

Bourke Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

*"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 2017

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

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

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

- (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 27 October 2017. Council has the power to amend and reissue these financial statements.
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Bourke Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Bourke Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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


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

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

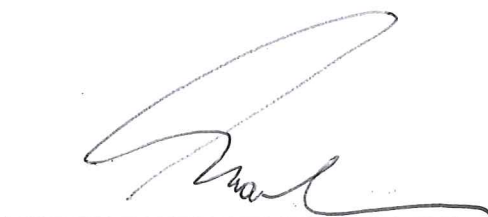
Signed in accordance with a resolution of Council made on 28 August 2017.



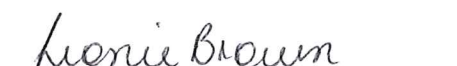
Barry Hollman
Mayor



Lachlan Ford
Councillor



Ross Earl
General manager



Leonie Brown
Responsible accounting officer

Bourke Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
4,100	Rates and annual charges	3a	3,791	3,674
6,380	User charges and fees	3b	6,392	4,397
325	Interest and investment revenue	3c	440	454
590	Other revenues	3d	1,251	1,045
6,967	Grants and contributions provided for operating purposes	3e,f	14,565	9,153
9,769	Grants and contributions provided for capital purposes	3e,f	2,642	2,332
Other income:				
	Net share of interests in joint ventures and associates using the equity method	19	–	–
<u>28,131</u>	Total income from continuing operations		<u>29,081</u>	<u>21,055</u>
Expenses from continuing operations				
7,510	Employee benefits and on-costs	4a	7,511	7,140
238	Borrowing costs	4b	212	258
8,211	Materials and contracts	4c	7,000	4,501
4,131	Depreciation and amortisation	4d	4,229	4,126
–	Impairment	4d	–	–
644	Other expenses	4e	1,864	1,389
–	Net losses from the disposal of assets	5	90	35
<u>20,734</u>	Total expenses from continuing operations		<u>20,906</u>	<u>17,449</u>
<u>7,397</u>	Operating result from continuing operations		<u>8,175</u>	<u>3,606</u>
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
<u>7,397</u>	Net operating result for the year		<u>8,175</u>	<u>3,606</u>
7,397	Net operating result attributable to Council		8,175	3,606
–	Net operating result attributable to non-controlling interests		–	–
<u>(2,372)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>5,533</u>	<u>1,274</u>

¹ Original budget as approved by Council – refer Note 16

Bourke Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		8,175	3,606
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	7,337	441
Total items which will not be reclassified subsequently to the operating result		7,337	441
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		7,337	441
Total comprehensive income for the year		15,512	4,047
Total comprehensive income attributable to Council		15,512	4,047
Total comprehensive income attributable to non-controlling interests		–	–

Bourke Shire Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	4,892	2,774
Investments	6b	13,649	10,405
Receivables	7	3,047	2,829
Inventories	8	73	90
Other	8	66	34
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		21,727	16,132
Non-current assets			
Investments	6b	–	–
Receivables	7	105	128
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	234,419	225,376
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
Total non-current assets		234,524	225,504
TOTAL ASSETS		256,251	241,636
LIABILITIES			
Current liabilities			
Payables	10	1,218	1,863
Income received in advance	10	200	304
Borrowings	10	1,450	818
Provisions	10	2,516	2,709
Total current liabilities		5,384	5,694
Non-current liabilities			
Payables	10	–	–
Borrowings	10	2,669	3,253
Provisions	10	83	86
Total non-current liabilities		2,752	3,339
TOTAL LIABILITIES		8,136	9,033
Net assets		248,115	232,603
EQUITY			
Retained earnings	20	132,306	124,131
Revaluation reserves	20	115,809	108,472
Other reserves	20	–	–
Council equity interest		248,115	232,603
Non-controlling equity interests		–	–
Total equity		248,115	232,603

This statement should be read in conjunction with the accompanying notes.

Bourke Shire Council

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

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		124,131	108,472	–	232,603	–	232,603	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		124,131	108,472	–	232,603	–	232,603	120,525	108,031	–	228,556	–	228,556
c. Net operating result for the year		8,175	–	–	8,175	–	8,175	3,606	–	–	3,606	–	3,606
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	7,337	–	7,337	–	7,337	–	441	–	441	–	441
Other comprehensive income		–	7,337	–	7,337	–	7,337	–	441	–	441	–	441
Total comprehensive income (c&d)		8,175	7,337	–	15,512	–	15,512	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		132,306	115,809	–	248,115	–	248,115	124,131	108,472	–	232,603	–	232,603

Bourke Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
4,100	Rates and annual charges		3,828	3,596
6,970	User charges and fees		6,105	4,271
325	Investment and interest revenue received		406	397
16,736	Grants and contributions		17,368	11,395
–	Bonds, deposits and retention amounts received		12	38
–	Other		1,075	1,154
Payments:				
(7,510)	Employee benefits and on-costs		(7,728)	(7,026)
(8,210)	Materials and contracts		(6,471)	(5,950)
(238)	Borrowing costs		(213)	(260)
–	Bonds, deposits and retention amounts refunded		(11)	(37)
(645)	Other		(1,896)	(1,392)
11,528	Net cash provided (or used in) operating activities	11b	12,475	6,186
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		15,828	6,532
–	Sale of infrastructure, property, plant and equipment		849	400
Payments:				
–	Purchase of investment securities		(19,072)	(10,405)
–	Purchase of infrastructure, property, plant and equipment		(8,010)	(4,267)
–	Net cash provided (or used in) investing activities		(10,405)	(7,740)
Cash flows from financing activities				
Receipts:				
4,011	Proceeds from borrowings and advances		1,011	252
Payments:				
(817)	Repayment of borrowings and advances		(963)	(1,022)
3,194	Net cash flow provided (used in) financing activities		48	(770)
14,722	Net increase/(decrease) in cash and cash equivalents		2,118	(2,324)
2,774	Plus: cash and cash equivalents – beginning of year	11a	2,774	5,098
17,496	Cash and cash equivalents – end of the year	11a	4,892	2,774
Additional Information:				
plus:	Investments on hand – end of year	6b	13,649	10,405
Total cash, cash equivalents and investments			18,541	13,179

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 2017

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Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

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

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment,
- (iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

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

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

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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

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

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

(ii) User charges and fees

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- General Purpose Operations
- 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 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

(d) Leases

Council has no Finance or Operating Leases

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

(f) Cash and cash equivalents

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

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

(g) Inventories

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

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

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

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

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(i) Investments and other financial assets

Classification

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

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

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

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

(ii) Loans and receivables

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

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

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Recognition and de-recognition

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

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

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

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

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

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

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

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

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

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Buildings – specialised/non-specialised
- Other structures
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

Internally valued:

- Plant and equipment
- Operational land
- Community land
- Land improvements
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Other assets

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

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

Water and sewerage network assets are indexed annually between full revaluations in accordance with

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

the latest indices provided in the NSW Office of Water Rates Reference Manual.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Depreciation

Land is not depreciated.

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

Plant and Equipment	
- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	10 years
- Vehicles	2 to 10 years
- Heavy Plant/Road Making equip.	5 to 10 years
- Other plant and equipment	5 to 50 years

Other Equipment

- Playground equipment	3 to 20 years
- Benches, seats etc	5 to 30 years

Buildings

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

Stormwater Drainage

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

Transportation Assets

- Sealed Roads : Surface	15 years
- Sealed Roads : Structure	60 to 100 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	100 years

- Road Pavements	70 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	50 to 80 years
- Reticulation pipes : Other	25 to 80 years
- Pumps and telemetry	10 to 60 years

- Swimming Pools	20 to 50 years
- Other Open Space/ Recreational Assets	20 to 50 years

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

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

(I) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) Payables

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

(n) Borrowings

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

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

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

liabilities assumed, is recognised in other income or finance cost.

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

(o) Borrowing costs

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

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's

assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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 02/12/2016 and covers the period ending 30/06/2017.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$112,211.04.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$180,000.00.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of 0.20%.

The 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.

(r) Land under roads

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

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

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

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council has not classified any assets as intangible.

(u) Crown reserves

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

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

(v) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "all firefighting 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 firefighting equipment has been purchased or constructed".

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

(w) Goods and Services Tax (GST)

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

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

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

Bourke Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

(y) Rounding of amounts

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

(z) Comparative figures

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

(aa) Disclaimer

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	293	326	225	(293)	(326)	(225)	–	151	3,291	7,103
Administration	1,039	768	413	2,512	1,401	1,594	(1,473)	(633)	(1,181)	75	15	28,342	21,960
Public order and safety	254	517	252	567	624	457	(313)	(107)	(205)	152	–	1,412	1,423
Health	143	84	66	561	718	658	(418)	(634)	(592)	–	–	1,219	1,238
Environment	254	997	706	118	918	1,185	136	79	(479)	338	51	–	–
Community services and education	21	25	28	44	51	111	(23)	(26)	(83)	5	1	171	177
Housing and community amenities	972	187	171	1,767	663	533	(795)	(476)	(362)	–	–	16,461	16,092
Water supplies	6,248	2,719	2,522	1,848	1,785	1,999	4,400	934	523	641	833	18,642	10,330
Sewerage services	1,167	793	830	937	800	694	230	(7)	136	22	6	10,129	9,386
Recreation and culture	1,413	515	341	1,573	1,932	1,419	(160)	(1,417)	(1,078)	503	330	12,781	12,148
Mining, manufacturing and construction	16	49	14	–	27	–	16	22	14	–	–	–	–
Transport and communication	11,045	10,095	8,366	9,129	8,320	7,225	1,916	1,775	1,141	3,109	2,749	156,831	154,603
Economic affairs	653	2,456	498	1,385	3,341	1,349	(732)	(885)	(851)	2,000	6	6,972	7,176
Total functions and activities	23,225	19,205	14,207	20,734	20,906	17,449	2,491	(1,701)	(3,242)	6,845	4,142	256,251	241,636
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	4,906	9,876	6,848	–	–	–	4,906	9,876	6,848	8,035	5,041	–	–
Operating result from continuing operations	28,131	29,081	21,055	20,734	20,906	17,449	7,397	8,175	3,606	14,880	9,183	256,251	241,636

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 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		372	352
Farmland		1,058	1,047
Business		106	102
Total ordinary rates		1,536	1,501
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		290	301
Water supply services		918	835
Sewerage services		766	752
Drainage		151	155
Waste management services (non-domestic)		130	130
Total annual charges		2,255	2,173
TOTAL RATES AND ANNUAL CHARGES		3,791	3,674

Council has used 2017 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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		686	640
Sewerage services		5	1
Waste management services (non-domestic)		55	59
Total user charges		746	700
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		76	42
Private works – section 67		175	83
Registration fees		8	5
Total fees and charges – statutory/regulatory		259	130
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		4	4
Cemeteries		22	15
RMS (formerly RTA) charges (state roads not controlled by Council)		5,241	3,457
Saleyards		4	2
Water connection fees		3	6
Other		113	83
Total fees and charges – other		5,387	3,567
TOTAL USER CHARGES AND FEES		6,392	4,397

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		78	82
– Interest earned on investments (interest and coupon payment income)		362	372
TOTAL INTEREST AND INVESTMENT REVENUE		440	454
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		78	82
General Council cash and investments		227	224
Restricted investments/funds – external:			
Water fund operations		105	120
Sewerage fund operations		30	28
Total interest and investment revenue recognised		440	454
(d) Other revenues			
Rental income – other council properties		217	218
Fines		1	2
Legal fees recovery – rates and charges (extra charges)		24	4
Aboriginal communities program		278	44
Back O’ Bourke centre		372	395
Commissions and agency fees		115	113
Diesel rebate		74	82
Insurance claim recoveries		14	18
Jandra boat		55	59
Natural disaster claim		1	–
Recycling income (non-domestic)		17	6
Tourism		10	15
Other		67	1
Other		6	88
TOTAL OTHER REVENUE		1,251	1,045

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	5,335	3,261	–	–
Financial assistance – local roads component	2,682	1,771	–	–
Pensioners' rates subsidies – general component	18	9	–	–
Total general purpose	8,035	5,041	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	7	7	–	–
– Sewerage	6	6	–	–
– Domestic waste management	–	6	–	–
Water supplies	–	17	634	809
Sewerage services	–	–	17	–
Aerodrome	–	–	526	–
Economic development	2,000	6	–	–
Employment and training programs	–	15	–	–
Environmental protection	289	–	–	–
Heritage and cultural	12	8	–	–
Library	21	22	–	–
Noxious weeds	49	51	–	–
Pensioners' rates subsidies: – urban drainage	–	3	–	–
Public order and safety	15	–	136	–
Recreation and culture	–	–	470	300
Street lighting	33	33	–	–
Transport (roads to recovery)	1,941	2,240	–	–
Transport (other roads and bridges funding)	–	196	609	422
Youth services	5	1	–	–
Other	–	–	75	–
Total specific purpose	4,378	2,611	2,467	1,531
Total grants	12,413	7,652	2,467	1,531
Grant revenue is attributable to:				
– Commonwealth funding	11,958	7,272	136	–
– State funding	438	350	1,914	1,231
– Other funding	17	30	417	300
	12,413	7,652	2,467	1,531

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
Nil				
Other contributions:				
Bushfire services	358	247	–	–
Business development	20	8	–	–
RMS contributions (regional roads, block grant)	1,774	1,246	–	801
Water supplies (excl. section 64 contributions)	–	–	175	–
Total other contributions	2,152	1,501	175	801
Total contributions	2,152	1,501	175	801
TOTAL GRANTS AND CONTRIBUTIONS	14,565	9,153	2,642	2,332

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	485	191
Add: grants and contributions recognised in the current period but not yet spent:	1,017	383
Less: grants and contributions recognised in a previous reporting period now spent:	(400)	(89)
Net increase (decrease) in restricted assets during the period	617	294
Unexpended and held as restricted assets	1,102	485
Comprising:		
– Specific purpose unexpended grants	1,102	485
	1,102	485

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		5,395	4,778
Travel expenses		286	397
Employee leave entitlements (ELE)		1,205	1,204
Superannuation		646	638
Workers' compensation insurance		140	166
Fringe benefit tax (FBT)		31	23
Training costs (other than salaries and wages)		138	131
Sick leave insurance		7	6
Protective clothing		26	27
Other		41	37
Total employee costs		7,915	7,407
Less: capitalised costs		(404)	(267)
TOTAL EMPLOYEE COSTS EXPENSED		7,511	7,140
Number of 'full-time equivalent' employees (FTE) at year end		84	79
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		212	258
Total interest bearing liability costs expensed		212	258
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		212	258
(c) Materials and contracts			
Raw materials and consumables		9,364	6,564
Contractor and consultancy costs		244	211
Auditors remuneration ⁽¹⁾		77	39
Legal expenses:			
– Legal expenses: planning and development		21	14
– Legal expenses: other		28	10
Total materials and contracts		9,734	6,838
Less: capitalised costs		(2,734)	(2,337)
TOTAL MATERIALS AND CONTRACTS		7,000	4,501

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		53	–
Remuneration for audit and other assurance services		53	–
Total Auditor-General remuneration		53	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Hill Rogers		24	39
Remuneration for audit and other assurance services		24	39
Total remuneration of other Council's Auditors		24	39
Total Auditor remuneration		77	39
(d) Depreciation, amortisation and impairment			
Plant and equipment		824	832
Office equipment		39	35
Infrastructure:			
– Buildings – non-specialised		49	45
– Buildings – specialised		427	425
– Other structures		157	164
– Roads		1,217	1,266
– Bridges		230	230
– Footpaths		106	106
– Stormwater drainage		87	87
– Water supply network		343	341
– Sewerage network		213	180
– Swimming pools		42	67
– Other open space/recreational assets		191	149
– Levee bank		188	188
– Other infrastructure		106	–
Other assets			
– Library books		10	11
Total depreciation and amortisation costs		4,229	4,126
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		4,229	4,126

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		21	18
Bad and doubtful debts		101	10
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		6	5
– NSW fire brigade levy		33	32
– NSW rural fire service levy		138	88
Councillor expenses – mayoral fee		25	25
Councillor expenses – councillors' fees		163	107
Councillors' expenses (incl. mayor) – other (excluding fees above)		47	47
Donations, contributions and assistance to other organisations (Section 356)		30	29
Election expenses		42	–
Electricity and heating		411	340
Fire and emergency services levy (FESL) implementation costs		65	–
Insurance		502	434
Postage		10	–
Printing and stationery		34	–
Street lighting		118	143
Subscriptions and publications		33	30
Telephone and communications		85	79
Other		–	2
<u>TOTAL OTHER EXPENSES</u>		<u>1,864</u>	<u>1,389</u>

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		446	–
Less: carrying amount of property assets sold/written off		(209)	–
Net gain/(loss) on disposal		237	–
Plant and equipment			
Proceeds from disposal – plant and equipment		403	280
Less: carrying amount of plant and equipment assets sold/written off		(173)	(295)
Net gain/(loss) on disposal		230	(15)
Infrastructure			
Proceeds from disposal – infrastructure		–	120
Less: carrying amount of infrastructure assets sold/written off		(557)	(140)
Net gain/(loss) on disposal		(557)	(20)
Financial assets *			
Proceeds from disposal of financial assets – held to maturity investment:		15,828	6,532
Less: carrying amount of financial assets sold/redeemed/matured		(15,828)	(6,532)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(90)	(35)

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		665	–	62	–
Cash-equivalent assets ¹					
– Short-term deposits		4,227	–	2,712	–
Total cash and cash equivalents		4,892	–	2,774	–
Investments (Note 6b)					
– Long term deposits		13,649	–	10,405	–
Total investments		13,649	–	10,405	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		18,541	–	13,179	–

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'

4,892	–	2,774	–
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Investments

b. 'Held to maturity'

Investments

13,649	–	10,405	–
13,649	–	10,405	–

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	18,541	–	13,179	–
attributable to:				
External restrictions (refer below)	5,209	–	4,658	–
Internal restrictions (refer below)	1,149	–	1,132	–
Unrestricted	12,183	–	7,389	–
	18,541	–	13,179	–

2017 \$ '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)	425	30	–	455
Specific purpose unexpended grants-water fund (F)	7	634	–	641
Specific purpose unexpended grants-sewer fund (F)	53	–	(47)	6
Water supplies (G)	3,176	–	(235)	2,941
Sewerage services (G)	997	160	–	1,157
Domestic waste management (G)	–	9	–	9
External restrictions – other	4,658	833	(282)	5,209
Total external restrictions	4,658	833	(282)	5,209

Internal restrictions

Employees leave entitlement	600	–	–	600
Deposits, retentions and bonds	31	12	(11)	32
Loan – drainage	330	–	(30)	300
Loan – heavy plant	171	–	(171)	–
Loan - Computer Upgrade	–	217	–	217
Total internal restrictions	1,132	229	(212)	1,149
TOTAL RESTRICTIONS	5,790	1,062	(494)	6,358

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 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		573	209	524	191
Interest and extra charges		131	50	110	41
User charges and fees		1,889	–	1,710	–
Accrued revenues					
– Interest on investments		98	–	93	–
Government grants and subsidies		304	–	465	–
Net GST receivable		189	–	13	–
Total		3,184	259	2,915	232
Less: provision for impairment					
Rates and annual charges		(116)	(116)	(64)	(64)
Interest and extra charges		(19)	(29)	(19)	(28)
User charges and fees		(2)	(9)	(3)	(12)
Total provision for impairment – receivables		(137)	(154)	(86)	(104)
<u>TOTAL NET RECEIVABLES</u>		<u>3,047</u>	<u>105</u>	<u>2,829</u>	<u>128</u>
Externally restricted receivables					
Water supply					
– Rates and availability charges		329	–	220	–
– Other		224	–	253	–
Sewerage services					
– Rates and availability charges		221	–	190	–
Domestic waste management		9	–	–	–
Total external restrictions		783	–	663	–
Internally restricted receivables					
Nil					
Unrestricted receivables		2,264	105	2,166	128
<u>TOTAL NET RECEIVABLES</u>		<u>3,047</u>	<u>105</u>	<u>2,829</u>	<u>128</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% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		73	–	90	–
Total inventories at cost		73	–	90	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>73</u>	<u>–</u>	<u>90</u>	<u>–</u>
(b) Other assets					
Prepayments		66	–	34	–
<u>TOTAL OTHER ASSETS</u>		<u>66</u>	<u>–</u>	<u>34</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 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Other movements	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	2,892	–	2,892	1,685	634	–	–	(1,278)	–	–	3,933	–	3,933
Plant and equipment	8,945	5,780	3,165	1,505	–	(173)	(824)	–	–	–	9,605	5,932	3,673
Office equipment	501	264	237	154	–	–	(39)	–	(59)	–	570	277	293
Land:													
– Operational land	1,260	–	1,260	–	–	(209)	–	–	–	–	1,051	–	1,051
– Community land	1,443	–	1,443	–	–	–	–	–	–	–	1,443	–	1,443
Infrastructure:													
– Buildings – non-specialised	2,855	429	2,426	23	–	–	(49)	–	446	–	3,395	549	2,846
– Buildings – specialised	27,641	5,622	22,019	93	36	–	(427)	–	(446)	–	27,253	5,978	21,275
– Other structures	3,982	1,610	2,372	216	–	–	(157)	–	–	–	4,196	1,765	2,431
– Roads	160,418	25,993	134,425	1,763	–	(527)	(1,217)	–	(4,053)	–	154,907	24,516	130,391
– Bridges	23,573	8,407	15,166	–	–	–	(230)	1,190	–	–	24,410	8,284	16,126
– Footpaths	7,647	3,544	4,103	9	–	–	(106)	–	–	–	7,656	3,650	4,006
– Stormwater drainage	7,175	3,019	4,156	–	–	–	(87)	–	–	–	7,176	3,107	4,069
– Water supply network	23,459	13,513	9,946	–	–	–	(343)	–	–	6,429	31,320	15,288	16,032
– Sewerage network	17,178	7,791	9,387	10	–	–	(213)	–	–	908	19,909	9,817	10,092
– Swimming pools	2,018	1,223	795	12	683	–	(42)	88	59	–	2,887	1,292	1,595
– Other open space/recreational assets	6,912	3,784	3,128	25	5	(6)	(191)	–	–	–	6,934	3,973	2,961
– Levee bank	13,136	4,778	8,358	–	–	–	(188)	–	–	–	13,136	4,966	8,170
– Other infrastructure	–	–	–	–	–	–	(106)	–	4,053	–	6,471	2,524	3,947
Other assets:													
– Library books	126	28	98	21	–	(24)	(10)	–	–	–	121	36	85
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	311,161	85,785	225,376	5,516	1,358	(939)	(4,229)	–	–	7,337	326,373	91,954	234,419

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 2017

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,229	–	2,229	1,595	–	1,595
Plant and equipment	348	201	147	386	190	196
Buildings	507	141	366	–	–	–
Other structures	55	41	14	–	–	–
Infrastructure	31,320	15,287	16,033	23,459	13,513	9,946
Total water supply	34,459	15,670	18,789	25,440	13,703	11,737
Sewerage services						
WIP	37	–	37	4	–	4
Plant and equipment	134	90	44	96	76	20
Other structures	–	–	–	17,178	7,793	9,385
Infrastructure	19,909	9,817	10,092	–	–	–
Total sewerage services	20,080	9,907	10,173	17,278	7,869	9,409
TOTAL RESTRICTED I,PP&E	54,539	25,577	28,962	42,718	21,572	21,146

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 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		991	–	479	–
Goods and services – capital expenditure		–	–	1,136	–
Accrued expenses:					
– Borrowings		19	–	20	–
– Salaries and wages		176	–	197	–
Security bonds, deposits and retentions		32	–	31	–
Total payables		1,218	–	1,863	–
Income received in advance					
Payments received in advance		200	–	304	–
Total income received in advance		200	–	304	–
Borrowings					
Loans – secured ¹		1,450	2,669	818	3,253
Total borrowings		1,450	2,669	818	3,253
Provisions					
Employee benefits:					
Annual leave		685	–	805	–
Sick leave		207	–	243	–
Long service leave		1,583	83	1,632	86
Other leave		41	–	29	–
Total provisions		2,516	83	2,709	86
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,384	2,752	5,694	3,339
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		78	416	75	448
Sewer		4	79	3	82
Domestic waste management		9	–	–	–
Liabilities relating to externally restricted assets		91	495	78	530
Internally restricted assets					
Loan – Computer upgrade		56	244	–	–
Loan – drainage		45	371	43	416
Liabilities relating to internally restricted assets		101	615	43	416
Total liabilities relating to restricted assets		192	1,110	121	946
Total liabilities relating to unrestricted assets		5,192	1,642	5,573	2,393
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		5,384	2,752	5,694	3,339

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 2017

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

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

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

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

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	805	518	(638)	–	–	685
Sick leave	243	–	(36)	–	–	207
Long service leave	1,718	193	(245)	–	–	1,666
Other leave	29	12	–	–	–	41
TOTAL	2,795	723	(919)	–	–	2,599

- 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,892	2,774
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,892	2,774
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		8,175	3,606
Adjust for non-cash items:			
Depreciation and amortisation		4,229	4,126
Net losses/(gains) on disposal of assets		90	35
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(296)	(381)
Increase/(decrease) in provision for doubtful debts		101	(24)
Decrease/(increase) in inventories		17	(17)
Decrease/(increase) in other assets		(32)	(3)
Increase/(decrease) in payables		512	(1,432)
Increase/(decrease) in accrued interest payable		(1)	(2)
Increase/(decrease) in other accrued expenses payable		(21)	31
Increase/(decrease) in other liabilities		(103)	164
Increase/(decrease) in employee leave entitlements		(196)	83
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,475	6,186

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		200	200
Credit cards/purchase cards		10	10
Total financing arrangements		210	210
Amounts utilised as at balance date:			
– Credit cards/purchase cards		9	8
Total financing arrangements utilised		9	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 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>5,623</u>	21.27%	6.99%	7.39%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>26,439</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>11,874</u>	40.83%	45.45%	58.62%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>29,081</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>15,735</u>	4.26x	2.69x	2.26x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>3,693</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>10,064</u>	8.57x	4.45x	5.30x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,175</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>683</u>	14.90%	15.86%	14.75%	<10% Rural
Rates, annual and extra charges collectible	<u>4,584</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>18,541</u>	12.87 mths	10.1 mths	9.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>1,440</u>				

Notes

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

(2) Refer Notes 6-8 inclusive.

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

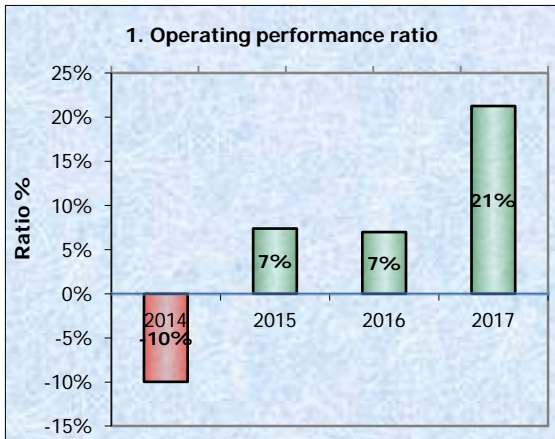
(3) Refer to Note 10(a).

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

Bourke Shire Council

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

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



Purpose of operating performance ratio

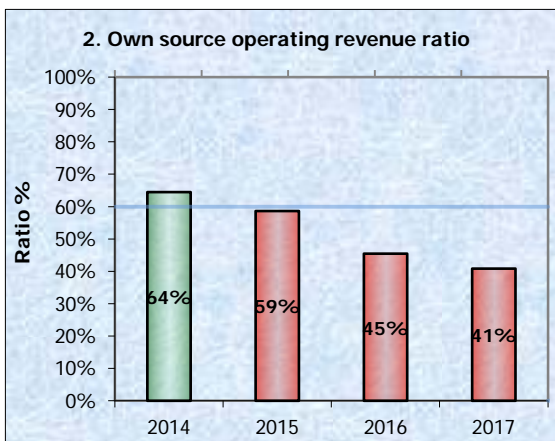
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

2016/17 ratio 21.27%

Benchmark: Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

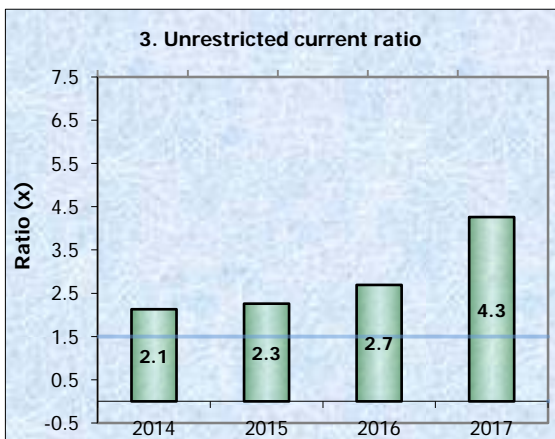
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

2016/17 ratio 40.83%

Benchmark: Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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.

2016/17 ratio 4.26x

Benchmark: Minimum ≥ 1.50

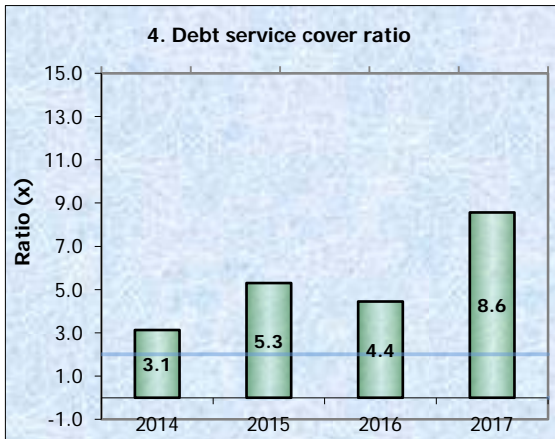
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Bourke Shire Council

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

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





Purpose of debt service cover ratio

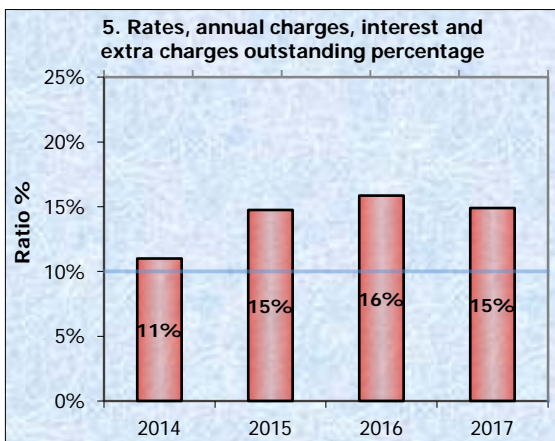
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

2016/17 ratio 8.57x

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark





Purpose of rates and annual charges outstanding ratio

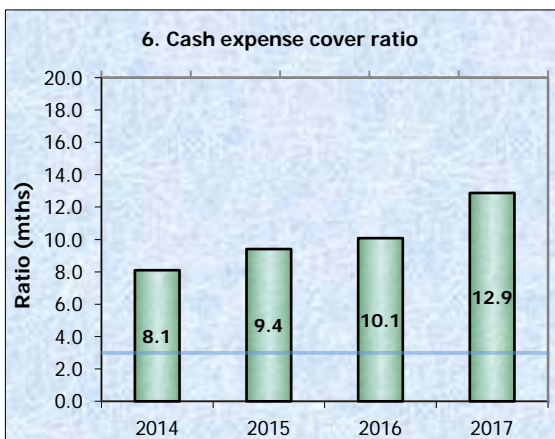
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

2016/17 ratio 14.90%

Benchmark: ——— Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

 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.

2016/17 ratio 12.87 mths

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	22.48%	7.94%	14.94%	-8.05%	6.22%	21.29%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	34.49%	39.20%	77.87%	68.72%	97.54%	99.32%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	4.26x	2.69x	44.79x	48.65x	344.50x	395.67x	>1.5x

Notes

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

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7.95x	3.71x	23.47x	20.15x	36.00x	51.75x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding							
Rates, annual and extra charges collectible	-3.34%	1.09%	52.82%	48.56%	27.08%	23.63%	<10% Rural
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	9.58 months	6.84 months	0.00 months	0.00 months	0.00 months	0.00 months	> 3 months

Notes

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

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	4,892	2,774	4,892	2,774
Investments				
– 'Held to maturity'	13,649	10,405	13,649	10,405
Receivables	3,152	2,957	4,044	2,957
Total financial assets	21,693	16,136	22,585	16,136
Financial liabilities				
Payables	1,218	1,863	1,156	1,925
Loans/advances	4,119	4,071	4,119	4,071
Total financial liabilities	5,337	5,934	5,275	5,996

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 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	92	92	(92)	(92)
2016				
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 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

There are no 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:

	2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	31%	0%	31%
Overdue	100%	69%	100%	69%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	annual charges	Other receivables	Rates and annual charges	Other receivables
Current	–	27	–	–
< 1 year overdue	721	1,296	448	1,405
1 – 2 years overdue	61	809	267	572
2 – 5 years overdue	–	394	–	336
> 5 years overdue	–	135	–	119
	782	2,661	715	2,432
(iii) Movement in provision for impairment of receivables			2017	2016
Balance at the beginning of the year			190	214
+ new provisions recognised during the year			105	21
– amounts already provided for and written off this year			–	(35)
– amounts provided for but recovered during the year			(4)	(10)
Balance at the end of the year			291	190

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	32	1,186	–	–	–	–	–	1,218	1,218
Loans and advances	–	835	738	619	490	452	1,485	4,619	4,119
Total financial liabilities	32	2,021	738	619	490	452	1,485	5,837	5,337
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

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,218	0.00%	1,863	0.00%
Loans and advances – fixed interest rate	4,119	6.00%	3,926	6.33%
Loans and advances – variable interest rate	–	4.80%	145	4.80%
	<u>5,337</u>		<u>5,934</u>	

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 23 May 2017.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	4,100	3,791	(309)	(8%)	U
User charges and fees	6,380	6,392	12	0%	F
Council received additional works orders from RMS for State Highway works than estimated at the start of the year					
Interest and investment revenue	325	440	115	35%	F
A conservative approach was taken when setting the budget. Council was able to maintain reasonable investments for the period					
Other revenues	590	1,251	661	112%	F
Additional funds received for rent and other programs of works from stakeholders					
Operating grants and contributions	6,967	14,565	7,598	109%	F
Payment in advance of FAGs and the successful application for the development of the new Abattoir contributed to this additional income					
Capital grants and contributions	9,769	2,642	(7,127)	(73%)	U
Council budgeted for grant funding for the Bourke swimming pool, cultural centre and displays at the Back O Bourke Centre. All estimates were reliant on Grant Funding that was not received					

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	7,510	7,511	(1)	(0%)	U
Borrowing costs	238	212	26	11%	F
Interest estimated for interest only loans was less than anticipated					
Materials and contracts	8,211	7,000	1,211	15%	F
A favourable outcome mainly due to savings with improved buying power and also grant funding applications that were not successful that included Materials and Contact component					
Depreciation and amortisation	4,131	4,229	(98)	(2%)	U
Water and Sewer depreciated after revaluation					
Other expenses	644	1,864	(1,220)	(189%)	U
Increased provision within bad and doubtful debts, NSW RFS levy, Electricity costs and Insurance costs not allocated within budget					
Net losses from disposal of assets	–	90	(90)	0%	U
Assets during the years that were renewed were also written off. This was not considered in the budget process					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	11,528	12,475	947	8.2%	F
Cash flows from investing activities	–	(10,405)	(10,405)	0.0%	U
Not all infrastructure renewals were carried out due to limited funds available					
Cash flows from financing activities	3,194	48	(3,146)	(98.5%)	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 2017

Note 17. Statement of Developer Contributions

\$ '000

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

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Note 19. Interests in other entities

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		124,131	120,525
a. Net operating result for the year		8,175	3,606
Balance at end of the reporting period		132,306	124,131
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		115,809	108,472
Total		115,809	108,472
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		108,472	108,031
– Revaluations for the year	9(a)	7,337	441
– Balance at end of year		115,809	108,472
TOTAL VALUE OF RESERVES		115,809	108,472

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

(d) Voluntary changes in accounting policies

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,047	816	1,928
User charges and fees	700	5	5,687
Interest and investment revenue	105	30	305
Other revenues	403	50	798
Grants and contributions provided for operating purposes	7	6	14,552
Grants and contributions provided for capital purposes	634	19	1,989
Other income			
Net gains from disposal of assets	–	8	–
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	2,896	934	25,259
Expenses from continuing operations			
Employee benefits and on-costs	467	242	6,802
Borrowing costs	32	8	172
Materials and contracts	887	343	5,770
Depreciation and amortisation	381	223	3,625
Impairment	–	–	–
Other expenses	157	44	1,663
Interest and investment losses	–	–	8
Net losses from the disposal of assets	–	–	90
Total expenses from continuing operations	1,924	860	18,130
Operating result from continuing operations	972	74	7,129
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	972	74	7,129
Net operating result attributable to each council fund	972	74	7,129
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	338	55	5,140

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,582	1,163	147
Investments	–	–	13,649
Receivables	553	221	2,273
Inventories	–	–	73
Other	–	–	66
Total current assets	4,135	1,384	16,208
Non-current assets			
Investments	–	–	–
Receivables	–	–	105
Inventories	–	–	–
Infrastructure, property, plant and equipment	18,789	10,173	205,457
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	18,789	10,173	205,562
TOTAL ASSETS	22,924	11,557	221,770
LIABILITIES			
Current liabilities			
Payables	46	–	1,172
Income received in advance	–	–	200
Borrowings	32	4	1,414
Provisions	–	–	2,516
Total current liabilities	78	4	5,302
Non-current liabilities			
Payables	–	–	–
Borrowings	416	79	2,174
Provisions	–	–	83
Total non-current liabilities	416	79	2,257
TOTAL LIABILITIES	494	83	7,559
Net assets	22,430	11,474	214,211
EQUITY			
Retained earnings	9,335	4,801	118,170
Revaluation reserves	13,095	6,673	96,041
Total equity	22,430	11,474	214,211

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 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 27/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is 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 30/06/17

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 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

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:

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	3,673	3,673
Furniture and fittings	–	–	293	293
Operational land	–	–	1,051	1,051
Community land	–	–	1,443	1,443
Buildings non-specialised	–	–	2,846	2,846
Buildings specialised	–	–	21,275	21,275
Other structures	–	–	2,431	2,431
Roads	–	–	130,391	130,391
Bridges	–	–	16,126	16,126
Footpaths	–	–	4,006	4,006
Stormwater drainage	–	–	4,069	4,069
Levee banks	–	–	8,170	8,170
Water supply network	–	–	16,032	16,032
Sewerage network	–	–	10,092	10,092
Swimming pools	–	–	1,595	1,595
Open spaces/recreational	–	–	2,961	2,961
Other assets	–	–	3,947	3,947
Other assets	–	–	85	85
Other assets	–	–	3,933	3,933
Total infrastructure, property, plant and equipment	–	–	234,419	234,419

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Fair value measurement hierarchy			Total
	Level 1 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	–	–	2,892	2,892
Other assets	–	–	98	98
Total infrastructure, property, plant and equipment	–	–	225,376	225,376

(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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

Plant 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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

Other structures

The majority 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 two timber bridges which are to be replaced by end 2018.

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.

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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.

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

Water Supply assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement. 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 2022.

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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

Sewerage network

Sewerage Network assets were valued by Australis Asset Advisory Group as at 30th June 2017 at Current Replacement Cost and utilising Fair Value measurement.

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 2022.

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

Swimming pools

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

The 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 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Operational land	Community land	Total
Opening balance – 1/7/15	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
Transfers from/(to) another asset class	–	(59)	–	–	(59)
Purchases (GBV)	1,505	154	–	–	1,659
Disposals (WDV)	(173)	–	(209)	–	(382)
Depreciation and impairment	(824)	(39)	–	–	(863)
Closing balance – 30/6/17	3,673	293	1,051	1,443	6,460

	Buildings non- specialised	Buildings specialised	Other structures	Swimming pools	Total
Opening balance – 1/7/15	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	–	–	(2)	–	(2)
Closing balance – 30/6/16	2,426	22,019	2,372	795	27,612
Transfers from/(to) another asset class	446	(446)	–	59	59
Purchases (GBV)	23	129	216	783	1,151
Depreciation and impairment	(49)	(427)	(157)	(42)	(675)
Closing balance – 30/6/17	2,846	21,275	2,431	1,595	28,147

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Roads	Bridges	Footpaths	Recreati- -onal	Total
Opening balance – 1/7/15	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
Transfers from/(to) another asset class	(4,053)	–	–	–	(4,053)
Purchases (GBV)	1,763	1,190	9	30	2,992
Disposals (WDV)	(527)	–	–	(6)	(533)
Depreciation and impairment	(1,217)	(230)	(106)	(191)	(1,744)
Closing balance – 30/6/17	130,391	16,126	4,006	2,961	153,484

	Water supply network	Sewerage network	Levee banks stormwater drainage	Other assets	Total
Opening balance – 1/7/15	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	2	–	1	(2)	1
Other movement	–	–	–	2,892	2,892
Closing balance – 30/6/16	9,946	9,387	12,514	2,990	34,837
Transfers from/(to) another asset class	–	–	–	4,053	4,053
Purchases (GBV)	–	10	–	2,340	2,350
Disposals (WDV)	–	–	–	(24)	(24)
Depreciation and impairment	(343)	(213)	(275)	(116)	(947)
Other movement	6,429	908	–	–	7,337
Other movement	–	–	–	(1,278)	(1,278)
Closing balance – 30/6/17	16,032	10,092	12,239	7,965	46,328

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant & Equipment	3,673	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Land	2,494	Fair value	Land Value as per Valuer General value
Buildings	24,121	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Roads	150,523	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Aerodromes	3,947	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Stormwater/Levees	12,239	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Water Supply	16,032	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Sewerage Network	6,476	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other Structures	6,987	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value
Other Assets	378	Fair value	Current Replacement Cost, Remaining Useful Life, Residual Value

(5). Highest and best use

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

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	933,140
Post-employment benefits	98,371
Other long-term benefits	601,084
Termination benefits	31,034
Other transactions	107,284
Total	<u>1,770,913</u>

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Accommodation	1	29	–	7 days	–	–
Supply of merchandise	2	3	–	7 days	–	–
Supply of Air-conditioning and repairs	3	47	–	30 days	–	–
Supply of merchandise	3	–	–	30 days	–	–
Supply of consumables	3	1	–	7 days	–	–
Supply of consumables	3	5	–	30 days	–	–
Supply of service	4	8	–	7 days	–	–
Supply of consumables	3	4	–	30 days	–	–
Vet services	5	10	–	7 days	–	–
Employee costs short term		933	–		–	–
Employee costs long term		601	–		–	–
Employee costs post employment		98	–		–	–
Employee Termination cost		31	–		–	–

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

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

- 1 Accommodation provided to key contracting staff that are working for longer periods of time. The procurement of the accommodation is undertaken in line with the current Procurement Policy. Amounts billed were based on normal rates for such a supply and were due and payable under normal payment terms.
- 2 Council purchased giftware during the year from a KMP family member. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment conditions
- 3 Close family members of Council's KMP are engaged to undertake service , repair and installation works. They are also provide goods and service to the Council. This works is procured under the conditions of the Procurement Policy. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment conditions following the procurement process
- 4 Contract works undertaken by the KMP within a speciality area. The KMP was Councillor. Amounts billed were based on normal rates for such supply and were due and payable under normal payment terms
- 5 Council required services of the Veterinary Service, the vet is a close family member of KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the council's procurement process

Bourke Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 29. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2017	2016	2015	2014	2013
Inflows:					
Rates and annual charges revenue	3,791	3,674	3,527	3,439	3,348
User charges revenue	6,392	4,397	7,090	6,827	6,759
Interest and investment revenue (losses)	440	454	400	435	450
Grants income – operating and capital	14,880	9,183	7,096	4,276	5,632
Total income from continuing operations	29,081	21,055	22,576	18,246	19,200
Sale proceeds from I,PP&E	849	400	275	336	395
New loan borrowings and advances	1,011	252	1,278	965	716
Outflows:					
Employee benefits and on-cost expenses	7,511	7,140	6,837	6,411	6,870
Borrowing costs	212	258	262	264	269
Materials and contracts expenses	7,000	4,501	6,337	6,566	7,291
Total expenses from continuing operations	20,906	17,449	18,908	19,566	21,820
Total cash purchases of I,PP&E	8,010	4,267	7,437	4,754	3,303
Total loan repayments (incl. finance leases)	963	1,022	816	687	599
Operating surplus/(deficit) (excl. capital income)	5,533	1,274	1,494	(2,074)	(3,599)
Financial position figures	2017	2016	2015	2014	2013
Current assets	21,727	16,132	14,205	12,268	12,702
Current liabilities	5,384	5,694	5,816	4,723	4,869
Net current assets	16,343	10,438	8,389	7,545	7,833
Available working capital (Unrestricted net current assets)	13,259	7,590	6,034	4,647	5,238
Cash and investments – unrestricted	12,183	7,389	6,533	4,695	5,602
Cash and investments – internal restrictions	1,149	1,132	1,114	773	619
Cash and investments – total	18,541	13,179	11,630	10,252	10,891
Total borrowings outstanding (Loans, advances and finance leases)	4,119	4,071	4,841	4,379	4,101
Total value of I,PP&E (excl. land and earthworks)	323,879	308,458	302,727	286,273	282,895
Total accumulated depreciation	91,954	85,785	80,610	79,418	76,238
Indicative remaining useful life (as a % of GBV)	72%	72%	73%	72%	73%

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 2017

Note 30. 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

Audit Office of New South Wales
Level 15
1 Margaret Street
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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Bourke Shire Council

To the Councillors of Bourke Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General

- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

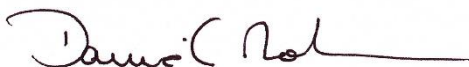
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



David Nolan
Director, Financial Audit Services

27 October 2017
SYDNEY

Cr Barry Holman
Mayor
Bourke Shire Council
PO Box 21
BOURKE NSW 2840

Contact: David Nolan
Phone no: 9275 7377
Our ref: D1728324/1698

27 October 2017

Dear Mayor

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

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

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

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

INCOME STATEMENT

Operating result

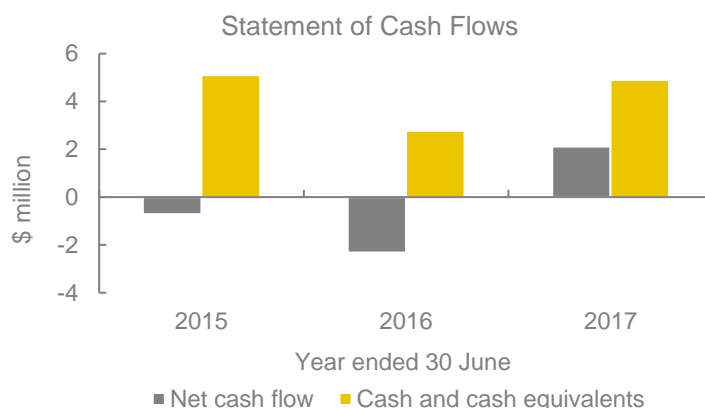
	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	3.79	3.67	3.2 ↑
Grants and contributions revenue	17.21	11.49	49.8 ↑
Operating result for the year	8.18	3.61	126.7 ↑
Net operating result before capital amounts	5.53	1.27	334.3 ↑

The operating result for the year was a surplus of \$8.2 million (2016: \$3.6 million) and included a depreciation expense of \$4.2 million (2016: \$4.1 million). The higher operating result for this year is mainly due to increased general purpose grants for operations, including a prepayment of the Financial Assistance Grant relating to 2017/18 and increased revenue from RMS.

Rates and annual charges represent 13 per cent of Council's total revenues and increased by 3.2 per cent from the previous year.

STATEMENT OF CASH FLOW

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$2.1 million to \$4.9 million at the close of the year.



In addition to operating activities which contributed net cash of \$12.5 million were the proceeds from the sale of investments (\$15.8 million) and assets (\$849,000) and proceeds from borrowings (\$1 million). Cash outflows other than operating activities were used to purchase investments (\$19.1 million), repay borrowings (\$963,000), and to purchase and construct assets (\$8 million).

FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	5.2	4.7	Cash and investments amounted \$18.5 million at 30 June 2017 (2016: \$13.2 million). The increase is mainly due to the Council's surplus for the year.
Internal restrictions	1.1	1.1	
Unrestricted	12.2	7.4	
Cash and investments	18.5	13.2	

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

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$1.1 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$12.2 million, which is available to provide liquidity for day to day operations.

Debt

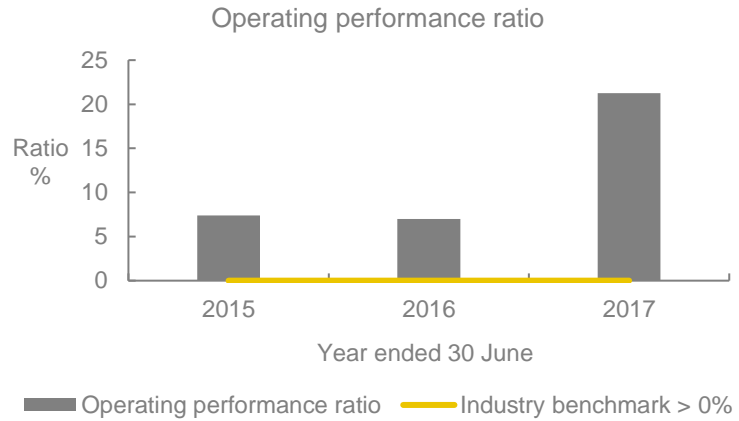
After repaying principal and interest of \$1.2 million during the financial year, total debt as at 30 June 2017 was \$4.1 million (2016: \$4.1 million).

PERFORMANCE RATIOS

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

Operating performance ratio

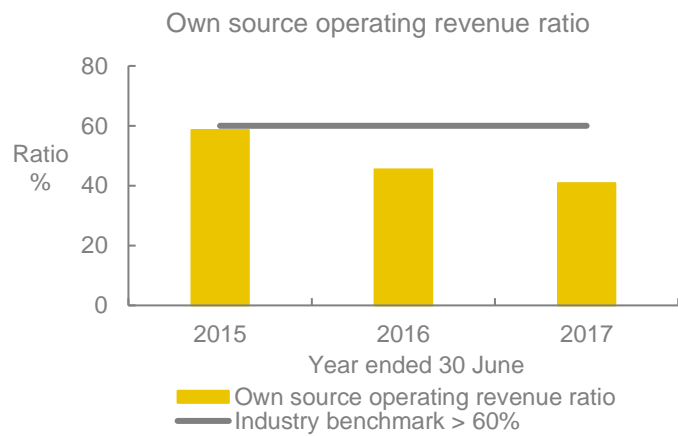
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Council's operating performance indicator of 21 per cent (7 per cent in 2016) exceeded the benchmark due to the improved operating result before capital grants and contributions; which was driven by the increase in operating grants and user charges received.

Own source operating revenue ratio

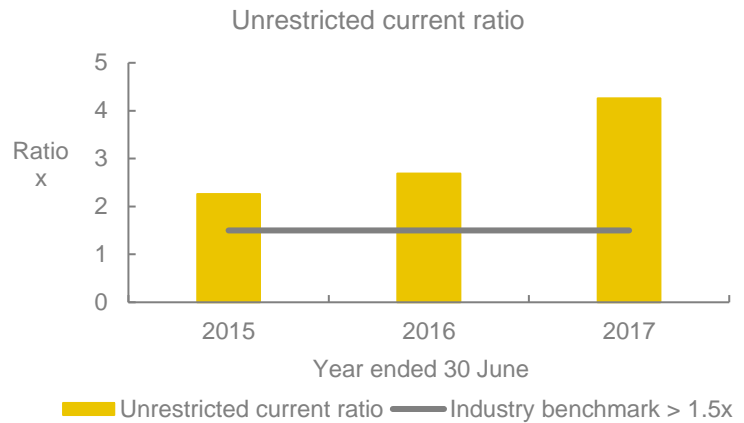
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio was 41 per cent for 2016-17 (45 per cent in 2016), below the benchmark of 60 per cent.

Unrestricted current ratio

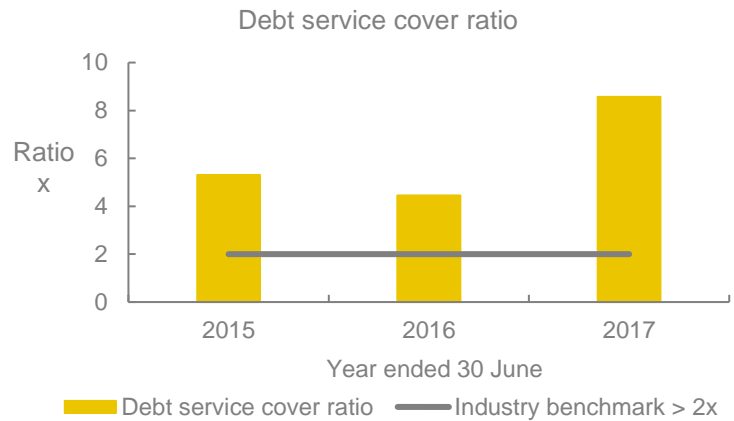
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio increased to 4.3 as at 30 June 2017 (2.7 in 2016) and exceeded the benchmark of 1.5 times. The increase in the ratio is mainly due to the increase in current assets.

Debt service cover ratio

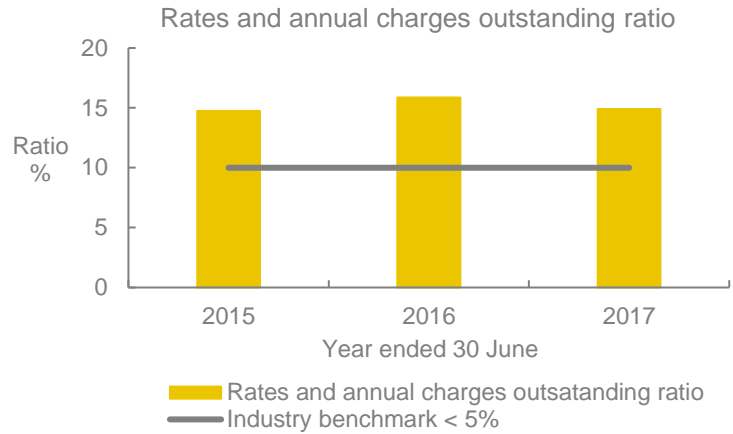
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2017 was 8.6 (4.5 in 2016). This improvement is mainly due to Council's improved operating result before capital grants and contributions.

Rates and annual charges outstanding ratio

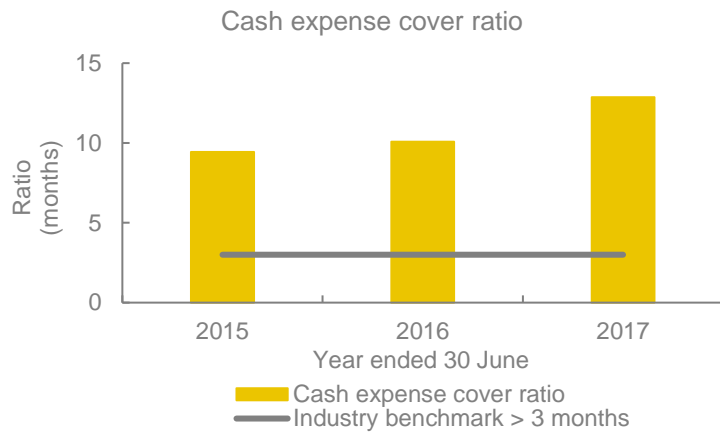
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 10 per cent for rural councils.



The rates and annual charges outstanding ratio stood at 14.9 per cent as at 30 June 2017 (15.9 per cent in 2016). The improved performance belies that rate arrears remain stable at \$691,000.

Cash expense cover ratio

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

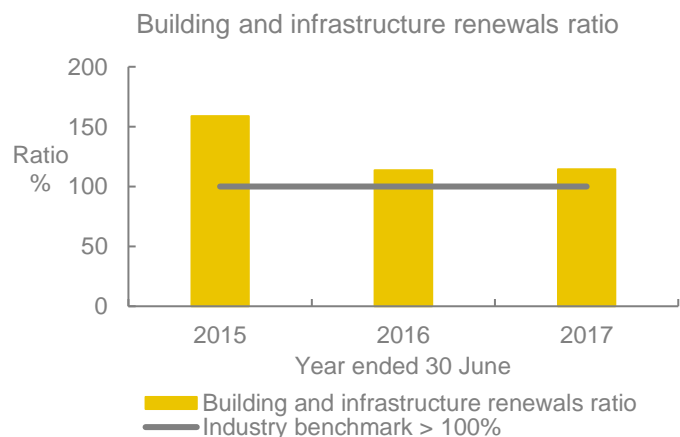


Council's cash expense cover ratio was almost thirteen months and continues to easily exceed the benchmark of three months.

Building and infrastructure renewals ratio

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

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



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 114 per cent (114 per cent in 2016) of the depreciation charges for those assets; exceeding the benchmark of 100 per cent.

OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

Asset Revaluations

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

During the year, water and sewerage infrastructure were revalued. This resulted in a net increase of \$7.337 million recognised directly in Asset Revaluation Reserves.

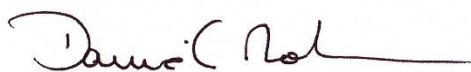
Legislative compliance

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

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

Management co-operation

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



David Nolan
Director, Financial Audit Services

27 October 2017
SYDNEY

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

Bourke Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

*"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 2017

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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
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Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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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 2017

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 August 2017.



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 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,047	974
User charges	697	640
Fees	3	6
Interest	105	120
Grants and contributions provided for non-capital purposes	7	23
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	403	88
Total income from continuing operations	2,262	1,851
Expenses from continuing operations		
Employee benefits and on-costs	467	185
Borrowing costs	32	34
Materials and contracts	887	842
Depreciation, amortisation and impairment	381	800
Water purchase charges	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	157	139
Total expenses from continuing operations	1,924	2,000
Surplus (deficit) from continuing operations before capital amounts	338	(149)
Grants and contributions provided for capital purposes	634	809
Surplus (deficit) from continuing operations after capital amounts	972	660
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	972	660
Less: corporate taxation equivalent (30%) [based on result before capital]	(101)	–
SURPLUS (DEFICIT) AFTER TAX	871	660
Plus opening retained profits	8,363	7,703
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	101	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	9,335	8,363
Return on capital %	2.0%	-1.0%
Subsidy from Council	77	349
Calculation of dividend payable:		
Surplus (deficit) after tax	871	660
Less: capital grants and contributions (excluding developer contributions)	(634)	(809)
Surplus for dividend calculation purposes	237	–
Potential dividend calculated from surplus	118	–

Bourke Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	816	804
User charges	5	1
Liquid trade waste charges	–	–
Fees	–	–
Interest	30	28
Grants and contributions provided for non-capital purposes	6	6
Profit from the sale of assets	8	–
Share of profit from equity accounted investment	–	–
Other income	50	44
Total income from continuing operations	915	883
Expenses from continuing operations		
Employee benefits and on-costs	242	74
Borrowing costs	8	8
Materials and contracts	343	366
Depreciation, amortisation and impairment	223	218
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	44	29
Total expenses from continuing operations	860	695
Surplus (deficit) from continuing operations before capital amounts	55	188
Grants and contributions provided for capital purposes	19	–
Surplus (deficit) from continuing operations after capital amounts	74	188
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	74	188
Less: corporate taxation equivalent (30%) [based on result before capital]	(17)	(56)
SURPLUS (DEFICIT) AFTER TAX	58	132
Plus opening retained profits	4,727	4,539
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	17	56
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	4,801	4,727
Return on capital %	0.6%	2.1%
Subsidy from Council	179	–
Calculation of dividend payable:		
Surplus (deficit) after tax	58	132
Less: capital grants and contributions (excluding developer contributions)	(19)	–
Surplus for dividend calculation purposes	39	132
Potential dividend calculated from surplus	19	66

Bourke Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	3,582	3,183
Investments	–	–
Receivables	553	473
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	4,135	3,656
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	18,789	11,737
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	18,789	11,737
TOTAL ASSETS	22,924	15,393
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	46	44
Income received in advance	–	–
Borrowings	32	31
Provisions	–	–
Total current liabilities	78	75
Non-current liabilities		
Payables	–	–
Borrowings	416	448
Provisions	–	–
Total non-current liabilities	416	448
TOTAL LIABILITIES	494	523
NET ASSETS	22,430	14,870
EQUITY		
Retained earnings	9,335	8,363
Revaluation reserves	13,095	6,507
Other reserves	–	–
Council equity interest	22,430	14,870
Non-controlling equity interest	–	–
TOTAL EQUITY	22,430	14,870

Bourke Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	1,163	1,050
Investments	–	–
Receivables	221	190
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	1,384	1,240
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	10,173	9,409
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	10,173	9,409
TOTAL ASSETS	11,557	10,649
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	4	3
Provisions	–	–
Total current liabilities	4	3
Non-current liabilities		
Payables	–	–
Borrowings	79	82
Provisions	–	–
Total non-current liabilities	79	82
TOTAL LIABILITIES	83	85
NET ASSETS	11,474	10,564
EQUITY		
Retained earnings	4,801	4,727
Revaluation reserves	6,673	5,837
Other reserves	–	–
Council equity interest	11,474	10,564
Non-controlling equity interest	–	–
TOTAL EQUITY	11,474	10,564

Bourke Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

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

Bourke Shire Council

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

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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 these Special Purpose Financial Statements 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 prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled '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 a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing 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, except for 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector

Bourke Shire Council

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

Note 1. Significant accounting policies (continued)

businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst 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/(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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the 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 the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting 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.

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

Bourke Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(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.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

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

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

Bourke Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	4,242
(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]	118,300
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	42,420
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	235,300

2017 Surplus	236,600	2016 Surplus	(149,000)	2015 Surplus	147,700
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	42,420
(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	

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 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,929
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)]	%	40.13%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	18,642
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,511
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	–
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)]	%	1.41%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	634

- 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 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	3,630
(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]	19,250
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	36,300
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	228,200

2017 Surplus	38,500	2016 Surplus	131,600	2015 Surplus	58,100
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	19,250
(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	

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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	829
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	10,129
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	617
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
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)]	%	0.38%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	17

**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	3,044
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.43%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	–
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.05%
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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-12.43%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 304 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: - 95 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	395
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	13

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Bourke Shire Council

To the Councillors of Bourke Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Business
- Sewerage Business

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

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

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General

- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

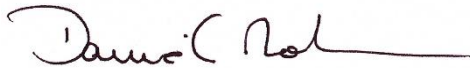
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

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

David Nolan
Director, Financial Audit Services

27 October 2017
SYDNEY

Bourke Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

*"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 2017

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Special Schedules¹

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

Background

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

Bourke Shire Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	326	–	–	(326)
Administration	1,401	519	249	(633)
Public order and safety				
Fire service levy, fire protection, emergency services	487	358	–	(129)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	137	23	–	(114)
Other	–	–	136	136
Total public order and safety	624	381	136	(107)
Health	718	84	–	(634)
Environment				
Noxious plants and insect/vermin control	95	69	–	(26)
Other environmental protection	223	285	–	62
Solid waste management	493	492	–	(1)
Street cleaning	–	–	–	–
Drainage	107	151	–	44
Stormwater management	–	–	–	–
Total environment	918	997	–	79
Community services and education				
Administration and education	41	25	–	(16)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	10	–	–	(10)
Children's services	–	–	–	–
Total community services and education	51	25	–	(26)
Housing and community amenities				
Public cemeteries	182	22	–	(160)
Public conveniences	–	–	–	–
Street lighting	93	33	–	(60)
Town planning	16	10	–	(6)
Other community amenities	372	122	–	(250)
Total housing and community amenities	663	187	–	(476)
Water supplies	1,785	2,085	634	934
Sewerage services	800	776	17	(7)

Bourke Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	260	27	–	(233)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	39	–	–	(39)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	62	12	–	(50)
Sporting grounds and venues	454	5	–	(449)
Swimming pools	182	–	421	239
Parks and gardens (lakes)	893	–	–	(893)
Other sport and recreation	42	–	50	8
Total recreation and culture	1,932	44	471	(1,417)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	27	49	–	22
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	27	49	–	22
Transport and communication				
Urban roads (UR) – local	(74)	3,400	609	4,083
Urban roads – regional	362	–	–	(362)
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	3,275	–	–	(3,275)
Unsealed rural roads (URR) – regional	108	–	–	(108)
Bridges on UR – local	1,574	–	–	(1,574)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	1	–	–	(1)
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	65	–	–	(65)
Aerodromes	187	4	526	343
Other transport and communication	2,822	5,556	–	2,734
Total transport and communication	8,320	8,960	1,135	1,775
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	3,341	2,456	–	(885)
Total economic affairs	3,341	2,456	–	(885)
Totals – functions	20,906	16,563	2,642	(1,701)
General purpose revenues ⁽¹⁾		9,876		9,876
Share of interests – joint ventures and associates using the equity method	–	–	–	–
NET OPERATING RESULT ⁽²⁾	20,906	26,439	2,642	8,175

(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 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	818	3,253	4,071	1,011	963	–	–	212	1,450	2,669	4,119
Other	–	–	–							–	–
Total loans	818	3,253	4,071	1,011	963	–	–	212	1,450	2,669	4,119
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	818	3,253	4,071	1,011	963	–	–	212	1,450	2,669	4,119

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	96	69
b. Engineering and supervision	136	148
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	13	10
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	227	178
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	30	5
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	12	24
i. Maintenance expenses	217	136
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	519	374
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	261	222
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	350	749
b. Plant and equipment	31	51
4. Miscellaneous expenses		
a. Interest expenses	32	34
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	1,924	2,000

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	1,046	974
b. Usage charges	701	646
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	–	–
9. Interest income	105	120
10. Other income	175	–
10a. Aboriginal Communities Water and Sewerage Program	228	88
11. Grants		
a. Grants for acquisition of assets	634	809
b. Grants for pensioner rebates	7	7
c. Other grants	–	16
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	2,896	2,660
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	972	660
15a. Operating result (less grants for acquisition of assets)	338	(149)

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 2017

\$'000	Actuals 2017	Actuals 2016
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	<u>–</u>	<u>130</u>
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,032	1,032
b. Residential (unoccupied, ie. vacant lot)	123	123
c. Non-residential (occupied)	143	158
d. Non-residential (unoccupied, ie. vacant lot)	116	83
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 12,141	\$ 11,966

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	641	–	641
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,941	–	2,941
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	553	–	553
c. User charges	–	–	–
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	18,642	18,642
b. Plant and equipment	–	147	147
29. Other assets	–	–	–
30. Total assets	4,135	18,789	22,924
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	46	–	46
33. Borrowings	32	416	448
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	78	416	494
36. NET ASSETS COMMITTED	4,057	18,373	22,430
EQUITY			
37. Accumulated surplus			9,123
38. Asset revaluation reserve			12,938
39. Other reserves			369
40. TOTAL EQUITY			22,430
Note to system assets:			
41. Current replacement cost of system assets			33,930
42. Accumulated current cost depreciation of system assets			(15,288)
43. Written down current cost of system assets			18,642

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	40	41
b. Engineering and supervision	67	51
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	21	12
b. Maintenance expenses	141	89
– Pumping stations		
c. Operation expenses (excluding energy costs)	48	40
d. Energy costs	58	17
e. Maintenance expenses	141	133
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	98	64
g. Chemical costs	–	–
h. Energy costs	–	–
i. Effluent management	3	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	223	218
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	8	8
b. Revaluation decrements	–	–
c. Other expenses	12	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	860	695

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	731	718
7. Non-residential charges		
a. Access (including rates)	92	87
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	30	28
11. Other income	–	–
11a. Aboriginal Communities Water and Sewerage Program	50	44
12. Grants		
a. Grants for acquisition of assets	17	–
b. Grants for pensioner rebates	6	6
c. Other grants	–	–
13. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	926	883
15. Gain (or loss) on disposal of assets	8	–
16. Operating result	74	188
16a. Operating result (less grants for acquisition of assets)	57	188

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	1,679
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	<u>–</u>	<u>1,679</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)	1,082	1,081
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)	\$ 10,150	\$ 10,106

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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	6	–	6
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,157	–	1,157
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	221	–	221
c. User charges	–	–	–
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	10,129	10,129
b. Plant and equipment	–	44	44
30. Other assets	–	–	–
31. Total assets	1,384	10,173	11,557
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	–	–	–
34. Borrowings	4	79	83
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	4	79	83
37. NET ASSETS COMMITTED	1,380	10,094	11,474
EQUITY			
38. Accumulated surplus			4,727
39. Asset revaluation reserve			6,745
40. Other reserves			2
41. TOTAL EQUITY			11,474
Note to system assets:			
42. Current replacement cost of system assets			19,946
43. Accumulated current cost depreciation of system assets			(9,817)
44. Written down current cost of system assets			10,129

Bourke Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Bourke Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	53	38	2,846	3,395	58%	42%	1%	0%	0%
	Buildings – specialised	770	–	111	99	21,275	27,253	48%	35%	7%	10%	0%
	Sub-total	770	–	164	137	24,121	30,648	49.1%	35.9%	6.3%	8.7%	0.0%
Other structures	Other	–	–	28	27	2,431	4,196	13%	53%	33%	1%	0%
	Sub-total	–	–	28	27	2,431	4,196	12.8%	53.4%	32.9%	1.0%	0.0%
Roads	Sealed roads	–	–	460	511	8,172	12,470	28%	36%	36%	0%	0%
	Unsealed roads	–	–	1,909	1,951	116,326	124,397	12%	7%	81%	0%	0%
	Bridges	–	–	38	30	16,126	24,410	39%	26%	33%	1%	0%
	Footpaths	973	973	42	28	4,006	7,655	6%	35%	59%	0%	0%
	Other road assets	–	–	33	30	2,822	6,417	7%	23%	70%	0%	0%
	Other Kerb & Guttering	2,700	2,700	25	2	3,071	11,622	0%	4%	86%	9%	0%
	Sub-total	3,673	3,673	2,507	2,552	150,523	186,971	15.4%	13.1%	70.8%	0.7%	0.0%
Water supply network	Water Supply Network	1,200	1,200	517	500	16,032	31,320	8%	31%	55%	6%	0%
	Sub-total	1,200	1,200	517	500	16,032	31,320	7.6%	31.2%	54.9%	6.4%	0.0%
Sewerage network	Sewerage Network	–	–	119	107	10,092	19,909	5%	26%	69%	0%	0%
	Sub-total	–	–	119	107	10,092	19,909	5.1%	26.4%	68.6%	0.0%	0.0%

Bourke Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater Drainage	–	–	29	30	4,069	7,177	7%	35%	58%	0%	0%
	Sub-total	–	–	29	30	4,069	7,177	6.9%	35.2%	58.0%	0.0%	0.0%
Open space/recreational assets	Other Swimming Pool	1,500	–	62	65	1,595	2,886	31%	3%	66%	0%	0%
	Other Open Spaces	10	10	359	378	2,961	6,934	18%	16%	66%	0%	1%
	Sub-total	1,510	10	421	443	4,556	9,820	21.7%	11.8%	65.8%	0.0%	0.6%
Other infrastructure assets	Other Aerodromes	–	–	30	44	3,947	6,471	37%	12%	34%	17%	0%
	Sub-total	–	–	30	44	3,947	6,471	37.0%	12.0%	34.4%	16.6%	0.0%
Other infrastructure assets	Other Levee Banks	–	–	30	3	8,171	13,136	98%	2%	0%	0%	0%
	Sub-total	–	–	30	3	8,171	13,136	98.3%	1.7%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	7,153	4,883	3,845	3,843	223,942	309,648	21.2%	18.5%	57.9%	2.3%	0.0%

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 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>3,837</u>	114.33%	>= 100%	113.67%	158.74%
Depreciation, amortisation and impairment	<u>3,356</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>7,153</u>	3.19%	< 2%	2.17%	9.43%
Net carrying amount of infrastructure assets	<u>223,941</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>3,843</u>	1.00	> 1.00	1.08	0.96
Required asset maintenance	<u>3,845</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>4,883</u>	1.58%		0.00%	
Gross replacement cost	<u>309,648</u>				

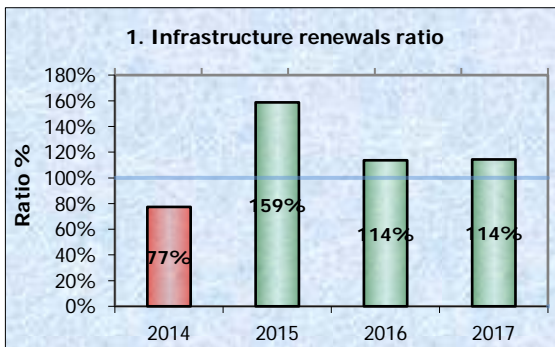
Notes

* 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 2017



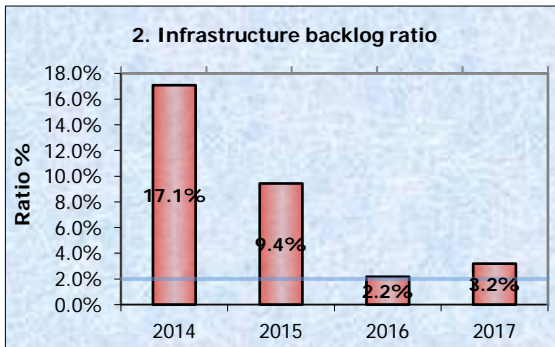
Purpose of asset renewals ratio

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

2016/17 Ratio 114.33%

Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



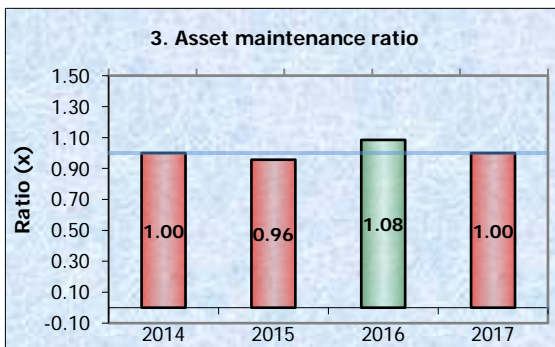
Purpose of infrastructure backlog ratio

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

2016/17 Ratio 3.19%

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



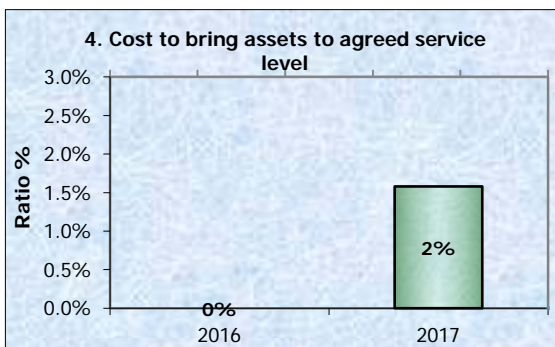
Purpose of asset maintenance ratio

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

2016/17 Ratio 1.00 x

Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

2016/17 Ratio 1.58%

Bourke Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾		0.00%	4.69%	136.68%
Depreciation, amortisation and impairment	>= 100%			
	prior period:	0.00%	0.00%	145.41%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard		7.49%	0.00%	3.01%
Net carrying amount of infrastructure assets	< 2%			
	prior period:	1.21%	0.00%	2.32%
3. Asset maintenance ratio				
Actual asset maintenance		0.97	0.90	1.01
Required asset maintenance	> 1.00			
	prior period:	0.85	0.59	1.11
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council		3.83%	0.00%	1.43%
Gross replacement cost				

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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	1,752	1,779
Plus or minus adjustments ⁽²⁾	b	–	5
Notional general income	c = (a + b)	1,752	1,784
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	32	27
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	1,784	1,811
Plus (or minus) last year's carry forward total	l	5	10
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	5	10
Total permissible income	o = k + n	1,789	1,820
Less notional general income yield	p	1,779	1,817
Catch-up or (excess) result	q = o – p	10	3
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	2
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	10	5

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Bourke Shire Council

To the Councillors of Bourke Shire Council

Opinion

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

In my opinion, Special Schedule No. 8 of Bourke Shire Council for 2017-18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

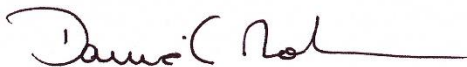
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate,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

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



David Nolan
Director, Financial Audit Services

27 October 2017
SYDNEY