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ABN 84 873 116 132

October 13, 2017

EXTRAORDINARY MEETING


TO BE HELD

**MONDAY, OCTOBER 16, 2017**

Dear Sir/Madam,

Your attendance is requested at the Extraordinary Meeting of the Council of the City of Broken Hill to be held in the Council Chamber, Sulphide Street, Broken Hill on **Monday, October 16, 2017** commencing at 6:30p.m. to consider the following business:

- 1) Apologies
- 2) Disclosure of Interest
- 3) Reports
  1. Broken Hill City Council Report No. 182/17 - dated October 13, 2017 - 2016/2017 Draft Annual Financial Statements (17/77)

  
RAZIJA NU'MAN  
ACTING GENERAL MANAGER

## **REPORTS**

1. BROKEN HILL CITY COUNCIL REPORT NO. 182/17 - DATED OCTOBER 13, 2017 - 2016/2017 DRAFT ANNUAL FINANCIAL STATEMENTS (17/77)..... 3

## EXTRAORDINARY MEETING OF THE COUNCIL

October 13, 2017

**ITEM 1**BROKEN HILL CITY COUNCIL REPORT NO. 182/17SUBJECT:                      2016/2017 DRAFT ANNUAL FINANCIAL STATEMENTS                      17/77**Recommendation**

1. That Broken Hill City Council Report No. 182/17 dated October 13, 2017, be received.
2. That the 2016/2017 Draft Primary Financial Statements as attached be received.
3. That Council adopt the attached Statements of Opinion on the 2016/17 General Purpose and Special Purpose Financial Statements and the Mayor, the Deputy Mayor, the General Manager and the Responsible Accounting Officer sign the Statements in accordance with Section 413(2)(c) of the Local Government Act (1993).
4. That Council delegate to the General Manager the authority to finalise the date at which the auditor's report and financial statements are to be presented to the public.
5. That Council delegate the General Manager the authority to authorise the 2016/17 General Purpose and Special Purpose Financial Statements and associated Special Schedules for issue immediately upon receipt of the auditor's reports subject to there being no material audit changes or audit issues, in accordance with AASB 110.

**Executive Summary:**

Two separate financial reports are produced by Council each year to comply with State Government legislative requirements under the *Local Government Act 1993* and the *Public Finance and Audit Act 1983*.

The reports are the:

- General Purpose Financial Report
- Special Purpose Financial Report

The draft reports have been completed and the primary financial statements are attached.

At the August Ordinary Council Meeting, the draft 2016/17 financial statements were referred to Audit. Since the audit, there have been material changes that have occurred and therefore require Council to re-adopt, the attached Statement of Opinion on the 2016/17 General Purpose Financial Statements & 2016/17 Special Purpose Financial Statements. The material changes are detailed below in the report.

The Audit, Risk & Improvement Committee received and approved the draft financial statements as per the attached primary financial statements on the 13 October 2017.

**Report:**

The Local Government Act provides for the following process to be observed by Councils for the preparation and audit of the annual financial reports:

1. Council staff prepare draft annual financial reports - July to August.
2. Draft report (this Agenda item) to Council for signing of Statement of Opinion by Council on the draft annual financial reports – 30 August 2017.
3. Auditor's complete audit and any adjustments are incorporated in final report – October 2017.
4. Internal Audit Committee Meeting held – 13 October 2017
5. Auditor submits financial reports and audit reports to the Council and the Office of Local Government – by 25 October 2017
6. A notice is published in the local newspaper advising that the annual financial reports together with the auditors' reports will be presented to the public at an Ordinary meeting of the Council – 25 October 2017
7. The reports are presented to the public at the September Ordinary Council Meeting – 25 October 2017
8. Council submits audited financial statements and the Independent Auditors Reports to Office of Local Government and the Australian Bureau of Statistics – by 31 October 2017.

At the August Ordinary Council Meeting, the draft 2016/17 financial statements were referred to Audit. Since the audit, there have been material changes that have occurred and therefore require Council to re-adopt the attached Statement of Opinion on the 2016/17 General Purpose Financial Statements & 2016/17 Special Purpose Financial Statements. The material changes are detailed below:

1. Additional \$1,045K of rate payments recognised as rates revenue. This amount is due to rates paid in advance, which has formally been recognised as a liability in the accounts at year end. However, due to AASB Contributions and the OLG Accounting Code, this is to be recognised as income the year that it is received, if it is absorbed in the new year's rates levy.
2. Recognition of \$887K impairment loss. This is due to derecognising the 12 remaining Shorty O'Neil Units that are due to be gifted to Legacy, from Council's asset register. The deed for this transfer was signed in July 2017.
3. There has been an overall net decrease in assets from the pre-audit statements from \$243,766K to \$223,668K. This is due to a reduction in Council's assets, primarily transport assets of around \$14,000K, due to revised valuations as well as an increase in the liability for the Tip Remediation Provision of about \$5,500K.

These two material variations as well as a number of minor changes (normal during audit process), have resulted in a decrease from an operating deficit of \$6,307K (pre audit) to a \$6,238K (post audit) operating deficit. A reduction of \$69K.

**Statement by the Council**

Section 413(2) of the *Local Government Act 1993* and Section 41C of the *Public Finance and Audit Act 1983* requires Council to include in the financial reports; a statement as to Council's opinion on each of the reports. The auditor requires these statements to be signed prior to the issue of the audit reports. The prescribed forms of the statements of opinion are attached and must be signed by the Mayor, at least one other Councillor, the General Manager and the Responsible Accounting Officer of the Council. (Refer to Attachments).

Following the audit of these reports, Council's Auditors, the NSW Auditor General, will be making a presentation to Councillors on the audited financial reports at the October 2017 Ordinary Council Meeting. This will provide the opportunity for an in-depth discussion on the financial results and trends.

**Strategic Direction:**

Key Direction: 4 – Our Leadership  
Objective: 4.1 – Openness and Transparency in Decision Making  
Action: 4.1.1.13 – Maintain good governance and best practice methods and ensure compliance with various guidelines and legislation.

**Relevant Legislation:**

*Local Government Act (1993)*

*Public Finance and Audit Act (1983)*

*Local Government Amendment (Governance and Planning) Bill 2016*

**Financial Implications:**

The recommendation has no financial impact.

**Attachments**

1. [↓](#) Statement of Opinion GPFS & Primary Financials
2. [↓](#) Statement of Opinion SPFS

JAY NANKIVELL  
FINANCE MANAGER

RAZIJA NU'MAN  
ACTING GENERAL MANAGER

Financial Statements 2017

## Council of the City of Broken Hill

### 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 16 October 2017.

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Darriea Turley  
Mayor

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Marion Browne  
Councillor

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Razija Nu'Man  
Acting General manager

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Jay Nankivell  
Responsible accounting officer

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Financial Statements 2017

## Council of the City of Broken Hill

## Income Statement

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
16,699	Rates and annual charges	3a	17,498	16,386
3,472	User charges and fees	3b	3,985	3,401
446	Interest and investment revenue	3c	831	899
488	Other revenues	3d	829	2,535
9,667	Grants and contributions provided for operating purpose	3e,f	9,403	10,459
3,572	Grants and contributions provided for capital purposes	3e,f	4,287	3,537
<b>34,344</b>	<b>Total income from continuing operations</b>		<b>36,833</b>	<b>37,217</b>
<b>Expenses from continuing operations</b>				
15,158	Employee benefits and on-costs	4a	14,384	13,776
394	Borrowing costs	4b	493	428
6,529	Materials and contracts	4c	6,138	5,646
6,987	Depreciation and amortisation	4d	6,623	6,767
—	Impairment	4d	887	—
4,453	Other expenses	4e	4,116	3,839
—	Net losses from the disposal of assets	5	10,430	154
<b>33,521</b>	<b>Total expenses from continuing operations</b>		<b>43,071</b>	<b>30,610</b>
<b>823</b>	<b>Operating result from continuing operations</b>		<b>(6,238)</b>	<b>6,607</b>
<b>823</b>	<b>Net operating result for the year</b>		<b>(6,238)</b>	<b>6,607</b>
<b>823</b>	<b>Net operating result attributable to Council</b>		<b>(6,238)</b>	<b>6,607</b>
<b>(2,749)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(10,525)</b>	<b>3,070</b>

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

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

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Financial Statements 2017

## Council of the City of Broken Hill

Statement of Comprehensive Income  
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>(6,238)</b>	<b>6,607</b>
<b>Other comprehensive income/(loss):</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(11,848)	568
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(11,848)</b>	<b>568</b>
<b>Total other comprehensive income/(loss) for the year</b>		<b>(11,848)</b>	<b>568</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>(18,086)</b>	<b>7,175</b>
<b>Total comprehensive income attributable to Council</b>		<b>(18,086)</b>	<b>7,175</b>

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

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Financial Statements 2017

## Council of the City of Broken Hill

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	19,800	18,343
Investments	6b	2,000	–
Receivables	7	2,942	2,788
Inventories	8	84	77
Other	8	229	330
<b>Total current assets</b>		<b>25,055</b>	<b>21,538</b>
<b>Non-current assets</b>			
Receivables	7	128	143
Infrastructure, property, plant and equipment	9	216,869	234,070
<b>Total non-current assets</b>		<b>216,997</b>	<b>234,213</b>
<b>TOTAL ASSETS</b>		<b>242,052</b>	<b>255,751</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	2,551	1,637
Income received in advance	10	38	803
Borrowings	10	734	731
Provisions	10	4,928	3,896
<b>Total current liabilities</b>		<b>8,251</b>	<b>7,067</b>
<b>Non-current liabilities</b>			
Borrowings	10	3,576	5,126
Provisions	10	6,557	1,804
<b>Total non-current liabilities</b>		<b>10,133</b>	<b>6,930</b>
<b>TOTAL LIABILITIES</b>		<b>18,384</b>	<b>13,997</b>
<b>Net assets</b>		<b>223,668</b>	<b>241,754</b>
<b>EQUITY</b>			
Retained earnings	20	114,851	121,089
Revaluation reserves	20	108,817	120,665
Council equity interest		223,668	241,754
<b>Total equity</b>		<b>223,668</b>	<b>241,754</b>

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

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Financial Statements 2017

## Council of the City of Broken Hill

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
15,864	Rates and annual charges		17,232	16,393
3,368	User charges and fees		3,608	3,495
417	Investment and interest revenue received		571	740
12,841	Grants and contributions		13,690	13,996
—	Bonds, deposits and retention amounts received		24	—
473	Other		2,036	3,536
<b>Payments:</b>				
(14,703)	Employee benefits and on-costs		(14,756)	(14,166)
(6,333)	Materials and contracts		(6,592)	(6,792)
(394)	Borrowing costs		(434)	(362)
—	Bonds, deposits and retention amounts refunded		—	(21)
(4,320)	Other		(3,210)	(4,611)
<b>7,213</b>	<b>Net cash provided by operating activities</b>	11b	<b>12,169</b>	<b>12,208</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
—	Sale of investment securities		378	8,500
163	Sale of infrastructure, property, plant and equipment		1,817	138
—	Deferred debtors receipts		—	46
<b>Payments:</b>				
—	Purchase of investment securities		(2,189)	(5,729)
(10,402)	Purchase of infrastructure, property, plant and equipment		(9,166)	(4,275)
—	Deferred debtors and advances made		(5)	—
<b>(10,239)</b>	<b>Net cash used by investing activities</b>		<b>(9,165)</b>	<b>(1,320)</b>
<b>Cash flows from financing activities</b>				
<b>Payments:</b>				
(1,019)	Repayment of borrowings and advances		(1,547)	(698)
<b>(1,019)</b>	<b>Net cash flow used by financing activities</b>		<b>(1,547)</b>	<b>(698)</b>
<b>(4,045)</b>	<b>Net increase in cash and cash equivalents</b>		<b>1,457</b>	<b>10,190</b>
9,437	Plus: cash and cash equivalents – beginning of year	11a	18,343	8,153
<b>5,392</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>19,800</b>	<b>18,343</b>
plus: Investments on hand – end of year			2,000	—
<b>Total cash, cash equivalents and investments</b>			<b>21,800</b>	<b>18,343</b>

Please refer to Note 11 for additional cash flow information

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

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## Council of the City of Broken Hill

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

Financial Statements 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)	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		121,089	120,665	–	<b>241,754</b>	–	<b>241,754</b>	114,482	120,097	–	<b>234,579</b>
<b>Net operating result for the year</b>		(6,238)	–	–	(6,238)	–	(6,238)	6,607	–	–	<b>6,607</b>
Other comprehensive income/(loss)											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(11,848)	–	<b>(11,848)</b>	–	<b>(11,848)</b>	–	568	–	<b>568</b>
<b>Other comprehensive income/(loss)</b>		<b>–</b>	<b>(11,848)</b>	<b>–</b>	<b>(11,848)</b>	<b>–</b>	<b>(11,848)</b>	<b>–</b>	<b>568</b>	<b>–</b>	<b>568</b>
<b>Total comprehensive income/(loss)</b>		<b>(6,238)</b>	<b>(11,848)</b>	<b>–</b>	<b>(18,086)</b>	<b>–</b>	<b>(18,086)</b>	<b>6,607</b>	<b>568</b>	<b>–</b>	<b>7,175</b>
<b>Equity – balance at end of the reporting period</b>		<b>114,851</b>	<b>108,817</b>	<b>–</b>	<b>223,668</b>	<b>–</b>	<b>223,668</b>	<b>121,089</b>	<b>120,665</b>	<b>–</b>	<b>241,754</b>

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

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SPFS 2017

**Council of the City of Broken Hill****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 16 October 2017.**

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**Darriea Turley**  
**Mayor**

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**Marion Browne**  
**Councillor**

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**Razija Nu'Man**  
**Acting General manager**

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**Jay Nankivell**  
**Responsible accounting officer**

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