Decrease) in Available Working Capital	<u>1,557</u>	<u>1,388</u>

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 \$6.795 million representing a factor of 2.69 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$7.621 million as detailed below;

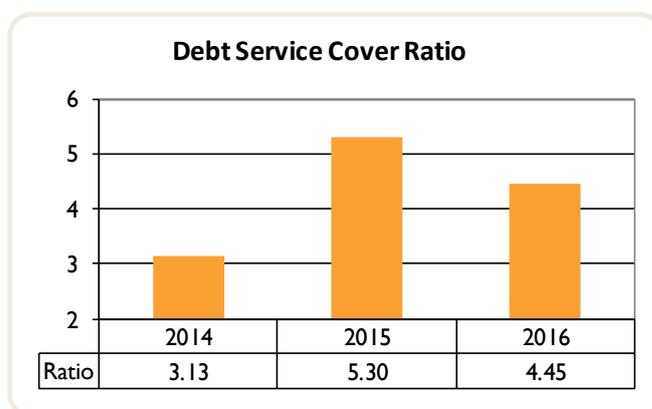
	2016	2015	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	10,438	8,389	2,049
Add: Payables & provisions not expected to be realised in the next 12 months included above	1,600	1,600	0
Adjusted Net Current Assets	12,038	9,989	2,049
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	818	903	(85)
- Employees leave entitlements	1,109	1,031	78
- Deposits & retention moneys	31	30	1
Less: Externally restricted assets	(5,243)	(4,775)	(468)
Less: Internally restricted assets	(1,132)	(1,114)	(18)
Available Working Capital as at 30 June	7,621	6,064	1,557

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 \$1.280 million and taking up new borrowings of \$252,000, total debt as at 30 June 2016 stood at \$4.071 million (2015 - \$4.841 million).

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 4.45 to 1.



2.4 Summary

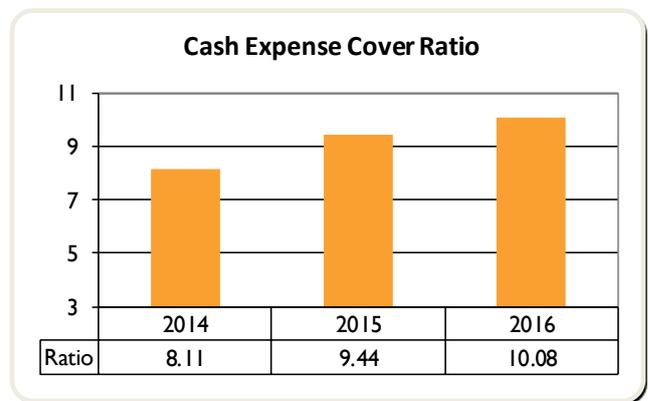
Council’s overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

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.

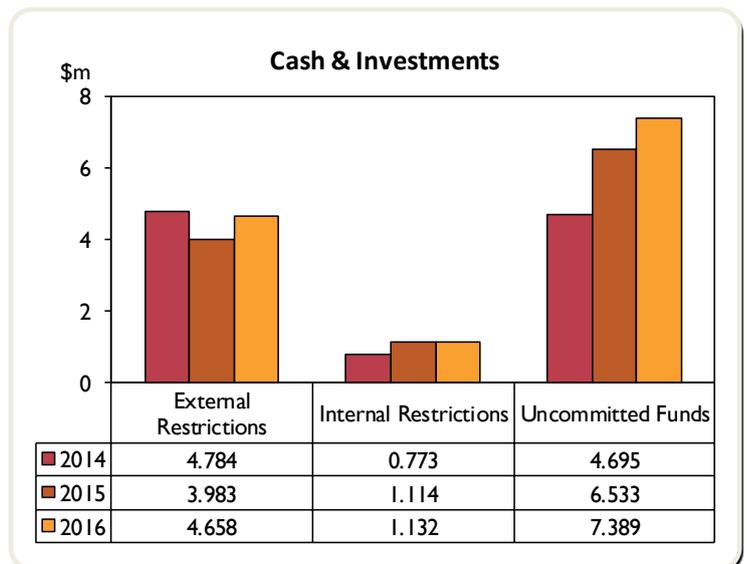
For 2016, this ratio stood at 10.08 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$13.179 million at 30 June 2016 as compared with \$11.630 million in 2015 and \$10.252 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 consisted of unexpended grants and contributions (\$485,000) and water and sewerage funds (\$4.173 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 \$1.132 million and their purposes are more fully disclosed in Note 6 of the financial statements.

Unrestricted cash and investments amounted to \$7.389 million, 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 (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash decreased by \$2.324 million to \$2.774 million at the close of the year.

In addition to operating activities which contributed net cash of \$6.186 million were the proceeds from the sale of investment securities (\$6.532 million), proceeds from new borrowings (\$252,000), and the sale of assets (\$400,000). Cash outflows other than operating activities were used to purchase investment securities (\$10.405 million), repay loans (\$1.022 million) and to purchase and construct assets (\$4.267 million).

4. RECEIVABLES

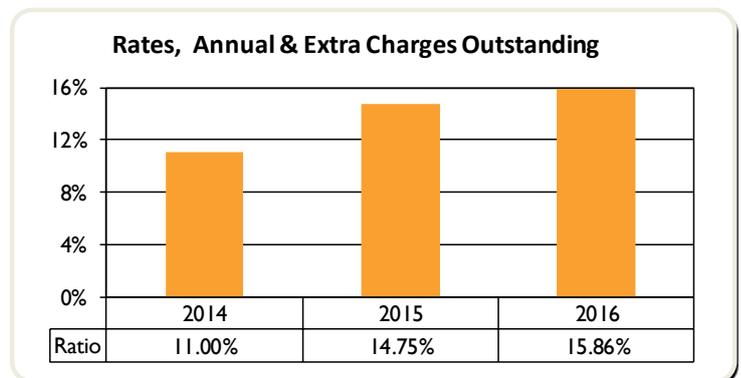
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$3.674 million and represented 17% of Council’s total revenues.

Including arrears, the total rates and annual charges collectible was \$4.183 million of which \$3.596 million (86%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$691,000 at the end of the year and represented 15.86% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$2.281 million and consisted mainly of user charges and fees (\$1.710 million) and debts owed by government departments (\$478,000). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$15,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council’s provision for its liability toward employees leave entitlements and associated on costs amounted to \$2.795 million. Internally restricted cash and investments of \$600,000 was held representing 22% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

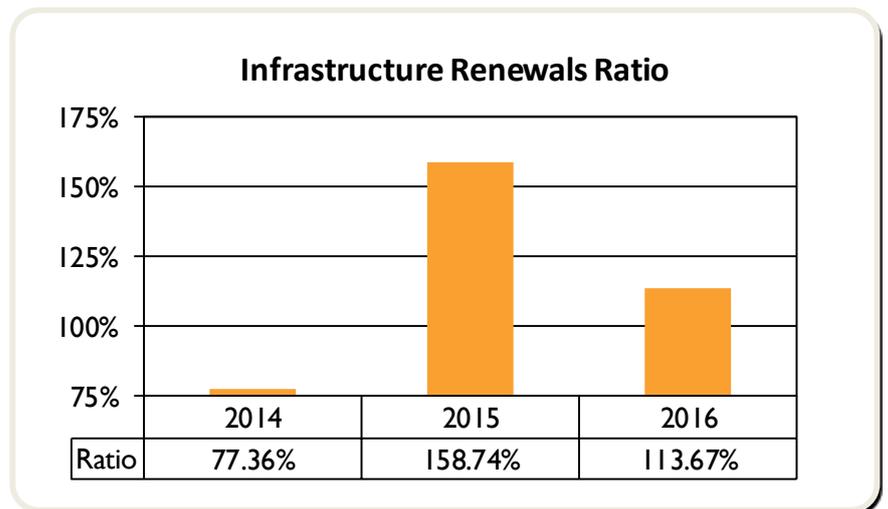
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$31,000 and were fully funded by internally restricted cash and investments.

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 114% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 10 June 2016. This included our suggestions on possible ways to strengthen and/or improve procedures and management’s comments and proposed actions.

8. 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.

Yours faithfully,
HILL ROGERS



GARY MOTTAU
Partner

Bourke Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

*"To build a strong, united community, proud
of our past and committed to our future"*



Bourke Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Bourke Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 August 2016.



Barry Hollman
Mayor



Lachlan Ford
Councillor



Ross Earl
General manager



Leonie Brown
Responsible accounting officer

Bourke Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	974	932
User charges	640	664
Fees	6	14
Interest	120	96
Grants and contributions provided for non-capital purposes	23	6
Profit from the sale of assets	–	(2)
Other income	88	328
Total income from continuing operations	1,851	2,038
Expenses from continuing operations		
Employee benefits and on-costs	185	441
Borrowing costs	34	36
Materials and contracts	842	798
Depreciation and impairment	800	388
Water purchase charges	–	–
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	139	164
Total expenses from continuing operations	2,000	1,827
Surplus (deficit) from continuing operations before capital amounts	(149)	211
Grants and contributions provided for capital purposes	809	641
Surplus (deficit) from continuing operations after capital amounts	660	852
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	660	852
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(63)
SURPLUS (DEFICIT) AFTER TAX	660	789
Plus opening retained profits	7,703	6,851
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	63
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	8,363	7,703
Return on capital %	-1.0%	2.3%
Subsidy from Council	349	84
Calculation of dividend payable:		
Surplus (deficit) after tax	660	789
Less: capital grants and contributions (excluding developer contributions)	(809)	(641)
Surplus for dividend calculation purposes	–	148
Potential dividend calculated from surplus	–	74

Bourke Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	804	757
User charges	1	2
Liquid trade waste charges	–	–
Fees	–	–
Interest	28	66
Grants and contributions provided for non-capital purposes	6	5
Profit from the sale of assets	–	–
Other income	44	–
Total income from continuing operations	883	830
Expenses from continuing operations		
Employee benefits and on-costs	74	230
Borrowing costs	8	8
Materials and contracts	366	286
Depreciation and impairment	218	188
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	29	35
Total expenses from continuing operations	695	747
Surplus (deficit) from continuing operations before capital amounts	188	83
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	188	83
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	188	83
Less: corporate taxation equivalent (30%) [based on result before capital]	(56)	(25)
SURPLUS (DEFICIT) AFTER TAX	132	58
Plus opening retained profits	4,539	4,456
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	56	25
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	4,727	4,539
Return on capital %	2.1%	1.0%
Subsidy from Council	–	189
Calculation of dividend payable:		
Surplus (deficit) after tax	132	58
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	132	58
Potential dividend calculated from surplus	66	29

Bourke Shire Council

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

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	3,183	2,958
Investments	–	–
Receivables	473	689
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	3,656	3,647
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	11,737	10,963
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	11,737	10,963
TOTAL ASSETS	15,393	14,610
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	44	42
Borrowings	31	29
Provisions	–	–
Total current liabilities	75	71
Non-current liabilities		
Payables	–	–
Borrowings	448	478
Provisions	–	–
Total non-current liabilities	448	478
TOTAL LIABILITIES	523	549
NET ASSETS	14,870	14,061
EQUITY		
Retained earnings	8,363	7,703
Revaluation reserves	6,507	6,358
Council equity interest	14,870	14,061
Non-controlling equity interest	–	–
TOTAL EQUITY	14,870	14,061

Bourke Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,050	908
Investments	–	–
Receivables	190	177
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	1,240	1,085
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	9,409	9,263
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	9,409	9,263
TOTAL ASSETS	10,649	10,348
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	3	3
Provisions	–	–
Total current liabilities	3	3
Non-current liabilities		
Payables	–	–
Borrowings	82	86
Provisions	–	–
Total non-current liabilities	82	86
TOTAL LIABILITIES	85	89
NET ASSETS	10,564	10,259
EQUITY		
Retained earnings	4,727	4,539
Revaluation reserves	5,837	5,720
Council equity interest	10,564	10,259
Non-controlling equity interest	–	–
TOTAL EQUITY	10,564	10,259

Bourke Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Bourke Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

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

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Council has no Category 1 Business Activities.

Category 2

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

a. Bourke Shire Council Water Supplies

Water supply operations and net assets servicing the town of Bourke and the villages of Byrock, Enngonia, Fords Bridge, Louth and Wanaaring.

b. Bourke Shire Council Sewerage Service

Sewerage reticulation and treatment operations and net assets servicing the town of Bourke.

Monetary amounts

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

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

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

Bourke Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

statements as a cost of operations just like all other costs.

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

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

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

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

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

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Bourke Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of

Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Bourke Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	4,188
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	41,880
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(16,300)

2016 Surplus	(149,000)	2015 Surplus	147,700	2014 Surplus	(15,000)
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	<input type="checkbox"/>

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Bourke Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,643
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	39.88%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	9,946
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,166
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	130
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	-2.32%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	809

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

Bourke Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	3,627
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	65,800
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	36,270
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	298,900

2016 Surplus	131,600	2015 Surplus	58,100	2014 Surplus	109,200
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	36,270
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="checkbox"/>

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Bourke Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	811
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	9,389
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	447
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,679
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.02%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	2,586
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.50%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,809
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.23%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Bourke Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-14.43%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): - 45 Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: - 106 Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	39
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	13

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



BOURKE SHIRE COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of Bourke Shire Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

Responsibility of Council for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Office of Local Government. 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 best practice management disclosures in Notes 2 and 3 and, accordingly, no opinion is expressed on these disclosures.

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.

Assurance Partners

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, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS



GARY MOTTAU
Partner

Dated at Sydney this 26th day of October 2016

Bourke Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

*"To build a strong, united community, proud
of our past and committed to our future"*



Bourke Shire Council

Special Schedules for the year ended 30 June 2016

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	9
Special Schedule 6	Sewerage Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14
Special Schedule 8	Permissible Income Calculation	19

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

Background

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

Bourke Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	225	–	–	(225)
Administration	1,594	413	–	(1,181)
Public order and safety				
Fire service levy, fire protection, emergency services	341	247	–	(94)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	116	5	–	(111)
Other	–	–	–	–
Total public order and safety	457	252	–	(205)
Health	658	66	–	(592)
Environment				
Noxious plants and insect/vermin control	115	46	–	(69)
Other environmental protection	203	–	–	(203)
Solid waste management	643	502	–	(141)
Street cleaning	–	–	–	–
Drainage	224	158	–	(66)
Stormwater management	–	–	–	–
Total environment	1,185	706	–	(479)
Community services and education				
Administration and education	93	28	–	(65)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	18	–	–	(18)
Children's services	–	–	–	–
Total community services and education	111	28	–	(83)
Housing and community amenities				
Public cemeteries	152	15	–	(137)
Public conveniences	–	–	–	–
Street lighting	49	33	–	(16)
Town planning	17	10	–	(7)
Other community amenities	315	113	–	(202)
Total housing and community amenities	533	171	–	(362)
Water supplies	1,999	1,713	809	523
Sewerage services	694	830	–	136

Bourke Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	269	28	–	(241)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	44	–	–	(44)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	48	8	–	(40)
Sporting grounds and venues	217	5	–	(212)
Swimming pools	169	–	300	131
Parks and gardens (lakes)	621	–	–	(621)
Other sport and recreation	51	–	–	(51)
Total recreation and culture	1,419	41	300	(1,078)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	14	–	14
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	–	14	–	14
Transport and communication				
Urban roads (UR) – local	456	4,287	–	3,831
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	987	–	–	(987)
Unsealed rural roads (URR) – regional	908	–	–	(908)
Bridges on UR – local	245	–	400	155
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	800	–	801	1
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	82	–	22	(60)
Aerodromes	335	4	–	(331)
Other transport and communication	3,412	2,852	–	(560)
Total transport and communication	7,225	7,143	1,223	1,141
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	1,349	498	–	(851)
Total economic affairs	1,349	498	–	(851)
Totals – functions	17,449	11,875	2,332	(3,242)
General purpose revenues ⁽¹⁾		6,848		6,848
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	17,449	18,723	2,332	3,606

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Bourke Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	903	3,938	4,841	252	1,022	–	–	258	818	3,253	4,071
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	903	3,938	4,841	252	1,022	–	–	258	818	3,253	4,071
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	903	3,938	4,841	252	1,022	–	–	258	818	3,253	4,071

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Bourke Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	69	342
b. Engineering and supervision	148	126
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	10	7
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	178	157
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	5	2
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	24	22
i. Maintenance expenses	136	73
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	374	473
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	222	201
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	749	336
b. Plant and equipment	51	52
4. Miscellaneous expenses		
a. Interest expenses	34	36
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,000	1,827

Bourke Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	974	932
b. Usage charges	646	678
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	–	–
9. Interest income	120	96
10. Other income	–	328
10a. Aboriginal Communities Water and Sewerage Program	88	–
11. Grants		
a. Grants for acquisition of assets	809	641
b. Grants for pensioner rebates	7	6
c. Other grants	16	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	2,660	2,681
14. Gain (or loss) on disposal of assets	–	(2)
15. Operating result	660	852
15a. Operating result (less grants for acquisition of assets)	(149)	211

Bourke Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	130	–
c. Renewals	–	–
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	130	–
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,032	1,031
b. Residential (unoccupied, ie. vacant lot)	123	113
c. Non-residential (occupied)	158	158
d. Non-residential (unoccupied, ie. vacant lot)	83	81
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 11,966	\$ 11,834

Bourke Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	7	–	7
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,176	–	3,176
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	473	–	473
c. User charges	–	–	–
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	11,541	11,541
b. Plant and equipment	–	196	196
29. Other assets	–	–	–
30. Total assets	<u>3,656</u>	<u>11,737</u>	<u>15,393</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	44	–	44
33. Borrowings	31	448	479
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	<u>75</u>	<u>448</u>	<u>523</u>
36. NET ASSETS COMMITTED	<u>3,581</u>	<u>11,289</u>	<u>14,870</u>
EQUITY			
37. Accumulated surplus			8,361
38. Asset revaluation reserve			6,509
39. TOTAL EQUITY			<u>14,870</u>
Note to system assets:			
40. Current replacement cost of system assets			23,459
41. Accumulated current cost depreciation of system assets			(13,513)
42. Written down current cost of system assets			<u>9,946</u>

Bourke Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	41	200
b. Engineering and supervision	51	46
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	12	10
b. Maintenance expenses	89	67
– Pumping stations		
c. Operation expenses (excluding energy costs)	40	34
d. Energy costs	17	26
e. Maintenance expenses	133	91
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	64	77
g. Chemical costs	–	–
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	218	188
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	8	8
b. Revaluation decrements	–	–
c. Other expenses	22	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	695	747

Bourke Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	718	676
7. Non-residential charges		
a. Access (including rates)	87	83
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	28	66
11. Other income	–	–
11a. Aboriginal Communities Water and Sewerage Program	44	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	6	5
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	883	830
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	188	83
16a. Operating result (less grants for acquisition of assets)	188	83

Bourke Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	1,679	–
d. Plant and equipment	–	–
18. Repayment of debt		
	–	–
19. Totals		
	<u>1,679</u>	<u>–</u>
Non-operating funds employed		
20. Proceeds from disposal of assets		
	–	–
21. Borrowing utilised		
	–	–
22. Totals		
	<u>–</u>	<u>–</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,081	1,084
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	128	128
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received		
	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)		
	\$ 10,106	\$ 10,063

Bourke Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	53	–	53
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	997	–	997
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	190	–	190
c. User charges	–	–	–
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	9,389	9,389
b. Plant and equipment	–	20	20
30. Other assets	–	–	–
31. Total assets	<u>1,240</u>	<u>9,409</u>	<u>10,649</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	3	82	85
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>3</u>	<u>82</u>	<u>85</u>
37. NET ASSETS COMMITTED	<u>1,237</u>	<u>9,327</u>	<u>10,564</u>
EQUITY			
38. Accumulated surplus			4,727
39. Asset revaluation reserve			5,837
40. TOTAL EQUITY			<u>10,564</u>
Note to system assets:			
41. Current replacement cost of system assets			17,180
42. Accumulated current cost depreciation of system assets			(7,791)
43. Written down current cost of system assets			<u>9,389</u>

Bourke Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Bourke Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	770	–	215	144	24,445	30,496	57%	36%	7%		0%
	Sub-total	770	–	215	144	24,445	30,496	57.0%	36.0%	7.0%	0.0%	0.0%
Other structures	Other	10	10	19	7	2,372	3,982	39%	45%	15%	1%	0%
	Sub-total	10	10	19	7	2,372	3,982	39.0%	45.0%	15.0%	1.0%	0.0%
Roads	Sealed roads	–	–	692	692	25,577	35,735	51%	49%			0%
	Unsealed roads	–	–	1,534	2,003	98,665	100,185	96%	4%			0%
	Bridges	–	–	20	31	15,166	23,573	45%	52%	3%		0%
	Footpaths	973	973	45	31	4,103	7,647	6%	2%	59%		33%
	Other road assets	–	–	130	132	2,920	6,420	8%	92%			0%
	Other Kerb & Guttering	2,700	2,700	31	3	3,210	11,607	2%	3%	86%	9%	0%
	Other Aerodromes	100	100	26	12	4,053	6,471	54%	3%	26%	17%	0%
	Sub-total	3,773	3,773	2,478	2,904	153,694	191,638	67.7%	21.1%	8.8%	1.1%	1.3%
Water supply network	Water supply network	120	120	150	127	9,946	23,459	8%	8%	64%	2%	18%
	Sub-total	120	120	150	127	9,946	23,459	8.0%	8.0%	64.0%	2.0%	18.0%
Sewerage network	Sewerage network	–	–	100	59	9,387	17,178	25%	9%	66%	0%	0%
	Sub-total	–	–	100	59	9,387	17,178	25.0%	9.0%	66.0%	0.0%	0.0%

Bourke Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	50	40	4,156	7,175	19%	35%	46%		0%
	Sub-total	–	–	50	40	4,156	7,175	19.0%	35.0%	46.0%	0.0%	0.0%
Open space/recreational assets	Other Swimming Pool	–	–	30	28	795	2,018	5%	5%	90%		0%
	Other Open Spaces	10	10	214	239	3,128	6,912	20%	18%	60%	1%	1%
	Sub-total	10	10	244	267	3,923	8,930	16.6%	15.1%	66.8%	0.8%	0.8%
Other infrastructure assets	Other Levee Banks	–	–	22	8	8,358	13,136	98%	2%			0%
	Sub-total	–	–	22	8	8,358	13,136	98.0%	2.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	4,683	3,913	3,278	3,556	216,281	295,994	57.6%	20.5%	18.7%	0.9%	2.3%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Bourke Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>3,692</u>	113.67%	158.74%	77.36%
Depreciation, amortisation and impairment	<u>3,248</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>4,683</u>	2.17%	9.43%	17.08%
Carrying value of infrastructure assets	<u>216,281</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>3,556</u>	1.08	0.96	1.00
Required asset maintenance	<u>3,278</u>			
4. Capital expenditure ratio				
Annual capital expenditure	<u>4,956</u>	1.20	1.81	0.81
Annual depreciation	<u>4,126</u>			

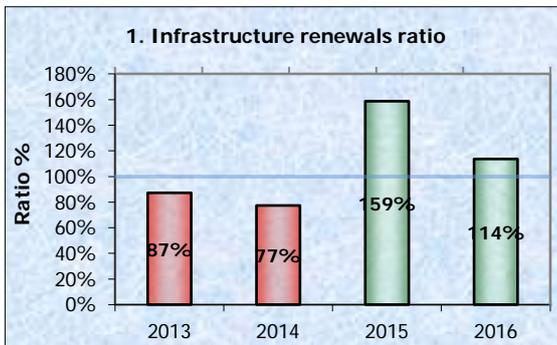
Notes

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

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Bourke Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



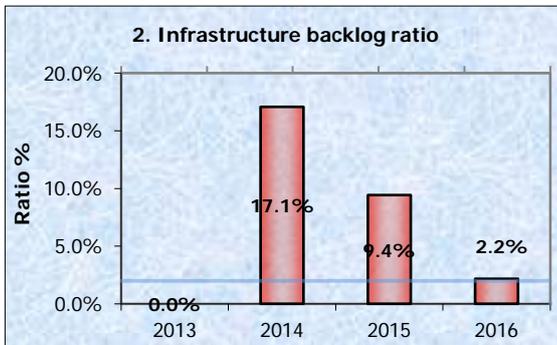
Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2015/16 Ratio 113.67%

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2015/16 Ratio 2.17%

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



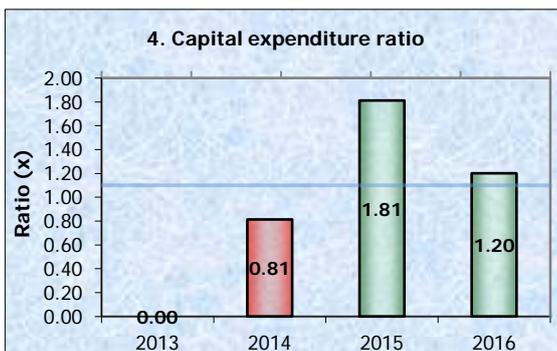
Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

2015/16 Ratio 1.08 x

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

2015/16 Ratio 1.20 x

Benchmark: ——— Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Bourke Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
<u>Asset renewals ⁽²⁾</u>	0.00%	0.00%	145.41%
Depreciation, amortisation and impairment			
prior period:	0.00%	0.00%	193.12%
2. Infrastructure backlog ratio			
<u>Estimated cost to bring assets to a satisfactory standard</u>	1.21%	0.00%	2.32%
Carrying value of infrastructure assets			
prior period:	79.94%	20.59%	5.41%
3. Asset maintenance ratio			
<u>Actual asset maintenance</u>	0.85	0.59	1.11
Required asset maintenance			
prior period:	1.00	0.97	0.95
4. Capital expenditure ratio			
<u>Annual capital expenditure</u>	0.16	7.70	1.01
Annual depreciation			
prior period:	0.00	0.00	2.12

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Bourke Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	1,716	1,752
Plus or minus adjustments ⁽²⁾	b	–	–
Notional general income	c = (a + b)	1,716	1,752
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	41	32
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	1,757	1,784
Plus (or minus) last year's carry forward total	l	2	5
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	2	5
Total permissible income	o = k + n	1,759	1,789
Less notional general income yield	p	1,752	1,779
Catch-up or (excess) result	q = o – p	7	10
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	(2)	–
Carry forward to next year	t = q + r – s	5	10

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



BOURKE SHIRE COUNCIL

SPECIAL SCHEDULE NO. 8

INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Bourke Shire Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Assurance Partners

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

Independence

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

Audit Opinion

In our opinion, Special Schedule No. 8 of Bourke Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

HILL ROGERS



GARY MOTTAU

Partner

Dated at Sydney this 26th day of October 2016