

Wingecarribee Shire Council

General Purpose Financial Statements

For the year ended 30 June 2017



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Wingecarribee 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 Wingecarribee Shire Council.
- (ii) Wingecarribee 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 16 October 2017. Council has the power to amend and reissue these financial statements.
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Introduction

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

What you will find in the statements

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

Wingecarribee 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 13 September 2017.



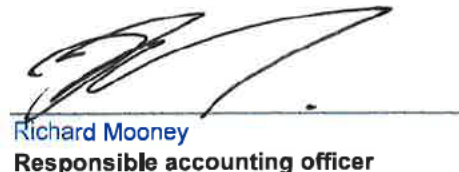
Clr Ken Halstead
Mayor



Clr Ian Scandrett
Councillor



Ann Prendergast
General manager



Richard Mooney
Responsible accounting officer

Chief Financial Officer's Report

This report provides additional commentary on the Financial Reports of Wingecarribee Shire Council (Council) for the period ended 30 June 2017.

It also provides readers with an outline of significant changes to Council's accounting and audit environment over the past 12 months. This report should be read in conjunction with the accompanying financial statements and notes.

Significant Changes to Accounting and Audit Environment

- **Changes to the *Local Government Act 1993***

In August 2016, the NSW State Government passed a raft of changes to the *Local Government Act 1993*. The changes represented the first phase of the legislative reform and forms part of the State's broader Local Government reform agenda. While these changes have no direct impact on the information contained within these financial reports, they are aimed at strengthening and improving the accountability and transparency of local government decision making across the State.

- **Role of the Auditor General**

Included within the first phase of changes was the appointment of the Auditor General as the auditor of all NSW councils. The Government Agency charged with conducting audits on behalf of the Auditor General is the Audit Office of New South Wales.

In November 2016, Council received formal notification from the Auditor General of its decision to bring Council's annual financial audit under the direct responsibility of NSW Audit Office.

- **Changes to Accounting Standards**

Council has complied with the adoption of AASB 124 *Related Parties Disclosures* for the year ended 30 June 2017. Council adopted a policy in June 2017 which defines the parameters for related party transactions and the level of disclosures and reporting required to achieve compliance with AASB 124. There were no other major changes to accounting standards.

Operating Result

The operating result (consolidated) for the year ended 30 June 2017 is a surplus of \$40.909M. This includes all capital grants and contributions.

This surplus result is in part due to the recognition of \$21.666M in non-cash infrastructure dedications and assets previously not accounted for. Council also received \$9.431M in developer contributions and other contributions during the 2016/17 financial year.

It is important to note that while Council has reported an operating surplus of \$40.909M, it continues to maintain a balanced budget position. The majority of this surplus is the recognition of non-cash infrastructure or contributions which must be restricted for the purposes of future infrastructure.

The industry benchmark for financial performance is based on the operating result before capital grants and contributions; a summary of this result for each fund is shown in the table below:

'000s	Water Fund	Sewer Fund	General Fund
Total Revenue	\$22,282	\$29,797	\$91,560
Total Expenses	\$12,345	\$14,849	\$75,536
Operating Result	\$9,937	\$14,948	\$16,024
Capital Grants & Contributions	\$6,375	\$11,417	\$16,061
Operating Result before Capital Contributions	\$3,562	\$3,531	(\$37)

Council achieved a surplus before capital grants and contributions of \$7.056M (consolidated) which is an improvement of \$4.321M when compared to the operating result reported for the year ended 30 June 2016 of \$2.735M.

Comments on major variations compared to the 2016/17 original budget are included in note 16 of the General Purpose Financial Reports; however a summary of significant reportable items is as follows:

- Investing in our Future - Special Rate Variation
In May 2016 the Independent Pricing and Regulatory Tribunal (IPART) announced its approval of Council's Special Rate Variation *Investing in our Future*. This program is aimed at addressing the \$8.50M per annum funding gap Council has identified for infrastructure renewal and maintenance.

The first year of this program resulted in an increase in rate income of 8.55% which generated an additional \$2.322M. Further information on how these funds have been spent is contained in Council's Annual Report.

- Recovery of CDO Investment Funds
Council has recovered a further \$4.756M during the 2016/17 financial year from legal action it instigated against Lehman Brothers Australia in December 2007.

Council has now recovered a total of \$9.730M of its total audited losses of \$11.098M. Recovered funds have been restricted to reserves on the basis of where the initial investment write-downs were drawn from.

- Financial Assistance Grant
As part of the 2017/18 Federal Budget, the Federal Government approved the advance payment of approximately 50% of the 2017/18 Financial Assistance Grant in the 2016/17 financial year.

Council received a total payment of \$2.425M. This amount has been restricted as at 30 June 2017 and is disclosed in note 6 for the purposes of funding the 2017/18 Budget.

Balance Sheet

The reportable balance of net assets (equity) as at 30 June 2017 is \$1.427B. This has increased by \$109M (up from \$1.318B) over the 2016/17 financial year.

This includes the revaluation of Council's infrastructure assets of \$68.848M. This revaluation was undertaken in accordance with the Office of Local Government infrastructure revaluation cycle and reflects the age, condition and replacement cost of infrastructure.

Cash and Investments have increased by \$22.892M in preparation of a capital works program which will see Council invest \$187M in infrastructure renewal and improvement projects over the next four years.

Council's overall liabilities have remained relatively stable at \$53.644M. These liabilities primarily consist of outstanding loans (\$35.766M) and employee leave entitlements (\$7.352M).

Working Funds

As disclosed in note 6 of the general purpose financial reports, Council has reported external and internal restrictions of \$128.486M. These restrictions are required to meet future financial obligations, fund future capital improvements or to comply with legislative requirements.

A good measure of Council's liquidity and ability to manage unforeseen expenditure is its level of working funds. A summary of Council's available working funds (adjusted for liabilities to be funded from future revenues) is as follows:

'000s	Water Fund	Sewer Fund	General Fund
Assets Available	\$6,245	\$3,873	\$11,545
Less: Liabilities	(\$859)	(\$602)	(\$9,043)
Closing Working Funds Balance	\$5,386	\$3,271	\$2,502
Opening Working Funds Balance	\$5,322	\$3,244	\$5,906
Movement	\$64	\$27	(\$3,404)

The levels of working funds for Council's water and sewer funds have remained relatively stable as surplus revenue has been restricted to augmentation reserves.

The level of working funds for General Fund has decreased by \$3.404M which has been allocated to the newly established business transformation reserve, waste reserve and Bowral memorial hall reserve.

This adjustment was undertaken in conjunction with advice received by Council's former external auditor which is contained within the *Report on the Conduct of the 2016 Audit* for the financial year ended 30 June 2016.

A current working funds balance of \$2.502M is considered sufficient for Council's operations and liquidity requirements.

Performance Measures

Council's financial performance is measured against a range of financial and asset management benchmarks. These ratios are disclosed in note 13 and special schedule seven of these financial reports.

Council continues to exceed all of the financial benchmarks however there are a number of asset management benchmarks which still fall below the industry benchmark, namely the infrastructure renewal ratio and infrastructure backlog ratio.

With the approved *Investing in our Future* Special Rate Variation program now in place, these ratios will continue to improve and Council will achieve the industry benchmarks within the required timeframes set by the NSW State Government.

Conclusion

Council continues to demonstrate a strong commitment to sound financial management. This is underpinned by the implementation of the strategies and actions outlined in its approved *Fit for the Future* Improvement Plan.

Council's long term financial plan has been updated and was adopted by Council in June 2017.

Council remains on track to meet all seven key financial and asset benchmarks set by the NSW State Government under its Local Government reform agenda program. This will be achieved while also ensuring that Council maintains a balanced budget position, both on the short and long term horizon.

Richard Mooney
Chief Financial Officer

Wingecarribee Shire Council

Income Statement

for the year ended 30 June 2017

Budget 2017	¹ \$ '000	Notes	Actual 2017	Actual 2016
	Income from continuing operations			
	Revenue:			
61,317	Rates and annual charges	3a	62,344	57,912
17,788	User charges and fees	3b	21,189	19,648
2,737	Interest and investment revenue	3c	3,521	3,037
3,330	Other revenues	3d	9,253	9,834
8,727	Grants and contributions provided for operating purposes	3e,f	13,479	9,421
12,089	Grants and contributions provided for capital purposes	3e,f	33,853	20,814
105,988	Total income from continuing operations		143,639	120,666
	Expenses from continuing operations			
33,829	Employee benefits and on-costs	4a	32,342	32,103
1,570	Borrowing costs	4b	1,813	2,095
19,609	Materials and contracts	4c	26,064	20,904
22,950	Depreciation and amortisation	4d	24,752	23,816
15,610	Other expenses	4e	14,908	14,434
—	Net losses from the disposal of assets	5	2,851	3,765
93,568	Total expenses from continuing operations		102,730	97,117
12,420	Operating result from continuing operations		40,909	23,549
	Discontinued operations			
—	Net profit/(loss) from discontinued operations	24	—	—
12,420	Net operating result for the year		40,909	23,549
12,420	Net operating result attributable to Council		40,909	23,549
—	Net operating result attributable to non-controlling interests		—	—
	Net operating result for the year before grants and contributions provided for capital purposes			
331			7,056	2,735

¹ Original budget as approved by Council – refer Note 16

Wingecarribee 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)		40,909	23,549
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	68,848	3,705
Recognise buildings	20b (ii)	—	11,423
Total items which will not be reclassified subsequently to the operating result		68,848	15,128
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		68,848	15,128
Total comprehensive income for the year		109,757	38,677
Total comprehensive income attributable to Council		109,757	38,677
Total comprehensive income attributable to non-controlling interests		—	—

Wingecarribee 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	4,350	15,958
Investments	6b	125,500	91,000
Receivables	7	14,730	13,619
Inventories	8	1,098	945
Other	8	419	451
Non-current assets classified as 'held for sale'	22	—	847
Total current assets		146,097	122,820
Non-current assets			
Investments	6b	—	—
Receivables	7	313	427
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	1,334,560	1,249,352
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		1,334,873	1,249,779
TOTAL ASSETS		1,480,970	1,372,599
LIABILITIES			
Current liabilities			
Payables	10	9,807	7,678
Income received in advance	10	696	281
Borrowings	10	4,148	4,227
Provisions	10	6,907	6,534
Total current liabilities		21,558	18,720
Non-current liabilities			
Payables	10	23	30
Borrowings	10	31,618	35,755
Provisions	10	445	525
Total non-current liabilities		32,086	36,310
TOTAL LIABILITIES		53,644	55,030
Net assets		1,427,326	1,317,569
EQUITY			
Retained earnings	20	622,926	582,017
Revaluation reserves	20	804,400	735,552
Other reserves	20	—	—
Council equity interest		1,427,326	1,317,569
Non-controlling equity interests		—	—
Total equity		1,427,326	1,317,569

Wingecarribee Shire Council

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

\$ '000	Notes	2017	Asset revaluation reserve (Refer 20b)	Council interest	Non- controlling interest	Total equity	2016	Asset revaluation reserve (Refer 20b)	Council interest	Non- controlling interest	Total equity
		Retained earnings					Retained earnings				
Opening balance (as per last year's audited accounts)		582,017	735,552	1,317,569	–	1,317,569	547,152	732,189	1,279,341	–	1,279,341
a. Correction of prior period errors	20 (c)	–	–	–	–	–	(449)	–	(449)	–	(449)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
Revised opening balance		582,017	735,552	1,317,569	–	1,317,569	546,703	732,189	1,278,892	–	1,278,892
c. Net operating result for the year		40,909	–	40,909	–	40,909	23,549	–	23,549	–	23,549
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	68,848	68,848	–	68,848	–	3,705	3,705	–	3,705
– Recognise buildings	20a	–	–	–	–	–	11,423	–	11,423	–	11,423
Other comprehensive income		–	68,848	68,848	–	68,848	11,423	3,705	15,128	–	15,128
Total comprehensive income (c&d)		40,909	68,848	109,757	–	109,757	34,972	3,705	38,677	–	38,677
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	342	(342)	–	–	–
Equity – balance at end of the reporting period		622,926	804,400	1,427,326	–	1,427,326	582,017	735,552	1,317,569	–	1,317,569

Wingecarribee 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:				
61,434	Rates and annual charges		62,251	57,645
18,666	User charges and fees		21,404	19,698
3,768	Investment and interest revenue received		2,724	2,348
27,576	Grants and contributions		26,267	22,264
–	Bonds, deposits and retention amounts received		221	545
8,433	Other		14,317	14,262
Payments:				
(34,411)	Employee benefits and on-costs		(32,249)	(31,736)
(24,670)	Materials and contracts		(27,720)	(27,226)
(1,664)	Borrowing costs		(1,772)	(2,091)
(15,409)	Other		(16,909)	(15,680)
43,723	Net cash provided (or used in) operating activities	11b	48,534	40,029
Cash flows from investing activities				
Receipts:				
2,539	Sale of investment securities		135,500	213,028
901	Sale of infrastructure, property, plant and equipment		1,919	2,379
–	Deferred debtors receipts		141	55
Payments:				
(9,250)	Purchase of investment securities		(170,000)	(215,600)
(43,754)	Purchase of infrastructure, property, plant and equipment		(23,419)	(24,510)
–	Deferred debtors and advances made		–	(231)
(49,564)	Net cash provided (or used in) investing activities		(55,859)	(24,879)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(4,119)	Repayment of borrowings and advances		(4,283)	(4,041)
(4,119)	Net cash flow provided (used in) financing activities		(4,283)	(4,041)
(9,960)	Net increase/(decrease) in cash and cash equivalents		(11,608)	11,109
15,958	Plus: cash and cash equivalents – beginning of year	11a	15,958	4,849
5,998	Cash and cash equivalents – end of the year	11a	4,350	15,958
Additional Information:				
plus:	Investments on hand – end of year	6b	125,500	91,000
Total cash, cash equivalents and investments			129,850	106,958

Please refer to Note 11 for additional cash flow information.

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Wingecarribee 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.

Council adopted a policy on 14 June 2017 which defines the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with AASB 124 Related Party Disclosures.

(ii) Early adoption of standards

Council did not early adopt any accounting standards.

(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 Council's accounting policies.

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

Critical accounting estimates and assumptions

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

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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 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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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
- Water supply
- Sewerage service
- Section 355 committees of Council

(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) Interests in other entities

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Wingecarribee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Council does not currently have any interest in any controlled entities, joint arrangements or associates.

(d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Council does not have any finance leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(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 the 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.

Wingecarribee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(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 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 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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that 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.

(v) Recovery of CDO investments funds

In total, \$9,730,293 has been recovered by Council after it instigated legal action against Lehman Bros Australia in December 2007. The total audited losses amounted to \$11,098,408.

Funds which have been recovered have been allocated to the reserves below on the basis that the initial investment write-downs were drawn from these reserves

This amount has been allocated as follows:

Funding source	Amount Recovered
General Fund – Entrepreneurial Reserve	4,683,191
Water Fund – Augmentation reserve	2,961,900
Sewer Fund – Augmentation reserve	2,508,202
Total investment funds recovered	9,730,293

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.

Wingecarribee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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).

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.

(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:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Water and sewerage networks
- Swimming pools

Internally valued:

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Other open space/recreational assets

As approximated by depreciated historical cost:

- Plant and equipment
- Other structures
- 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 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 revalues 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.

Wingecarribee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

Other equipment

- Playground equipment	20 years
- Outdoor furniture	20 – 25 years
- Sports surfaces	10 – 80 years
- Fences/gates	25 – 60 years

Buildings

- Structure	40 – 150 years
- Roof	40 – 80 years
- Internal finishes	10 – 40 years
- Building services	25 – 50 years

Water and sewer assets

- Dam Structure	100 years
- Reservoir Roof and Structure	40 and 100 years
- Reticulation pipes	30 to 100 years
- Reticulation Valves and Hydrants	40 to 60 years
- Sewer Manholes	70 years
- Pumps	20 years
- Water Meters	25 years

Stormwater assets

- Drains (lined)	100 years
- Pipes	80 to 100 years
- Flood control structures	80 to 120 years

Transportation assets

- Sealed roads: surface	15 to 25 years
- Sealed roads: structure	80 to 100 years
- Unsealed road surface	14 years
- Bridge: concrete	100 years
- Bridge: timber	50 years
- Footpaths (concrete)	50 years
- Culverts	100 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	80 years
- Other open space/ recreational assets	10 to 150 years
- Other infrastructure	20 to 50 years

Other assets

- Library books	10 years
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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.

(l) Investment property

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

Council does not own any investment properties.

(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.

Wingecarribee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

(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 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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

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 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

IT development and software

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

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

(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.

Wingecarribee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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 fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*.

Until such time as discussions on this matter have concluded and the legislation changed, Council will 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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

(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.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

Wingecarribee Shire Council

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

Note 1. Summary of significant accounting policies (continued)

- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

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

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.

(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

Wingecarribee 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 and 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	–	18	3,305	1,880	1,719	1,989	(1,880)	(1,701)	1,316	–	1	–	8
Administration	2,549	3,419	4,010	16,104	17,655	16,735	(13,555)	(14,236)	(12,725)	–	88	96,863	90,520
Public order and safety	933	2,533	1,570	3,352	3,676	3,914	(2,419)	(1,143)	(2,344)	981	589	12,338	11,339
Health	–	–	–	–	–	–	–	–	–	–	–	3,266	3,327
Environment	13,409	17,999	14,192	13,620	15,773	14,063	(211)	2,226	129	134	322	99,528	95,307
Community services and education	1,099	1,012	1,095	1,363	1,377	1,271	(264)	(365)	(176)	591	547	6,889	7,200
Housing and community amenities	3,133	4,435	3,769	3,679	3,896	3,584	(546)	539	185	406	274	5,291	5,518
Water supplies	12,614	21,021	17,496	10,222	10,517	10,404	2,392	10,504	7,092	193	193	257,141	216,745
Sewerage services	16,367	29,453	21,394	9,990	12,865	10,566	6,377	16,588	10,828	172	173	285,671	234,824
Recreation and culture	2,104	3,136	3,787	9,248	10,129	11,930	(7,144)	(6,993)	(8,143)	226	313	108,727	108,502
Mining, manufacturing and construction	187	287	125	900	1,092	1,087	(713)	(805)	(962)	–	–	468	551
Transport and communication	10,209	13,456	7,338	20,930	22,111	19,979	(10,721)	(8,655)	(12,641)	5,947	6,168	588,819	582,243
Economic affairs	1,941	2,261	3,394	2,280	1,920	1,595	(339)	341	1,799	–	10	15,969	16,515
Total functions and activities	64,545	99,030	81,475	93,568	102,730	97,117	(29,023)	(3,700)	(15,642)	8,650	8,678	1,480,970	1,372,599
General purpose income ¹	41,443	44,609	39,191	–	–	–	41,443	44,609	39,191	7,582	5,105	–	–
Operating result from continuing operations	105,988	143,639	120,666	93,568	102,730	97,117	12,420	40,909	23,549	16,232	13,783	1,480,970	1,372,599

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

Wingecarribee 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.

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		26,620	24,190
Farmland		4,124	3,829
Mining		102	84
Business		4,723	4,441
Total ordinary rates		35,569	32,544
Special rates			
Special environmental levy		1,141	1,112
Total special rates		1,141	1,112
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		7,344	7,112
Stormwater management services		504	497
Water supply services		3,212	3,151
Sewerage services		14,574	13,496
Total annual charges		25,634	24,256
TOTAL RATES AND ANNUAL CHARGES		62,344	57,912

In May 2016, the Independent Pricing and Regulatory Tribunal (IPART) approved a Special Rating Variation (SRV) under section 508A of the Local Government Act, 1993. The application was submitted to IPART to ensure financial sustainability of the Wingecarribee Shire by funding the identified asset maintenance and renewal funding gap and backlog to achieve the sustainability indicators set by the NSW State Government's 'Fit for the Future' Local Government Reform Program.

This enables Council to use the additional revenue from the special variation to fund operating and capital expenditure for:

- the continuation of the Wingecarribee Our Future Environment program;
- increased infrastructure maintenance for roads, buildings, drainage and parks;
- infrastructure renewals for roads, buildings, drainage and parks; and
- asset upgrades for roads and drainage

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

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		8,018	7,806
Sewerage services		1,193	927
Waste management services (non-domestic)		4,269	3,780
Total user charges		13,480	12,513
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building services – other		1,682	1,232
Inspection services		49	24
Planning and building regulation		1,952	1,837
Private works – section 67		185	345
Section 149 certificates (EPA Act)		223	196
Section 603 certificates		181	192
Total fees and charges – statutory/regulatory		4,272	3,826
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Child care		444	516
GIPA fees		5	3
Leaseback fees – Council vehicles		345	344
Other waste management		2	3
Permits and licences		248	197
Pound fees and animal income		129	138
Sewer		229	106
Sludge removal		–	6
Swimming centres		1,654	1,616
Water connections		345	319
Other		36	61
Total fees and charges – other		3,437	3,309
TOTAL USER CHARGES AND FEES		21,189	19,648

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)		158	159
– Interest earned on investments (interest and coupon payment income)		3,340	2,854
– Interest on deferred debtors		–	2
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		23	22
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>3,521</u>	<u>3,037</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		158	159
General Council cash and investments		1,300	1,383
Restricted investments/funds – external:			
Development contributions			
– Section 94		348	307
– Section 64 – Water		249	220
– Section 64 – Sewer		152	141
– Section 64 – Stormwater		74	81
Water fund operations		757	479
Sewerage fund operations		483	267
<u>Total interest and investment revenue recognised</u>		<u>3,521</u>	<u>3,037</u>
(d) Other revenues			
Fines		63	60
Fines – parking		316	259
Legal fees recovery – rates and charges (extra charges)		341	365
Cemeteries		287	244
Commissions and agency fees		157	237
Hall and room rental		65	42
Lease rental		582	601
Library		3	3
Other waste income		84	85
Printing and photocopying		8	15
Quarries income		213	166
Rebates and reimbursements		444	965
Recovery of Lehman Bros CDOs		4,756	4,861
Sales – general		125	134
Saleyards income		1,009	1,044
Sewerage supplies		24	1
Swimming centres		123	130
Tourism income		371	321
Tulip time		246	226
Water supplies		17	21
Other		19	54
<u>TOTAL OTHER REVENUE</u>		<u>9,253</u>	<u>9,834</u>

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	7,130	4,666	–	–
Pensioners' rates subsidies – general component	452	439	–	–
Total general purpose	7,582	5,105	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	193	193	–	–
– Sewerage	172	173	–	–
– Domestic waste management	149	160	–	–
Administration	–	88	–	–
Aged and disabled	37	36	–	–
Child care	54	61	–	–
Childrens services	456	450	–	–
Community care	18	–	–	–
Environmental protection	37	107	–	–
Heritage and cultural	25	19	–	–
Housing and community	151	171	–	–
Noxious weeds	97	55	–	–
NSW rural fire services	659	557	323	31
Recreation and culture	205	218	21	76
Street lighting	105	103	–	–
Tourism	–	10	–	–
Transport and communication	1,129	1,291	4,817	4,877
Youth services	2	2	–	–
Total specific purpose	3,489	3,694	5,161	4,984
Total grants	11,071	8,799	5,161	4,984
Grant revenue is attributable to:				
– Commonwealth funding	7,647	5,178	2,799	2,685
– State funding	3,424	3,621	2,353	2,292
– Other funding	–	–	9	7
	11,071	8,799	5,161	4,984

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):				
S 94 – contributions towards amenities/services	–	–	1,345	2,152
S 94A – fixed development consent levies	–	–	40	88
S 64 – water supply contributions	–	–	2,235	2,077
S 64 – sewerage service contributions	–	–	2,719	2,197
S 64 – stormwater contributions	–	–	526	418
Other developer contributions (VPA)	–	–	61	1,195
Total developer contributions	17	–	6,926	8,127
Other contributions:				
Bushfire services	–	–	1,263	355
Child care services	8	2	–	–
Discovered assets	–	–	5,164	–
Emergency Services Levy implementation	109	–	–	–
Local infrastructure renewal scheme (LIRS)	195	183	–	–
Management committees	166	126	–	–
Subdivider dedications	–	–	15,240	7,257
Storm damage	1,837	198	–	–
Tree clearance	72	55	–	–
Other	21	58	99	91
Total other contributions	2,408	622	21,766	7,703
Total contributions	2,408	622	28,692	15,830
TOTAL GRANTS AND CONTRIBUTIONS	13,479	9,421	33,853	20,814

\$ '000	Actual 2017	Actual 2016
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(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	30,190	26,462
Add: grants and contributions recognised in the current period but not yet spent:	7,564	9,626
Less: grants and contributions recognised in a previous reporting period now spent:	(3,612)	(5,898)

Net increase (decrease) in restricted assets during the period **3,952** **3,728**

Unexpended and held as restricted assets **34,142** **30,190**

Comprising:

– Specific purpose unexpended grants	708	1,465
– Developer contributions	33,434	28,725
	34,142	30,190

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		26,260	26,438
Travel expenses		54	50
Employee leave entitlements (ELE)		2,729	2,052
Superannuation		2,844	2,948
Workers' compensation insurance		1,259	1,379
Fringe benefit tax (FBT)		84	83
Payroll tax		270	254
Training costs (other than salaries and wages)		571	500
Other		58	73
Total employee costs		34,129	33,777
Less: capitalised costs		(1,787)	(1,674)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>32,342</u>	<u>32,103</u>
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,746	2,004
Total interest bearing liability costs expensed		1,746	2,004
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Interest free (or favourable) loans and advances made by Council		–	10
Interest applicable on interest free (and favourable) loans to Council		67	81
Total other borrowing costs		67	91
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,813</u>	<u>2,095</u>

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			
Raw materials and consumables		15,016	14,373
Contractor and consultancy costs		32,804	29,142
Auditors remuneration ⁽¹⁾		135	131
Legal expenses:			
– Legal expenses: planning and development		324	497
– Legal expenses: other		474	495
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		183	187
Other		21	18
Total materials and contracts		48,957	44,843
Less: capitalised costs		(22,893)	(23,939)
TOTAL MATERIALS AND CONTRACTS		26,064	20,904

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

Remuneration for audit and other assurance services

Total Auditor-General remuneration

94	–
94	–
94	–

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: Council's Auditor

– Due diligence services

Remuneration for audit and other assurance services

Total remuneration of other Council's Auditors

Total Auditor remuneration

–	66
41	65
41	131
41	131
135	131

2. Operating lease payments are attributable to:

Computers

183	187
183	187

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
(d) Depreciation, amortisation and impairment			
Plant and equipment		2,253	2,192
Office equipment		199	227
Furniture and fittings		35	26
Infrastructure:			
– Buildings – non-specialised		12	12
– Buildings – specialised		2,032	1,782
– Other structures		65	46
– Roads		9,439	9,099
– Bridges		174	169
– Footpaths		676	643
– Stormwater drainage		1,108	1,081
– Water supply network		3,977	3,905
– Sewerage network		3,725	3,704
– Swimming pools		215	192
– Other open space/recreational assets		756	680
Other assets			
– Library books		85	57
– Other		1	1
Total depreciation and amortisation costs		24,752	23,816
Impairment			
Nil			
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>24,752</u>	<u>23,816</u>

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		319	380
Bad and doubtful debts		18	43
Bank charges		255	242
Chemicals		674	560
Clothing		102	93
Computer hardware maintenance		67	55
Computer software charges		728	638
Contributions/levies to other levels of government		1,221	1,178
– Emergency services levy (includes FRNSW, SES, and RFS levies)		734	796
Councillor expenses – mayoral fee		40	40
Councillor expenses – councillors' fees		165	165
Donations, contributions and assistance to other organisations (Section 356)		973	926
Election expenses		263	–
Electricity and heating		1,537	1,558
Equipment and fittings M and R		440	480
EPA licence		37	24
EPA penalty notice		–	15
Freight		22	13
Insurance		1,125	1,054
Licence – other		57	53
Postage		227	208
Printing and stationery		337	345
Promotions		131	46
Rent		25	18
Security services		39	38
Street lighting		638	593
Subscriptions and publications		256	204
Telephone and communications		285	378
Valuation fees		157	182
Waste disposal costs		2,085	2,064
Water purchases		1,316	1,359
Water determination		70	40
Other		565	646
<u>TOTAL OTHER EXPENSES</u>		<u>14,908</u>	<u>14,434</u>

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		393	159
Less: carrying amount of property assets sold/written off		(281)	(122)
Net gain/(loss) on disposal		112	37
Infrastructure, plant and equipment			
Proceeds from disposal – plant and equipment		995	1,038
Less: carrying amount of plant and equipment assets sold/written off		(4,054)	(5,615)
Net gain/(loss) on disposal		(3,059)	(4,577)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		135,500	213,028
Less: carrying amount of financial assets sold/redeemed/matured		(135,500)	(213,028)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		531	1,182
Less: carrying amount of ‘held for sale’ assets sold/written off		(435)	(407)
Net gain/(loss) on disposal		96	775
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,851)	(3,765)

Notes to the Financial Statements

for the year ended 30 June 2017

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

		2017	2017	2016	2016
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non-current	Current	Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		765	–	715	–
Cash-equivalent assets ¹					
– Deposits at call		3,585	–	15,243	–
Total cash and cash equivalents		4,350	–	15,958	–
Investments (Note 6b)					
– Long term deposits		125,500	–	91,000	–
Total investments		125,500	–	91,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		129,850	–	106,958	–

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'		4,350	–	15,958	–
Investments					
a. 'Held to maturity'		125,500	–	91,000	–
Investments		125,500	–	91,000	–

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

Notes to the Financial Statements

for the year ended 30 June 2017

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

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	129,850	–	106,958	–
attributable to:				
External restrictions (refer below)	90,488	–	74,470	–
Internal restrictions (refer below)	37,998	–	29,761	–
Unrestricted	1,364	–	2,727	–
	129,850	–	106,958	–

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	8	–	(8)	–
External restrictions – included in liabilities	8	–	(8)	–

External restrictions – other

Developer contributions – general (B)	9,877	1,740	(1,308)	10,309
Developer contributions – water fund (B)	9,363	2,506	(463)	11,406
Developer contributions – sewer fund (B)	6,687	2,903	(531)	9,057
Developer contributions – stormwater (D)	2,798	600	(736)	2,662
Specific purpose unexpended grants (C)	1,465	6,641	(7,398)	708
Water supplies (D)	25,868	6,646	–	32,514
Sewerage services (D)	13,742	5,228	–	18,970
Domestic waste management (D)	2,235	595	(90)	2,740
Stormwater management (D)	817	504	(794)	527
Environment levy	705	1,153	(1,294)	564
Quarry royalties	905	213	(87)	1,031
External restrictions – other	74,462	28,729	(12,701)	90,488
Total external restrictions	74,470	28,729	(12,709)	90,488

- A Loan monies which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D 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.

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Alexandra square	29	–	(25)	4
Bonds and deposits	2,108	221	–	2,329
Bowral memorial hall	286	203	(25)	464
Bridges	156	936	(54)	1,038
Business Transformation	–	2,000	–	2,000
Carry-over works	1,180	697	(1,180)	697
Capital projects	2,287	294	(425)	2,156
Cemeteries	101	285	(4)	382
Computer	152	–	(106)	46
Effluent disposal	63	–	–	63
Election expenses	150	–	(150)	–
Emergency assistance	45	5	–	50
Employees leave entitlement	1,412	31	(20)	1,423
Entrepreneurial fund	3,669	2,289	(453)	5,505
Family day care	123	36	(3)	156
Financial assistance grant	–	2,425	–	2,425
IRS	3,677	12,193	(13,388)	2,482
Investing in our future	–	2,322	(1,735)	587
Land rental charge	5,185	690	(448)	5,427
Management committees	306	–	(3)	303
MVWMAC loan	1,625	901	–	2,526
Other waste	1,014	1,818	(154)	2,678
Plant replacement	924	1,025	(727)	1,222
Property operations PDR	1,756	885	(367)	2,274
Revolving energy fund	150	38	(95)	93
Renwick asset management	70	29	–	99
Risk management	281	103	(76)	308
Roadside spoil management	183	42	–	225
Road resealing LIRS	2,000	–	(1,780)	220
Saleyards (Capital Improvement Fund)	–	154	(129)	25
Saleyards (SRLE)	157	–	(118)	39
Tourism	41	80	–	121
Welby hockey field	631	–	–	631
Total internal restrictions	29,761	29,702	(21,465)	37,998
TOTAL RESTRICTIONS	104,231	58,431	(34,174)	128,486

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		1,090	—	997	—
Interest and extra charges		334	—	309	—
User charges and fees		7,459	—	7,052	—
Accrued revenues					
– Interest on investments		1,672	—	923	—
– Other income accruals		358	—	362	—
Government grants and subsidies		1,983	—	1,984	—
Loans to sporting clubs		113	313	117	427
Net GST receivable		852	—	734	—
Debtors – building services – other		18	—	23	—
Debtors – cemeteries		2	—	3	—
Debtors – hall and room rental		8	—	4	—
Debtors – other waste income		103	—	202	—
Debtors – saleyards		67	—	144	—
Debtors – swimming centres		30	—	41	—
Domestic waste management		200	—	189	—
Other debtors		454	—	541	—
Total		14,743	313	13,625	427
Less: provision for impairment					
User charges and fees		(13)	—	(6)	—
Total provision for impairment – receivables		(13)	—	(6)	—
<u>TOTAL NET RECEIVABLES</u>		<u>14,730</u>	<u>313</u>	<u>13,619</u>	<u>427</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		129	—	129	—
– Other		3,062	—	2,847	—
Sewerage services					
– Specific purpose grants		115	—	115	—
– Other		4,332	—	3,842	—
Domestic waste management		200	—	189	—
Total external restrictions		7,838	—	7,122	—
Internally restricted receivables					
– Loans to Sporting Clubs		113	313	117	427
Internally restricted receivables		113	313	117	427
Unrestricted receivables		6,779	—	6,380	—
TOTAL NET RECEIVABLES		14,730	313	13,619	427

Notes on debtors above:

- Rates and annual charges outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Wingecarribee 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					
Real estate for resale (refer below)		50	—	—	—
Stores and materials		414	—	304	—
Trading stock		100	—	173	—
Accountable Items		534	—	468	—
Total inventories at cost		1,098	—	945	—
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>1,098</u>	<u>—</u>	<u>945</u>	<u>—</u>
(b) Other assets					
Prepayments		419	—	451	—
<u>TOTAL OTHER ASSETS</u>		<u>419</u>	<u>—</u>	<u>451</u>	<u>—</u>
Externally restricted assets					
Water					
Stores and materials		544	—	326	—
Total water		544	—	326	—
Sewerage					
Stores and materials		51	—	44	—
Total sewerage		51	—	44	—
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		595	—	370	—
Total unrestricted assets		922	—	1,026	—
TOTAL INVENTORIES AND OTHER ASSETS		1,517	—	1,396	—

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

Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
Other disclosures				
(a) Details for real estate development				
Residential	50	—	—	—
Total real estate for resale	50	—	—	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Other properties – book value	50	—	—	—
Total costs	50	—	—	—
Total real estate for resale	50	—	—	—
Movements:				
– Transfers in from (out to) Note 9	50	—	—	—
Total real estate for resale	50	—	—	—

(b) 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.

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

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	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	Tfrs from/(to) 'held for sale' category	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	5,493	–	5,493	–	3,473	(90)	–	(4,312)	–	–	–	–	4,564	–	4,564
Plant and equipment	27,788	11,972	15,816	–	4,215	(1,040)	(2,253)	–	–	–	–	–	29,940	13,202	16,738
Office equipment	7,981	7,400	581	–	171	–	(199)	–	–	–	–	–	8,029	7,476	553
Furniture and fittings	1,413	1,203	210	–	39	–	(35)	18	–	–	–	–	1,470	1,238	232
Land:															
– Operational land	48,483	–	48,483	–	20	(12)	–	293	412	–	–	–	49,196	–	49,196
– Community land	77,277	–	77,277	–	96	(269)	–	6	–	(50)	–	–	77,060	–	77,060
Infrastructure:															
– Buildings – non-specialised	1,579	845	734	–	–	–	(12)	–	–	–	–	–	1,578	856	722
– Buildings – specialised	115,904	49,502	66,402	694	171	(188)	(2,032)	1,098	–	–	–	–	117,173	51,028	66,145
– Other structures	1,694	610	1,084	135	371	(8)	(65)	–	–	–	–	–	2,188	671	1,517
– Roads	525,993	212,298	313,695	9,908	2,492	(64)	(9,439)	1,894	–	–	(20)	–	540,102	221,636	318,466
– Bridges	20,139	10,227	9,912	376	–	–	(174)	587	–	–	–	–	20,289	9,588	10,701
– Footpaths	31,604	15,154	16,450	207	1,506	(7)	(676)	–	–	–	(25)	–	33,308	15,853	17,455
– Bulk earthworks (non-depreciable)	216,633	–	216,633	629	–	(5)	–	–	–	–	–	–	217,257	–	217,257
– Stormwater drainage	120,495	32,630	87,865	362	4,937	(93)	(1,108)	325	–	–	(4)	–	125,975	33,691	92,284
– Water supply network	281,811	112,281	169,530	465	4,794	(735)	(3,977)	2	–	–	–	30,555	351,413	150,779	200,634
– Sewerage network	266,301	69,212	197,089	547	8,940	(1,817)	(3,725)	33	–	–	–	38,342	342,235	102,826	239,409
– Swimming pools	14,791	2,784	12,007	60	95	–	(215)	–	–	–	–	–	14,941	2,994	11,947
– Other open space/recreational assets	17,601	7,853	9,748	132	95	(7)	(756)	56	–	–	–	–	17,828	8,560	9,268
Other assets:															
– Library books	4,800	4,463	337	–	155	–	(85)	–	–	–	–	–	4,955	4,548	407
– Other	12	6	6	–	–	–	(1)	–	–	–	–	–	11	6	5
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,787,792	538,440	1,249,352	13,515	31,570	(4,335)	(24,752)	–	412	(50)	(49)	68,897	1,959,512	624,952	1,334,560

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.

Wingecarribee 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	321	—	321	335	—	335
Plant and equipment	1,821	649	1,172	1,903	730	1,173
Office equipment	139	138	1	149	148	1
Land						
– Operational land	5,066	—	5,066	5,066	—	5,066
– Community land	1,505	—	1,505	1,505	—	1,505
Buildings	1,376	586	790	1,376	568	808
Infrastructure	351,414	150,779	200,635	281,811	112,281	169,530
Total water supply	361,642	152,152	209,490	292,145	113,727	178,418
Sewerage services						
WIP	335	—	335	44	—	44
Plant and equipment	2,061	1,002	1,059	1,864	1,022	842
Office equipment	48	48	—	48	47	1
Land						
– Operational land	10,969	—	10,969	10,969	—	10,969
– Community land	1,452	—	1,452	1,452	—	1,452
Buildings	1,376	586	790	1,376	568	808
Infrastructure	342,234	102,826	239,408	266,298	69,211	197,087
Total sewerage services	358,475	104,462	254,013	282,051	70,848	211,203
Domestic waste management						
Plant and equipment	2,574	1,100	1,474	2,208	842	1,366
Office equipment	23	13	10	21	10	11
Land						
– Operational land	1,160	—	1,160	1,160	—	1,160
Buildings	2,546	594	1,952	2,523	560	1,963
Other structures	281	145	136	254	132	122
Total DWM	6,584	1,852	4,732	6,166	1,544	4,622
TOTAL RESTRICTED I,PP&E	726,701	258,466	468,235	580,362	186,119	394,243

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.

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		6,192	23	4,238	30
Accrued expenses:					
– Borrowings		246	–	272	–
– Salaries and wages		1,040	–	1,060	–
Security bonds, deposits and retentions		2,329	–	2,108	–
Total payables		9,807	23	7,678	30
Income received in advance					
Payments received in advance		696	–	281	–
Total income received in advance		696	–	281	–
Borrowings					
Loans – secured ¹		4,148	31,618	4,227	35,755
Total borrowings		4,148	31,618	4,227	35,755
Provisions					
Employee benefits:					
Annual leave		2,539	–	2,402	–
Long service leave		4,024	445	3,832	525
RDO and TIL		344	–	300	–
Total provisions		6,907	445	6,534	525
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		21,558	32,086	18,720	36,310

(i) Liabilities relating to restricted assets

	2017		2016	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,595	2,050	1,401	2,326
Sewer	3,717	15,736	3,665	18,173
Domestic waste management	594	543	512	976
Liabilities relating to externally restricted assets	5,906	18,329	5,578	21,475
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	5,906	18,329	5,578	21,475
Total liabilities relating to unrestricted assets	15,652	13,757	13,142	14,835
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	21,558	32,086	18,720	36,310

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.

Notes to the Financial Statements

for the year ended 30 June 2017

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

	Actual 2017	Actual 2016
\$ '000		

(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	4,087	3,883
Payables – security bonds, deposits and retentions	1,863	1,686
	5,950	5,570

Note 10b. Description of and movements in provisions

Class of provision	2016	2017				
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	2,402	2,055	(1,918)	–	–	2,539
Long service leave	4,357	668	(556)	–	–	4,469
RDO and TIL	300	44	–	–	–	344
TOTAL	7,059	2,767	(2,474)	–	–	7,352

- 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.

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	4,350	15,958
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,350	15,958
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		40,909	23,549
Adjust for non-cash items:			
Depreciation and amortisation		24,752	23,816
Net losses/(gains) on disposal of assets		2,851	3,765
Non-cash capital grants and contributions		(21,666)	(7,608)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Interest-free advances made by Council (deferred debtors)		–	10
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(23)	(22)
– Interest exp. on interest-free loans received by Council (previously fair valued)		67	81
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,122)	(3,305)
Increase/(decrease) in provision for doubtful debts		7	6
Decrease/(increase) in inventories		(103)	(39)
Decrease/(increase) in other assets		32	(54)
Increase/(decrease) in payables		1,947	(1,283)
Increase/(decrease) in accrued interest payable		(26)	(87)
Increase/(decrease) in other accrued expenses payable		(20)	638
Increase/(decrease) in other liabilities		636	733
Increase/(decrease) in employee leave entitlements		293	(171)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		48,534	40,029

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			
Bushfire grants		1,263	351
Other dedications		15,239	7,257
Discovered assets		5,164	–
Total non-cash investing and financing activities		21,666	7,608
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		300	300
Credit cards/purchase cards		150	150
Total financing arrangements		450	450
Amounts utilised as at balance date:			
– Credit cards/purchase cards		19	16
Total financing arrangements utilised		19	16

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.

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		840	952
Plant and equipment		28	205
Infrastructure		1,748	2,563
Water system assets		1,378	251
Sewer system assets		1,735	48
Open Space		426	56
Total commitments		6,155	4,075
These expenditures are payable as follows:			
Within the next year		6,155	4,075
Total payable		6,155	4,075
Sources for funding of capital commitments:			
Unrestricted general funds		3,042	3,647
Externally restricted reserves		3,113	428
Total sources of funding		6,155	4,075

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	158	155
Later than one year and not later than 5 years	276	363
Later than 5 years	—	—
Total non-cancellable operating lease commitments	434	518

b. Non-cancellable operating leases include the following assets:

Council has entered into non-cancellable operating leases for various computer and printing equipment.

(i) No lease imposes any additional restrictions on Council in relation to additional debt or further leasing

(ii) The lease agreement included the option of renewing the lease for a period of up to 12 months.

Council must provide 30 days notice in writing if the lease is not to be extended.

Conditions relating to operating leases:

– All operating lease agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

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	9,907	9.02%	6.51%	-3.08%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	109,786				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	96,307	67.05%	74.94%	79.72%	>60.00%
Total continuing operating revenue ⁽¹⁾	143,639				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	47,176	4.86x	5.40x	4.77x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	9,702				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	36,472	5.98x	5.28x	4.20x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,096				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,424	2.22%	2.20%	1.54%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	64,149				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	129,850	18.79 mths	15.9 mths	15.5 mths	> 3 mths
Payments from cash flow of operating and financing activities	6,911				

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.

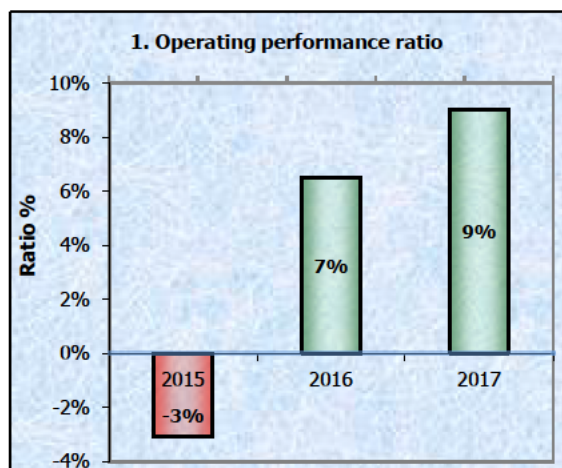
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽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).

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

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



Benchmark: — Minimum $\geq 0.00\%$

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

Purpose of operating performance ratio

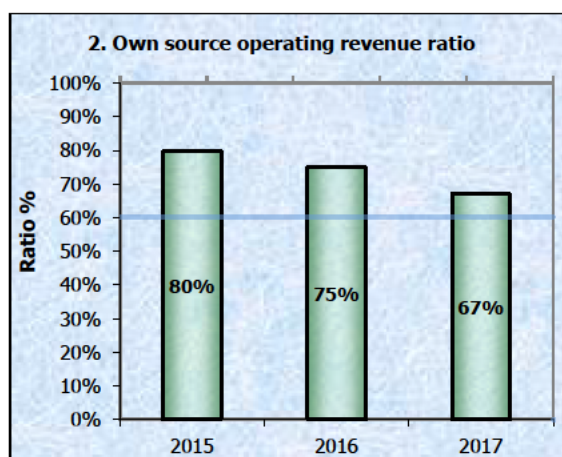
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2016/17 result

2016/17 ratio 9.02%

The operating result before capital contributions for this reporting period was \$7.056M. The improvement in this result can be attributed to the following factors; advance payment of the 2017/18 financial assistance grant of \$2.425M, further recovery of \$4.756M from legal action instigated against Lehman Brothers Australia and an increase in rate income due to the first year of the Investing in our Future Special Rate Variation.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

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

Purpose of own source operating revenue ratio

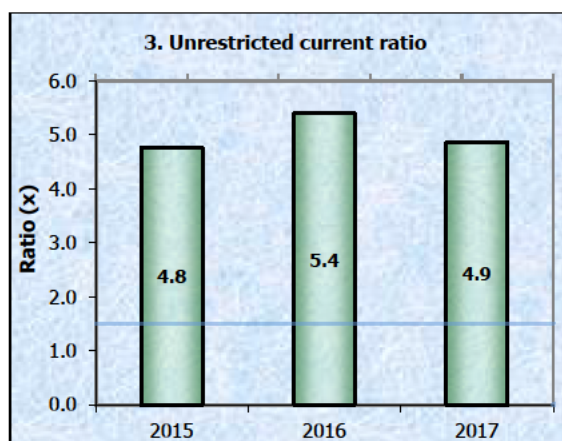
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2016/17 result

2016/17 ratio 67.05%

Council continues to exceed this industry benchmark with 67% of revenue generated through rates, charges and user fees. There has been a decline in this ratio when compared to previous years which is in part due to the value of non-cash Infrastructure dedications (\$16.502M) and assets identified as part of the revaluation of water and sewer infrastructure (\$5.164M).

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

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

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.

Commentary on 2016/17 result

2016/17 ratio 4.86x

Council continues to maintain a strong liquidity position with an unrestricted current ratio of 4.86:1. This means for every \$1 of liability Council has \$4.86 in assets to cover that liability.

Ratio achieves benchmark
 Ratio is outside benchmark

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

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



Benchmark: — Minimum ≥ 2.00

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

Purpose of debt service cover ratio

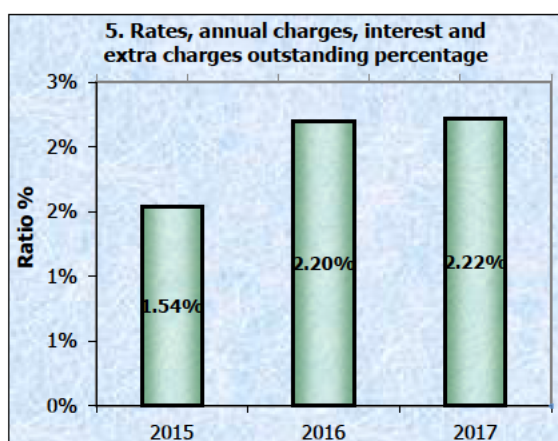
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2016/17 result

2016/17 ratio 5.98x

The benchmark for this ratio is greater than 2. Council continues to exceed this benchmark which is a result of adequate operating revenues to cover its loan repayments. Council has not required any additional loan borrowings during the 2016/17 financial year.

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

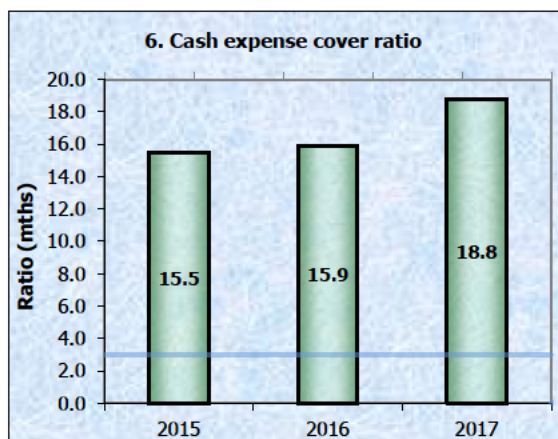
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2016/17 result

2016/17 ratio 2.22%

Council continues to exceed this benchmark through the operation of effective debt recovery procedures and management of outstanding debts.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum ≥ 3.00

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

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.

Commentary on 2016/17 result

2016/17 ratio 18.79 mths

The benchmark for this ratio is greater than 3 months. This ratio is significantly higher than the benchmark at 18.8 months which reflects Council's strong liquidity position.

Ratio achieves benchmark
 Ratio is outside benchmark

Wingecarribee 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	-2.24%	-1.59%	29.85%	21.87%	29.13%	25.93%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	68.44%	73.38%	69.28%	80.76%	61.11%	75.83%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	4.86x	5.40x	22.73x	20.82x	6.31x	4.84x	>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.

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	7.37x	7.93x	25.14x	17.97x	3.02x	2.40x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.08%	3.07%	6.61%	8.37%	2.82%	2.23%	< 5% Metro
Rates, annual and extra charges collectible							<10% Rural
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.94	9.88	68.91	53.53	28.62	23.19	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	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.

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	4,350	15,958	4,350	15,958
Investments				
– 'Held to maturity'	125,500	91,000	125,500	91,000
Receivables	15,043	14,046	15,043	14,596
Total financial assets	144,893	121,004	144,893	121,554
Financial liabilities				
Payables	9,830	7,708	9,830	7,708
Loans/advances	35,766	39,982	35,766	39,982
Total financial liabilities	45,596	47,690	45,596	47,690

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.

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	12,985	12,985	(12,985)	(12,985)
Possible impact of a 1% movement in interest rates	1,299	1,299	(1,299)	(1,299)
2016				
Possible impact of a 10% movement in market values	10,696	10,696	(10,696)	(10,696)
Possible impact of a 1% movement in interest rates	1,070	1,070	(1,070)	(1,070)

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.

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 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	88%	10%	92%
Overdue	100%	12%	90%	8%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
Current	Current	–	11,850	102	12,057
< 1 year overdue	0 – 30 days overdue	655	529	464	347
1 – 2 years overdue	31 – 60 days overdue	188	9	198	60
2 – 5 years overdue	61 – 90 days overdue	163	677	161	591
> 5 years overdue	> 91 days overdue	84	901	72	–
		1,090	13,966	997	13,055

(iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	6	–
+ new provisions recognised during the year	13	6
– amounts already provided for and written off this year	(3)	–
– amounts provided for but recovered during the year	(3)	–
Balance at the end of the year	13	6

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	2,329	7,501	—	—	—	—	—	9,830	9,830
Loans and advances	—	5,786	5,786	5,786	4,802	4,113	19,288	45,561	35,766
Total financial liabilities	2,329	13,287	5,786	5,786	4,802	4,113	19,288	55,391	45,596
2016									
Trade/other payables	2,108	5,600	—	—	—	—	—	7,708	7,708
Loans and advances	—	6,033	12,510	5,150	5,150	5,400	13,749	52,094	39,982
Total financial liabilities	2,108	11,633	12,510	5,150	5,150	5,400	13,749	59,802	47,690

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	9,830	0.00%	7,708	0.00%
Loans and advances – fixed interest rate	35,766	4.60%	39,982	4.58%
	<u>45,596</u>		<u>47,690</u>	

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 08 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the variations between actuals versus budget that 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	61,317	62,344	1,027	2% F
User charges and fees	17,788	21,189	3,401	19% F
There has been an increase in user charges and fees when compared to original budget. This increase is primarily due to the following Items; water user charges of \$1,555M, sewer user charges of \$446K, waste user charges \$741K, and increased income for Planning and Building of \$1,305M due to increased development activity.				
Interest and investment revenue	2,737	3,521	784	29% F
Investment Income exceeded budget expectations by \$717K. The additional revenue was attributable to a larger than anticipated investment portfolio and an investment strategy which stretched the investment time horizons out to 12 months to take advantage of higher interest rates. Interest on overdue rates exceeded budget expectations by \$43K. Council's original budget did not include the amortisation (non-cash) of the interest free loan which has resulted in a variation of \$23K.				
Other revenues	3,330	9,253	5,923	178% F
Other revenues have exceeded budget expectations. This is largely due to the recovery of investments which had been previously been written off of \$4,756M. Council also received insurance rebates and reimbursements totalling \$391K. Other areas where Council has realised an increase in revenue when compared to original budget include; Quarries \$203K, Leases \$158K, Legal Fees \$87K, Cemeteries \$86K, Tourism \$77K, and Saleyards \$63K.				
Operating grants and contributions	8,727	13,479	4,752	54% F
Operating grants and contributions have exceeded budget expectations by \$4,588M. This increase is primarily due to the following items; an advance payment for the 2017/2018 financial assistance grant of \$2,425M, grant income for the east coast low storm damage \$1,837M, and grant income for the bush fire mitigation program \$292K.				
Capital grants and contributions	12,089	33,853	21,764	180% F
Capital grants and contributions have exceeded budget forecasts due to the recognition of dedicated assets (non-cash) and higher than expected developer contributions. Council recognised dedicated assets valued at \$15,240M, rural fire service plant and equipment assets valued at \$1,262M, and discovered assets valued at \$5,164M. Revenue from developer contributions was \$3,814M above budget projections. Council also received \$1,052M in Blackspot Funding. Grant income for the Station St Bowral upgrade was reduced by \$4,647M to reflect expenditure incurred.				

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	33,829	32,342	1,487	4% F
Borrowing costs	1,570	1,813	(243)	(15%) U
Actual borrowing costs exceeded the original budget by \$243K. This was primarily a result of two Local Infrastructure Renewal Scheme Loans budgeting the net cost of the interest. The actuals showed the full expense of the interest, with the subsidy shown as an income contribution.				
Materials and contracts	19,609	26,064	(6,455)	(33%) U
Materials and Contracts exceeded the budget primarily due to the following items not being in the original budget; storm damage \$2,145M, RRC concrete contamination \$696K, Crimea St traffic lights \$609K, bush fire mitigation \$316K, road condition assessment \$85K, signage operating expenses \$65K, and Ferndale Rd operating expenses \$62K. Items which exceeded their budget were Development services contractors \$1,288M, Local Roads materials and contractors \$191K, waste transport costs \$191K, external plant hire \$187K, Parks and Reserves materials and contractors \$147K, Sportsfields materials \$97K, and Garbage collection \$79K. Management Committees consolidated expenditure of \$168K was also brought to account.				
Depreciation and amortisation	22,950	24,752	(1,802)	(8%) U
Other expenses	15,610	14,908	702	4% F
Net losses from disposal of assets	–	2,851	(2,851)	0% U
Council does not estimate the net profit/loss from the disposal of assets as part of the annual budget, instead estimates are based on the expected sales proceeds. This amount also represents the disposal of infrastructure which is renewed throughout the year. These entries are required to reflect the written down value of the asset and does not impact on Council's cash budget.				

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,466	571	–	89	(403)	–	2,723	–
Community facilities	158	136	–	10	–	–	304	–
Open Space & Community Facilities	4,273	422	–	112	(663)	–	4,144	–
Administration	119	144	–	5	(91)	–	177	–
Resource Recovery Centre	–	72	–	1	(72)	–	1	–
CF Library Loan	157	–	–	–	–	–	157	–
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	65	–	–	2	–	–	67	–
Land Acquisition (MVEC)	4	–	–	–	–	–	4	–
S94 contributions – under a plan	7,243	1,345	–	219	(1,229)	–	7,578	–
S94A levies – under a plan	166	40	–	5	–	–	211	–
Total S94 revenue under plans	7,409	1,385	–	224	(1,229)	–	7,789	–
S94 not under plans parking	1,355	–	–	39	–	–	1,394	–
S94 not under plans (VPA)	3,020	61	–	85	(85)	–	3,081	–
S64 Contributions Water	8,591	2,235	–	249	(463)	–	10,612	–
S64 Contributions Sewer	5,556	2,719	–	152	(531)	–	7,896	–
S64 Stormwater	2,794	526	–	74	(732)	–	2,662	–
Total contributions	28,725	6,926	–	823	(3,040)	–	33,434	–

Wingecarribee Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,466	571	–	89	(403)	–	2,723	–
Community facilities	158	136	–	10	–	–	304	–
Open Space & Community Facilities	4,273	422	–	112	(663)	–	4,144	–
Administration	119	144	–	5	(91)	–	177	–
Resource Recovery Centre	–	72	–	1	(72)	–	1	–
CF Library Loan	157	–	–	–	–	–	157	–
Total	7,173	1,345	–	217	(1,229)	–	7,506	–

S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	65	–	–	2	–	–	67	–
Land Acquisition (MVEC)	4	–	–	–	–	–	4	–
Total	70	–	–	2	–	–	72	–

S94A LEVIES – UNDER A PLAN

S94A

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A	166	40	–	5	–	–	211	–
Total	166	40	–	5	–	–	211	–

Wingecarribee Shire Council

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

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

S94 not under Plans (VPA)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	19	–	–	–	–	–	19	–
Roads	476	61	–	13	(85)	–	465	–
Community facilities	83	–	–	2	–	–	85	–
Sewer	1,131	–	–	32	–	–	1,163	–
Water	772	–	–	22	–	–	794	–
RRC	81	–	–	2	–	–	83	–
ASH	10	–	–	1	–	–	11	–
Administration	412	–	–	12	–	–	424	–
Management Contribution	36	–	–	1	–	–	37	–
Total	3,020	61	–	85	(85)	–	3,081	–

S94 not under Plans Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	1,355	–	–	39	–	–	1,394	–
Total	1,355	–	–	39	–	–	1,394	–

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge 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 is party to an Industry Defined Benefit Plan under The Local Government Superannuation Scheme - Pool B (the scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2017 was \$336,121. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24/2/2016, and covers the period ended 30 June 2017.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2017, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. Council's expected contribution to the plan for the next annual reporting period is \$369,011.

The share of this deficit, that is broadly attributed to Council, is estimated to be in the order of \$501,000 as at 30 June 2017.

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 Council's accounts. 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.

(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 June 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 than those listed above.

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.

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

Additionally, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) Landfill Remediation

The former landfill site at Welby requires remediation. While total costs for the project are yet to be determined it is estimated that the cost may be up to \$2,000,000. It is anticipated that funding will be from the Domestic Waste Management and Resource Recovery Reserves.

The rehabilitation plan for the site proposes to restore the site to a form that meets the relevant environmental standards and is capable of being adapted to a range of future open space uses. The timing of the rehabilitation works has not been scheduled at this point in time.

3. Asbestos Contaminated Material

Council has for a number of years managed and operated a Resource Recovery Centre located at Moss Vale. This has included the disposal and reprocessing of materials containing concrete. Council has recently reported confirmation of asbestos contamination within concrete material accepted at the facility. This was identified during routine laboratory testing and is currently being investigated by both Council and the Environmental Protection Authority (EPA). Council is yet to determine the quantity of contaminated material and the appropriate disposal method in accordance with the EPA's licencing requirements.

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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.

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)		582,017	547,152
a. Correction of prior period errors	20 (c)	—	(449)
b. Other comprehensive income (excl. direct to reserves transactions)		—	11,423
c. Net operating result for the year		40,909	23,549
d. Transfers between equity		—	342
Balance at end of the reporting period		622,926	582,017

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	804,400	735,552
Total	804,400	735,552

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve

– Opening balance	735,552	732,189
– Revaluations for the year	68,848	3,705
– Transfer to retained earnings for asset disposals	—	(342)
– Balance at end of year	804,400	735,552

TOTAL VALUE OF RESERVES

804,400 **735,552**

(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.

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 (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors as disclosed in last year's financial statements:			
An audit of Accountable Items was conducted during the year with the register being updated to reflect the outcome of the audit and the physical count.			
As a result, Council has adjusted the value of Accountable Items as at 30/6/2015 to reflect the correct value of items held.			
		—	373
This adjustment resulted in a net increase in Council's accumulated surplus as at 30/6/2015.			
Additionally, as part of Council's ongoing asset management, an evaluation and measurement of useful life of each asset has been reassessed to actual.			
This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's financial reports had previously indicated.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/15 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/15 to reflect the correct value of accumulated depreciation;			
Buildings – non-specialised		—	117
Buildings – specialised		—	785
Roads		—	1,528
Bridges		—	(8,084)
Footpaths		—	(3,675)
Stormwater Drainage		—	2,160
Swimming Pools		—	(517)
Water Supply Network		—	7,091
Sewerage Network		—	(227)
This adjustment resulted in net increase/(decrease) in Council's accumulated surplus as at 30/6/15.			
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/15		—	(449)
(relating to adjustments for the 30/6/15 reporting year end and prior periods)			
Total prior period adjustments – prior period errors		—	(449)

(d) Voluntary changes in accounting policies

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

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
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	3,212	14,574	44,558
User charges and fees	9,374	1,522	10,293
Interest and investment revenue	1,006	635	1,880
Other revenues	2,122	1,477	5,654
Grants and contributions provided for operating purposes	193	172	13,114
Grants and contributions provided for capital purposes	6,375	11,417	16,061
Total income from continuing operations	22,282	29,797	91,560
Expenses from continuing operations			
Employee benefits and on-costs	2,156	3,213	26,973
Borrowing costs	127	877	809
Materials and contracts	911	1,800	23,353
Depreciation and amortisation	4,157	3,913	16,682
Other expenses	4,202	3,248	7,458
Net losses from the disposal of assets	792	1,798	261
Total expenses from continuing operations	12,345	14,849	75,536
Operating result from continuing operations	9,937	14,948	16,024
Discontinued operations			
Net profit/(loss) from discontinued operations	—	—	—
Net operating result for the year	9,937	14,948	16,024
Net operating result attributable to each council fund	9,937	14,948	16,024
Net operating result attributable to non-controlling interests	—	—	—
Net operating result for the year before grants and contributions provided for capital purposes	3,562	3,531	(37)

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.

Wingecarribee 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	1,470	938	1,942
Investments	42,450	27,089	55,961
Receivables	3,191	4,447	7,092
Inventories	544	51	503
Other	–	–	419
Total current assets	47,655	32,525	65,917
Non-current assets			
Receivables	–	–	313
Infrastructure, property, plant and equipment	209,490	254,013	871,057
Total non-current assets	209,490	254,013	871,370
TOTAL ASSETS	257,145	286,538	937,287
LIABILITIES			
Current liabilities			
Payables	567	602	8,638
Income received in advance	292	–	404
Borrowings	265	2,434	1,449
Provisions	471	681	5,755
Total current liabilities	1,595	3,717	16,246
Non-current liabilities			
Payables	–	–	23
Borrowings	2,017	15,686	13,915
Provisions	33	50	362
Total non-current liabilities	2,050	15,736	14,300
TOTAL LIABILITIES	3,645	19,453	30,546
Net assets	253,500	267,085	906,741
EQUITY			
Retained earnings	73,700	131,068	418,158
Revaluation reserves	179,800	136,017	488,583
Council equity interest	253,500	267,085	906,741
Non-controlling interests	–	–	–
Total equity	253,500	267,085	906,741

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.

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	–	–	847	–
Total non-current assets 'held for sale'	–	–	847	–
Disposal group assets 'held for sale'				
None				
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>–</u>	<u>–</u>	<u>847</u>	<u>–</u>

(ii) Details of assets and disposal groups

Council has passed a resolution to sell certain parcels of surplus land. Staff have commenced the process of undertaking the work necessary to develop and / or selling each parcel by auction or private treaty.

Council has disclosed those parcels of land which are currently being developed (subdivided) in Note 8 for the period ending 30 June 2017.

\$ '000	Assets 'held for sale'	
	2017	2016
(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance	847	1,862
Less: carrying value of assets/operations sold	(435)	(407)
Balance still unsold after 12 months:	412	1,455
Less: assets no longer classified as 'held for sale'	(412)	(839)
Plus new transfers in:		
– Assets 'held for sale'	–	231
Closing balance of 'held for sale' non-current assets and operations	<u>–</u>	<u>847</u>

Refer to Note 27. Fair value measurement for fair value measurement information.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

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 16 October 2017.

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

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.

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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:

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held to Maturity’	30/06/17	–	125,500	–	125,500
Total financial assets		–	125,500	–	125,500
Infrastructure, property, plant and equipment					
WIP	30/06/17	–	–	4,564	4,564
Plant & Equipment	30/06/17	–	–	16,738	16,738
Office Equipment	30/06/17	–	–	553	553
Furniture & Fittings	30/06/17	–	–	232	232
Operational Land	30/06/17	–	–	49,196	49,196
Community Land	30/06/17	–	–	77,060	77,060
Buildings - Non Specialised	30/06/17	–	–	722	722
Buildings - Specialised	30/06/17	–	–	66,145	66,145
Other Structures	30/06/17	–	–	1,517	1,517
Roads	30/06/17	–	–	318,466	318,466
Bridges	30/06/17	–	–	10,701	10,701
Footpaths	30/06/17	–	–	17,455	17,455
Bulk Earthworks (non-depreciable)	30/06/17	–	–	217,257	217,257
Stormwater Drainage	30/06/17	–	–	92,284	92,284
Water Supply Network	30/06/17	–	–	200,634	200,634
Sewerage Network	30/06/17	–	–	239,409	239,409
Swimming Pools	30/06/17	–	–	11,947	11,947
Other Open Space/Recreational Assets	30/06/17	–	–	9,268	9,268
Library Books	30/06/17	–	–	407	407
Other	30/06/17	–	–	5	5
Total infrastructure, property, plant and equipment		–	–	1,334,560	1,334,560

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)

Fair value measurement hierarchy					
Level 1	Level 2	Level 3			
Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs			
2016		Total			
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held to Maturity’	30/06/16	–	91,000	–	91,000
Total financial assets		–	91,000	–	91,000
Infrastructure, property, plant and equipment					
WIP	30/06/16	–	–	5,493	5,493
Plant & Equipment	30/06/16	–	–	15,816	15,816
Office Equipment	30/06/16	–	–	581	581
Furniture & Fittings	30/06/16	–	–	210	210
Operational Land	30/06/16	–	–	48,483	48,483
Community Land	30/06/16	–	–	77,277	77,277
Buildings - Non Specialised	30/06/16	–	–	734	734
Buildings - Specialised	30/06/16	–	–	66,402	66,402
Other Structures	30/06/16	–	–	1,084	1,084
Roads	30/06/16	–	–	313,695	313,695
Bridges	30/06/16	–	–	9,912	9,912
Footpaths	30/06/16	–	–	16,450	16,450
Bulk Earthworks (non-depreciable)	30/06/16	–	–	216,633	216,633
Stormwater Drainage	30/06/16	–	–	87,865	87,865
Water Supply Network	30/06/16	–	–	169,530	169,530
Sewerage Network	30/06/16	–	–	197,089	197,089
Swimming Pools	30/06/16	–	–	12,007	12,007
Other Open Space/Recreational Assets	30/06/16	–	–	9,748	9,748
Library Books	30/06/16	–	–	337	337
Other	30/06/16	–	–	6	6
Total infrastructure, property, plant and equipment		–	–	1,249,352	1,249,352
Non-recurring fair value measurements					
Non-current assets classified as ‘held for sale’					
Land	30/06/16	–	–	847	847
Total NCA’s classified as ‘held for sale’		–	–	847	847

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

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

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. 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:

Financial assets

Investments – Held to Maturity

Council obtains its fair values for held to maturity investments from audit confirmations provided by Approved Deposit Taking Institutions (ADIs).

Infrastructure, property, plant and equipment

Property, Plant & Equipment, Furniture & Fittings

Council's Plant & Equipment, Furniture & Fittings incorporates:

- Major plant Truck, tractors, street sweepers
- Fleet vehicles Cars, vans, utes etc.
- Minor plant Chainsaws, brush cutters, mowers, concrete mixers
- Furniture & fittings Desks, chairs, display systems
- Office equipment Computers, monitors, PABX, projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of consumption

- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2012) using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal.

The unobservable Level 3 inputs used include:

- Rate per square metre
- Description of land

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period.

Community Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it

In relation to community land the Office of Local Government has reviewed its positions on the use of the NSW Valuer General's valuations of community land and in association with the Local Government Accounting Advisory Group; the Office has determined that community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under Clause 31 of AASB 116

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the NSW Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the NSW Valuer General did not provide a UCV.

The 'Market Approach' is used to value community land. There has been no change to the valuation process during the reporting period.

Property – Buildings (Specialised & Non-Specialised)

Council buildings comprise:

- Libraries
- Public amenities
- Sporting club houses
- Kiosks and amenities
- Depot buildings and workshops
- Community centres
- Rural Fire Service buildings

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of

factors. Buildings are physically inspected and unit rates, although based on square metres could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been no change to the valuation process during the reporting period.

Other Structures

Council's other structures incorporates the following classes of assets:

- Significant single assets such as playgrounds, floodlighting system irrigation systems, tennis courts, tennis shelters, artificial turf playing surfaces etc. and;
- Aggregated lower value assets such as recreational/park infrastructures (picnic tables, seats, bollards, fences, BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are under taken by Council staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Residual value

The "Cost Approach" is used to value other structures. There has been no change to the valuation process during the reporting period

Roads, Bridges & Footpaths

This asset class comprises:

- Road carriageways
- Bus shelters
- Car parks
- Guardrails
- Kerb and guttering
- Bridges
- Footpaths
- Traffic facilities
- Road drainage

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's Asset Management System (Conquest) contains detailed dimensions and specifications for all Council road assets.

Council applies fair values to road infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life of carriageway
- Gross replacement cost

The 'Cost Approach' is used to value road assets. There were no changes in valuation technique from prior year.

Stormwater Drainage

Council's drainage assets comprise:

- Pits
- Pipes
- Culverts
- Open channels
- Headwalls
- Various types of water quality device used to collect, store and remove stormwater

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council drainage assets.

Council applies fair values to drainage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value drainage by componentising the assets into significant parts and then rolling up these component values to provide an overall drainage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Water Supply Network

Council's water supply network comprises:

- Treatment Works
- Dams
- Reservoirs
- Pumping stations
- Water reticulation (pipes, valves, hydrants, meters, service lines)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council water assets.

Council applies fair values to water infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value water assets by componentising the assets into significant parts and then rolling up these component values to provide an overall water valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Sewerage Supply Network

Assets within this class comprise:

- Treatment works

- Pumping stations
- Sewerage reticulation (pipes, manholes, valves, vents)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council sewerage assets.

Council applies fair values to sewerage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value sewer assets by componentising the assets into significant parts and then rolling up these component values to provide an overall sewerage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Other Assets

Council's other assets comprise:

- Library books
- Reference materials
- CD's & DVD's
- Art collections

Council fair values other assets using Level 3 inputs.

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

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

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

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

I,PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Plant & Equipment	16,738	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Office Equipment	553	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Furniture & Fittings	232	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Operational Land	49,196	Level 3	Price per square metre
Community Land	77,060	Level 3	Average unit rate based on unimproved capital value per square metre
Buildings – non-specialised	722	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Buildings – specialised	66,145	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Other Structures	1,517	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Roads	318,466	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bridges	10,701	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Footpaths	17,455	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bulk Earthworks (non-depreciable)	217,257	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Stormwater Drainage	92,284	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Water Supply Network	200,634	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Sewerage Supply Network	239,409	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Swimming Pools	11,947	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Other Open Space/Recreational Assets	9,268	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Library Books	407	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition
Other	5	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition

(5). Highest and best use

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

Wingecarribee 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	1,671,542
Post-employment benefits	202,758
Other long-term benefits	13,202
Total	1,887,502

Wingecarribee 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		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Lease of public golf course	1	22	—		—	—
Payment of rates and water charges to Council	2	61	—		—	—
Development application submission	3	33	—		—	—
Contribution towards cost of construction of accommodation	4	198	—		—	—
Payment of waste disposal charges	5	41	—		—	—

- 1 In 2009 Council entered into a 21 year lease agreement with a company of which one of Council's KMP is a Director. The lease is managed via a rental property agent. Rent is payable by the company by quarterly instalments in advance. No amounts were outstanding as at 30 June 2017. Rent is increased annually in accordance with the Sydney Consumer Price Index.
- 2 According to Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed at Note 28b above, relates to rates and water account payments by two of Council's key management personnel (including their related parties).
- 3 A company of which one of Council's KMP is a Director submitted an application during the year with a fee payable of \$32,593. The application relates to Mittagong Road, Bowral.
- 4 Council made a contribution of \$198,000 to a not-for-profit organisation of which one of Council's KMP is a committee member. The contribution reflected the third and fourth (final) progress payments towards the construction of accommodation in accordance with an agreement resolved by Council in September 2013.
- 5 A company of which one of Council's KMP is a Director made use of Council's Resource Recovery Centre during the year, with fees paid being \$40,798. Fees charged were in accordance with Council's published fees and charges.

INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying financial statements of Wingecarribee 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.

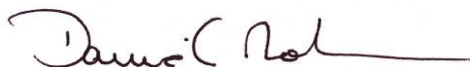
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://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

16 October 2017
SYDNEY

Mr Ken J Halstead
Mayor
Wingecarribee Shire Council
PO Box 141
MOSS VALE NSW 2577

Contact: David Nolan
Phone no: 9275 7377
Our ref: D17226538/1809

16 October 2017

Dear Mayor

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

I have audited the general purpose financial statements of the Wingecarribee 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

Significant Matters

There have been no significant matters identified during the audit.

Other Matters

Revaluation of water and sewerage assets

The Council's water and sewerage assets were revalued during the year by external valuers. The revaluation resulted in an increase of \$68.8m in the value of water and sewerage infrastructure. The previous revaluation was at 30 June 2012.

INCOME STATEMENT

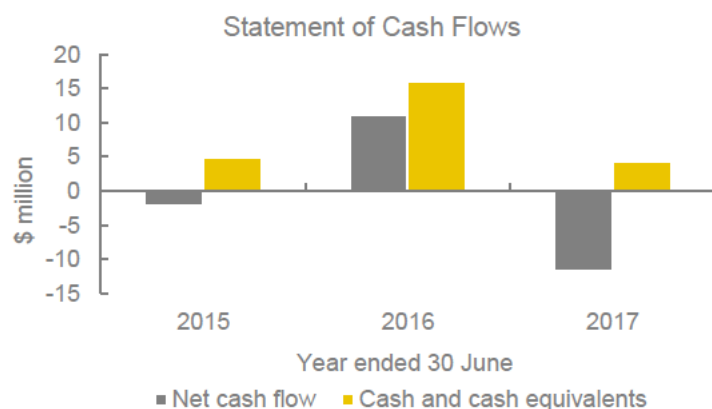
Operating result

	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	62.3	57.9	7.6 ↑
Grants and contributions revenue	47.3	30.2	56.5 ↑
Operating result for the year	40.9	23.5	74.0 ↑
Net operating result before capital amounts	7.1	2.7	163.0 ↑

- The result from continuing activities for the year was a surplus of \$40.9m. The surplus included non-cash revenues of \$21.7m from subdivider contributions and asset recognitions and non-cash expense of \$24.8m for depreciation and amortisation
- net operating result for the year before capital was higher largely due to increases in rates and annual charges and user charges and fees
- grants and contributions received during the year increased because of higher subdivider contributions, \$15.2m in 2017 compared to \$7.3m in the previous year. The increase also included an advance payment of \$2.4m received from the Commonwealth as part of Council's annual financial assistance grant. The payment has been restricted by Council for use in 2017-18.
- rates and annual charges revenue rose primarily due to the special rate variation approved by the Independent Pricing and Regulatory Tribunal (IPART). The variation allowed Council to increase income above the rate peg of 1.8% from 1 July 2016. IPART approved the Council's application for increases of 8.55% in 2016-17, 9.25% in 2017-18 and 2018-19, and 12.15% in 2019-20.

STATEMENT OF CASH FLOWS

- Net cash flow and cash and cash equivalents have both decreased compared with the previous year. The decrease is due largely to the purchase of investments during the year.
- Council held total cash, cash equivalent and investments of \$129.9m an increase of \$23m over the previous year.
- Council's strategy for moving cash balances to investments is made in response to the Fit for the Future improvement plan where funds will be utilised in the delivery of infrastructure and other projects.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	90.4	74.4	<ul style="list-style-type: none"> Council held \$128.4m as internally and externally restricted cash and investments at year end. The restrictions are required to meet financial obligations arising from capital projects or legislative requirements
Internal restrictions	38.0	29.8	
Unrestricted	1.4	2.7	
Cash and investments	129.8	106.9	<ul style="list-style-type: none"> Restricted funds held for water supplies and sewerage services projects increased by \$6.6m and \$5.2m respectively.

PERFORMANCE RATIOS

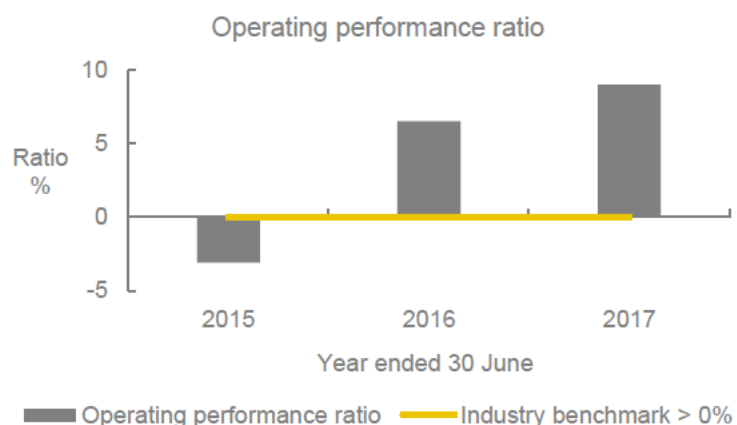
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

The operating performance ratio improved over the previous year due to increases in revenue from the following sources:

- the special rate variation of 8.55% approved by IPART.
- advance payment of \$2.4m received from the Commonwealth
- a further \$2.4m recovery from Lehman Brothers Australia

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.

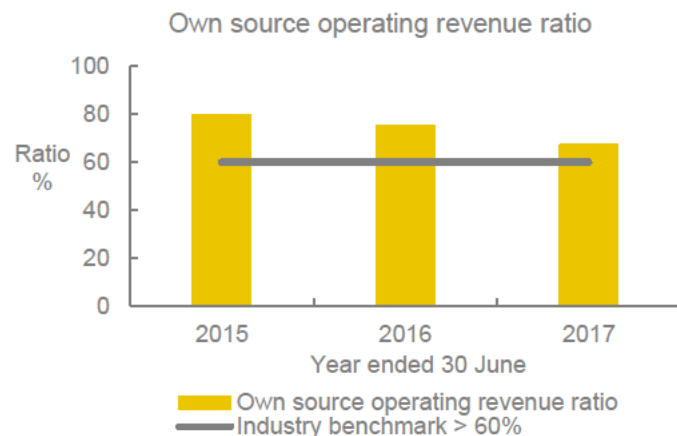


Own source operating revenue ratio

Council exceeded the current year own source operating revenue ratio through the following:

- increased revenue from rates and annual charges and user charges and fees
- increased non-cash revenues of \$21.7m from subdivider contributions and asset recognitions

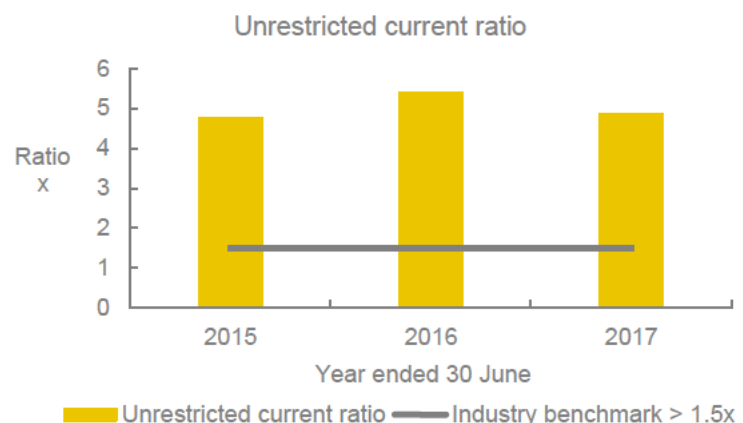
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio decreased slightly from 5.4 in the previous year to 4.8 at year end. The ratio exceeds the benchmark by over 3 times.

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

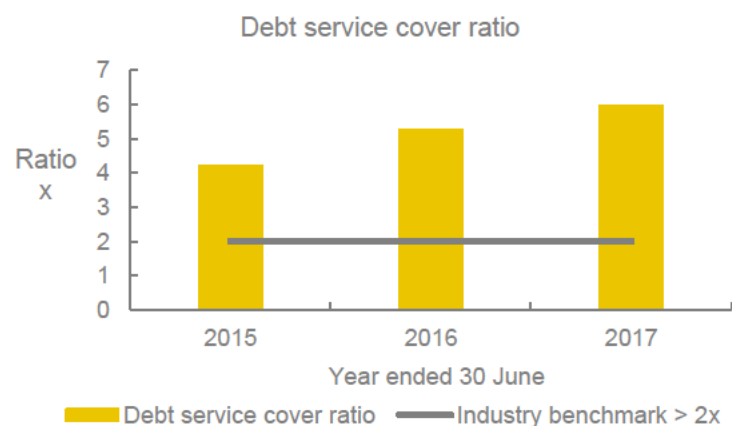


Debt service cover ratio

Repayments of borrowings and advances of \$4.3m were made reducing the balance of loans outstanding to \$35.7m at year end.

Council did not obtain any new borrowings during 2016-17.

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

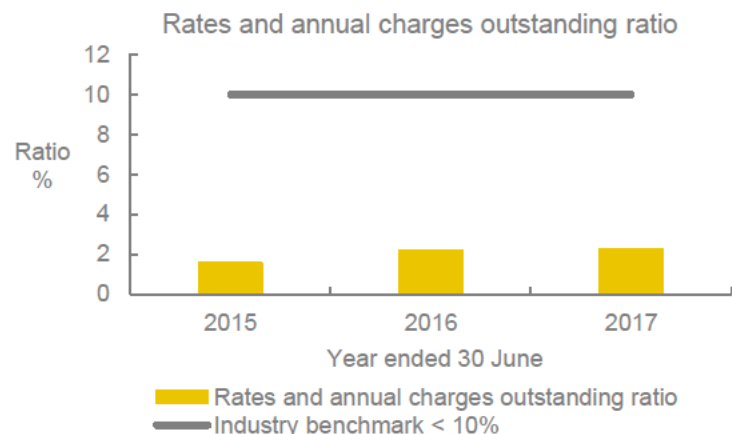


Rates and annual charges outstanding ratio

The rates and annual charges outstanding ratio remains low at 2.2%, same in the previous year.

Council's risk from non-collection of rates is minimised by its ability to secure charges over land relating to debts.

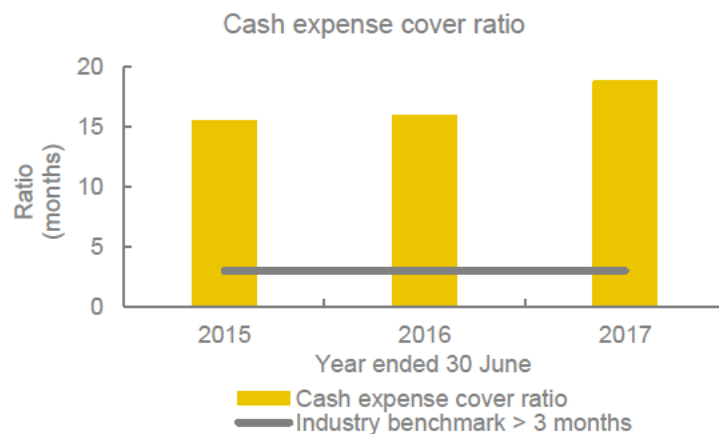
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council continues to exceed the benchmark of greater than three months through increasing cash and investment balances. Council's liquidity position has been strengthened through the special rate variation of 8.55% approved by IPART at the start of the year.

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



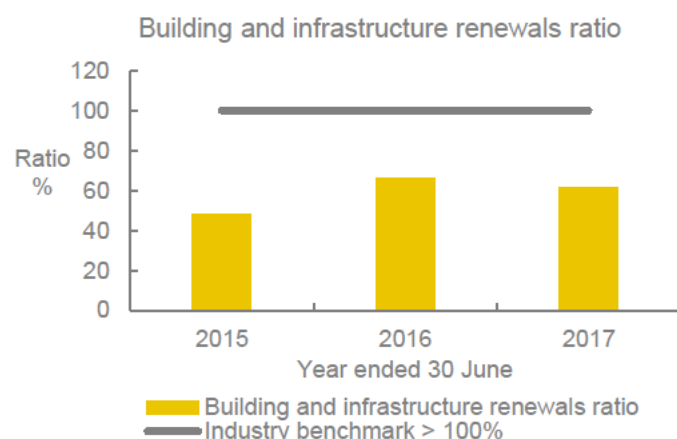
Building and infrastructure renewals ratio

The council's current year building and infrastructure ratio decreased slightly from the previous year. The ratio should see improvement with the implementation of the Council's Fit for the Future improvement plan that includes asset renewals.

The impact of not renewing assets at the benchmark ratio is lessened by Council's expenditure on asset maintenance and replacement with new assets.

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

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



OTHER MATTERS

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. Consequently, 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).

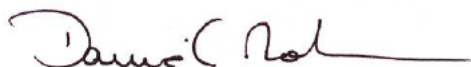
Legislative compliance

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 acknowledgement

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



David Nolan
Director, Financial Audit Services

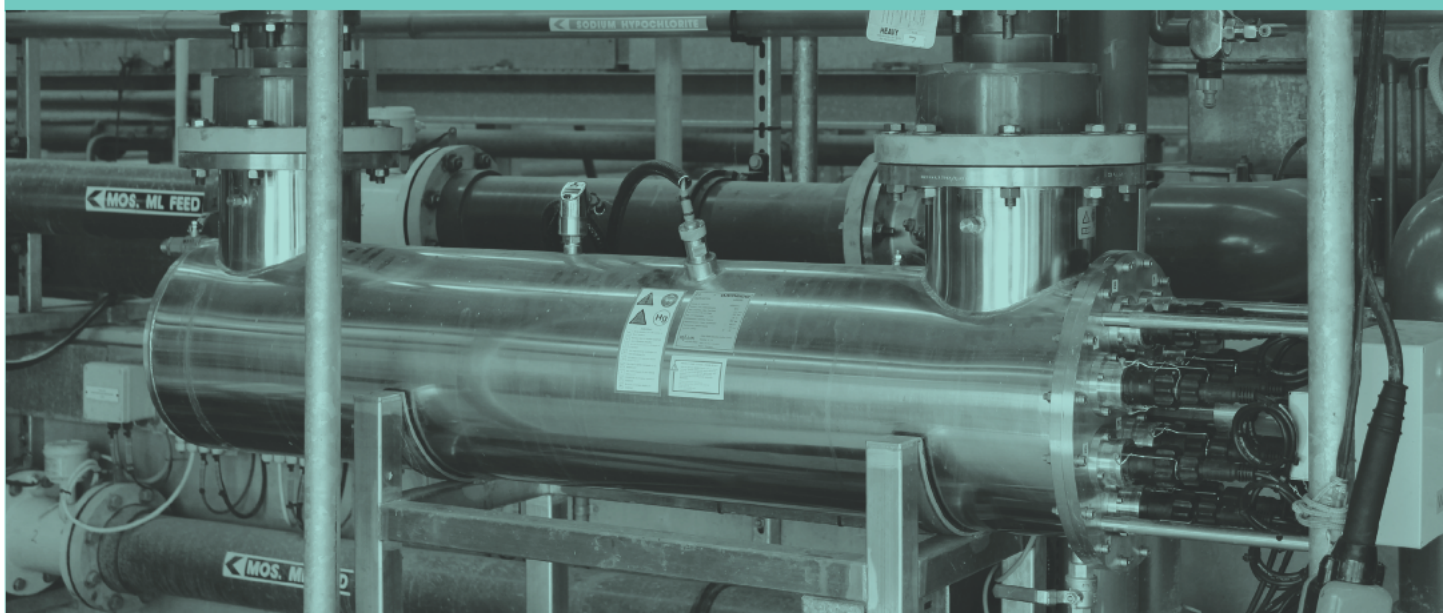
16 October 2017
SYDNEY

cc: Ms Ann Prendergast, General Manager
Ms Jan Edwards, Chair of the Audit, Risk and Continuous Improvement Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Wingecarribee Shire Council

Special Purpose Financial Statements

For the year ended 30 June 2017



www.wsc.nsw.gov.au



Special Purpose Financial Statements

for the year ended 30 June 2017

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Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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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).
-

Wingecarribee 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 13 September 2017.


 Clr Ken Halstead
 Mayor


 Clr Ian Scandrett
 Councillor


 Ann Prendergast
 General manager


 Richard Mooney
 Responsible accounting officer

Wingecarribee 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	3,212	3,151
User charges	8,857	8,465
Fees	517	596
Interest	1,006	699
Grants and contributions provided for non-capital purposes	193	193
Other income	2,122	1,957
Total income from continuing operations	15,907	15,061
Expenses from continuing operations		
Employee benefits and on-costs	2,156	2,227
Borrowing costs	127	140
Materials and contracts	911	1,207
Depreciation, amortisation and impairment	4,157	4,074
Water purchase charges	1,315	1,359
Loss on sale of assets	792	408
Calculated taxation equivalents	109	71
Debt guarantee fee (if applicable)	54	50
Other expenses	2,887	2,689
Total expenses from continuing operations	12,508	12,225
Surplus (deficit) from continuing operations before capital amounts	3,399	2,836
Grants and contributions provided for capital purposes	6,375	3,350
Surplus (deficit) from continuing operations after capital amounts	9,774	6,186
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	9,774	6,186
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,020)	(851)
SURPLUS (DEFICIT) AFTER TAX	8,754	5,335
Plus opening retained profits	63,763	57,456
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	109	71
– Debt guarantee fees	54	50
– Corporate taxation equivalent	1,020	851
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	73,700	63,763
Return on capital %	1.7%	1.7%
Subsidy from Council	1,460	570
Calculation of dividend payable:		
Surplus (deficit) after tax	8,754	5,335
Less: capital grants and contributions (excluding developer contributions)	(4,140)	(885)
Surplus for dividend calculation purposes	4,614	4,450
Potential dividend calculated from surplus	2,307	2,225

Wingecarribee 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	14,574	13,496
User charges	1,211	778
Liquid trade waste charges	2	159
Fees	309	239
Interest	635	408
Grants and contributions provided for non-capital purposes	172	173
Other income	1,477	1,291
Total income from continuing operations	18,380	16,544
Expenses from continuing operations		
Employee benefits and on-costs	3,213	2,590
Borrowing costs	877	1,081
Materials and contracts	1,800	1,396
Depreciation, amortisation and impairment	3,913	3,884
Loss on sale of assets	1,798	352
Calculated taxation equivalents	226	171
Debt guarantee fee (if applicable)	431	412
Other expenses	3,248	3,132
Total expenses from continuing operations	15,506	13,018
Surplus (deficit) from continuing operations before capital amounts	2,874	3,526
Grants and contributions provided for capital purposes	11,417	5,044
Surplus (deficit) from continuing operations after capital amounts	14,291	8,570
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	14,291	8,570
Less: corporate taxation equivalent (30%) [based on result before capital]	(862)	(1,058)
SURPLUS (DEFICIT) AFTER TAX	13,429	7,512
Plus opening retained profits	116,120	106,967
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	226	171
– Debt guarantee fees	431	412
– Corporate taxation equivalent	862	1,058
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	131,068	116,120
Return on capital %	1.5%	2.2%
Subsidy from Council	2,295	—
Calculation of dividend payable:		
Surplus (deficit) after tax	13,429	7,512
Less: capital grants and contributions (excluding developer contributions)	(8,698)	(2,353)
Surplus for dividend calculation purposes	4,731	5,159
Potential dividend calculated from surplus	2,365	2,580

Wingecarribee 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	1,470	5,285
Investments	42,450	29,947
Receivables	3,191	2,975
Inventories	544	326
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	47,655	38,533
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	209,490	178,200
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	209,490	178,200
TOTAL ASSETS	257,145	216,733
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	567	667
Income received in advance	292	–
Borrowings	265	251
Provisions	471	483
Total current liabilities	1,595	1,401
Non-current liabilities		
Payables	–	–
Borrowings	2,017	2,283
Provisions	33	43
Total non-current liabilities	2,050	2,326
TOTAL LIABILITIES	3,645	3,727
NET ASSETS	253,500	213,006
EQUITY		
Retained earnings	73,700	63,763
Revaluation reserves	179,800	149,243
Other reserves	–	–
Council equity interest	253,500	213,006
Non-controlling equity interest	–	–
TOTAL EQUITY	253,500	213,006

Wingecarribee 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	938	3,064
Investments	27,089	17,365
Receivables	4,447	3,957
Inventories	51	44
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	32,525	24,430
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	254,013	211,203
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	254,013	211,203
TOTAL ASSETS	286,538	235,633
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	602	461
Income received in advance	–	–
Borrowings	2,434	2,595
Provisions	681	609
Total current liabilities	3,717	3,665
Non-current liabilities		
Payables	–	–
Borrowings	15,686	18,117
Provisions	50	56
Total non-current liabilities	15,736	18,173
TOTAL LIABILITIES	19,453	21,838
NET ASSETS	267,085	213,795
EQUITY		
Retained earnings	131,068	116,120
Revaluation reserves	136,017	97,675
Other reserves	–	–
Council equity interest	267,085	213,795
Non-controlling equity interest	–	–
TOTAL EQUITY	267,085	213,795

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

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)

a. Wingecarribee Shire Council Water Fund

Comprising the whole of the operations and assets of the water supply systems servicing the major towns of Moss Vale, Bowral, Mittagong, Robertson and Bundanoon and surrounding villages.

b. Wingecarribee Shire Council Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the major towns of Moss Vale, Bowral and Bundanoon, Robertson, and Mittagong and surrounding villages, and the village of Berrima

Category 2

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

Nil.

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one 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 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 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.

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.

(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 2.63% 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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 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	163,000
(ii)	Number of assessments multiplied by \$3/assessment	61,695
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	61,695
(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]	2,307,150
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	555,255
(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	10,716,618

2017 Surplus	4,614,300	2016 Surplus	4,450,200	2015 Surplus	1,652,118
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	555,255
(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	YES

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]	YES
	– 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	NO

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

Note 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	21,301
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)]	%	65.99%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	208,318
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	7,269
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	5,627
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)]	%	4.71%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 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.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 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	657,000
(ii)	Number of assessments multiplied by \$3/assessment	52,014
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	52,014
(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]	2,365,400
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	468,126
(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	11,962,036

2017 Surplus	4,730,800	2016 Surplus	5,159,200	2015 Surplus	2,072,036
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	468,126
(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	YES

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]	YES
	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	NO

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 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	29,193
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	252,953
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	8,249
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	9,934
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)]	%	6.70%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	47,904
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.76%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	15,561
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)]	%	5.80%
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%

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

Note 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)]	%	-9.90%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: 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	24,885
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	365

- 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.
- a 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 statements
Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wingecarribee 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 Activity
- Sewerage Business Activity

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 the 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.

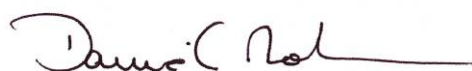
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

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.



David Nolan
Director, Financial Audit Services

16 October 2017
SYDNEY

Wingecarribee Shire Council

Special Schedules

For the year ended 30 June 2017



www.wsc.nsw.gov.au



Special Schedules for the year ended 30 June 2017

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Special Schedules¹

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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.

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	1,719	18	–	(1,701)
Administration	17,655	3,229	190	(14,236)
Public order and safety				
Fire service levy, fire protection, emergency services	1,565	287	1,585	307
Beach control	–	–	–	–
Enforcement of local government regulations	1,596	562	–	(1,034)
Animal control	515	99	–	(416)
Other	–	–	–	–
Total public order and safety	3,676	948	1,585	(1,143)
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	195	105	–	(90)
Other environmental protection	2,130	1,651	–	(479)
Solid waste management	11,250	12,031	72	853
Street cleaning	–	–	–	–
Drainage	1,770	78	3,507	1,815
Stormwater management	428	555	–	127
Total environment	15,773	14,420	3,579	2,226
Community services and education				
Administration and education	194	–	–	(194)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	112	41	–	(71)
Children's services	1,071	971	–	(100)
Total community services and education	1,377	1,012	–	(365)
Housing and community amenities				
Public cemeteries	192	286	–	94
Public conveniences	394	–	–	(394)
Street lighting	670	105	–	(565)
Town planning	2,412	4,008	–	1,596
Other community amenities	228	19	17	(192)
Total housing and community amenities	3,896	4,418	17	539
Water supplies	10,517	14,646	6,375	10,504
Sewerage services	12,865	18,036	11,417	16,588

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	1,290	137	–	(1,153)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	922	47	136	(739)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	317	259	–	(58)
Sporting grounds and venues	582	209	2	(371)
Swimming pools	3,673	1,844	–	(1,829)
Parks and gardens (lakes)	3,345	74	422	(2,849)
Other sport and recreation	–	6	–	6
Total recreation and culture	10,129	2,576	560	(6,993)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	721	71	–	(650)
Other mining, manufacturing and construction	371	216	–	(155)
Total mining, manufacturing and const.	1,092	287	–	(805)
Transport and communication				
Urban roads (UR) – local	827	–	418	(409)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	12,687	2,163	7,955	(2,569)
Sealed rural roads (SRR) – regional	1,441	963	473	(5)
Unsealed rural roads (URR) – local	956	–	–	(956)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	6	11	212	217
Bridges on URR – local	242	–	–	(242)
Bridges on regional roads	–	–	–	–
Parking areas	25	–	–	(25)
Footpaths	806	9	869	72
Aerodromes	–	–	–	–
Other transport and communication	5,121	180	203	(4,738)
Total transport and communication	22,111	3,326	10,130	(8,655)
Economic affairs				
Camping areas and caravan parks	69	127	–	58
Other economic affairs	1,851	2,134	–	283
Total economic affairs	1,920	2,261	–	341
Totals – functions	102,730	65,177	33,853	(3,700)
General purpose revenues ⁽¹⁾		44,609		44,609
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	102,730	109,786	33,853	40,909

(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

Wingecarribee 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)											
Other State Government	265	795	1,060	–	265	–		–	265	530	795
Public subscription		–	–	–						–	–
Financial institutions	4,029	35,069	39,098	–	4,018	–	–	1,746	3,934	31,146	35,080
Other	–	–	–	–						–	–
Total loans	4,294	35,864	40,158	–	4,283	–	–	1,746	4,199	31,676	35,875
Other long term debt											
Ratepayers advances	–	–	–	–						–	–
Government advances	–	–	–	–						–	–
Finance leases	–	–	–	–						–	–
Deferred payments	–	–	–	–						–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	4,294	35,864	40,158	–	4,283	–	–	1,746	4,199	31,676	35,875

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).

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	2,265	2,588
b. Engineering and supervision	361	397
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	16	12
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	1,570	1,109
– Reservoirs		
e. Operation expenses	88	88
f. Maintenance expenses	89	77
– Pumping stations		
g. Operation expenses (excluding energy costs)	104	25
h. Energy costs	42	99
i. Maintenance expenses	51	33
– Treatment		
j. Operation expenses (excluding chemical costs)	695	642
k. Chemical costs	194	283
l. Maintenance expenses	238	208
– Other		
m. Operation expenses	113	25
n. Maintenance expenses	133	538
o. Purchase of water	1,310	1,359
3. Depreciation expenses		
a. System assets	3,987	3,905
b. Plant and equipment	170	167
4. Miscellaneous expenses		
a. Interest expenses	127	140
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	11,553	11,695

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)	3,212	2,626
b. Usage charges	6,232	6,325
7. Non-residential charges		
a. Access (including rates)	526	524
b. Usage charges	2,806	2,139
8. Extra charges	25	25
9. Interest income	981	674
10. Other income	1,654	2,554
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	193	193
c. Other grants	–	–
12. Contributions		
a. Developer charges	2,514	2,465
b. Developer provided assets	2,015	885
c. Other contributions	2,124	–
13. Total income	22,282	18,410
14. Gain (or loss) on disposal of assets	(792)	(408)
15. Operating result	9,937	6,307
15a. Operating result (less grants for acquisition of assets)	9,937	6,307

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	657	289
b. New assets for growth	4,137	885
c. Renewals	465	998
d. Plant and equipment	368	–
17. Repayment of debt	252	275
18. Totals	5,879	2,447
Non-operating funds employed		
19. Proceeds from disposal of assets	213	167
20. Borrowing utilised	–	–
21. Totals	213	167
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	18,027	17,601
b. Residential (unoccupied, ie. vacant lot)	601	617
c. Non-residential (occupied)	1,538	1,453
d. Non-residential (unoccupied, ie. vacant lot)	399	404
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 350,414	\$ 351,786

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	11,406	–	11,406
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	32,514	–	32,514
26. Receivables			
a. Specific purpose grants	129	–	129
b. Rates and availability charges	–	–	–
c. User charges	3,061	–	3,061
d. Other	1	–	1
27. Inventories	544	–	544
28. Property, plant and equipment			
a. System assets	–	208,318	208,318
b. Plant and equipment	–	1,172	1,172
29. Other assets	–	–	–
30. Total assets	47,655	209,490	257,145
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	859	–	859
33. Borrowings	265	2,017	2,282
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	471	33	504
35. Total liabilities	1,595	2,050	3,645
36. NET ASSETS COMMITTED	46,060	207,440	253,500
EQUITY			
37. Accumulated surplus			73,701
38. Asset revaluation reserve			179,799
39. Other reserves			–
40. TOTAL EQUITY			253,500
Note to system assets:			
41. Current replacement cost of system assets			359,822
42. Accumulated current cost depreciation of system assets			(151,504)
43. Written down current cost of system assets			208,318

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	823	1,737
b. Engineering and supervision	3,020	1,593
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	823	742
– Pumping stations		
c. Operation expenses (excluding energy costs)	242	280
d. Energy costs	173	231
e. Maintenance expenses	271	182
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,626	895
g. Chemical costs	226	232
h. Energy costs	384	574
i. Effluent management	56	68
j. Biosolids management	203	71
k. Maintenance expenses	402	269
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	3,743	3,704
b. Plant and equipment	170	180
4. Miscellaneous expenses		
a. Interest expenses	877	1,081
b. Revaluation decrements	–	–
c. Other expenses	12	10
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	13,051	11,849

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)	12,871	11,930
7. Non-residential charges		
a. Access (including rates)	1,656	1,526
b. Usage charges	987	769
8. Trade waste charges		
a. Annual fees	47	40
b. Usage charges	225	168
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	31	28
10. Interest income	604	380
11. Other income	1,787	1,529
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	172	173
c. Other grants	–	–
13. Contributions		
a. Developer charges	2,719	2,692
b. Developer provided assets	5,807	2,352
c. Other contributions	2,891	–
14. Total income	29,797	21,587
15. Gain (or loss) on disposal of assets	(1,798)	(585)
16. Operating result	14,948	9,153
16a. Operating result (less grants for acquisition of assets)	14,948	9,153

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	275	431
b. New assets for growth	8,665	2,352
c. Renewals	547	1,041
d. Plant and equipment	447	–
18. Repayment of debt	2,615	2,608
19. Totals	12,549	6,432
Non-operating funds employed		
20. Proceeds from disposal of assets	89	41
21. Borrowing utilised	–	–
22. Totals	89	41
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	15,738	15,466
b. Residential (unoccupied, ie. vacant lot)	452	453
c. Non-residential (occupied)	1,014	1,115
d. Non-residential (unoccupied, ie. vacant lot)	134	136
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 312,897	\$ 314,122

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	9,057	–	9,057
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	18,970	–	18,970
27. Receivables			
a. Specific purpose grants	115	–	115
b. Rates and availability charges	–	–	–
c. User charges	4,326	–	4,326
d. Other	6	–	6
28. Inventories	51	–	51
29. Property, plant and equipment			
a. System assets	–	252,953	252,953
b. Plant and equipment	–	1,060	1,060
30. Other assets	–	–	–
31. Total assets	32,525	254,013	286,538
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	602	–	602
34. Borrowings	2,434	15,686	18,120
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	681	50	731
36. Total liabilities	3,717	15,736	19,453
37. NET ASSETS COMMITTED	28,808	238,277	267,085
EQUITY			
38. Accumulated surplus			131,068
39. Asset revaluation reserve			136,017
40. Other reserves			–
41. TOTAL EQUITY			267,085
Note to system assets:			
42. Current replacement cost of system assets			356,411
43. Accumulated current cost depreciation of system assets			(103,458)
44. Written down current cost of system assets			252,953

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.

Wingecarribee 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	92	92	24	21	722	1,579	2%	36%	34%	28%	0%
	Buildings – specialised	1,089	1,089	2,100	2,071	66,145	117,174	8%	49%	39%	3%	1%
	Sub-total	1,181	1,181	2,124	2,092	66,867	118,753	7.9%	48.8%	38.9%	3.3%	1.0%
Other												
	Other structures	19	19	52	43	1,517	2,186	44%	30%	22%	4%	0%
	Sub-total	19	19	52	43	1,517	2,186	44.0%	30.0%	22.0%	4.0%	0.0%
Roads												
	Sealed roads	1,780	1,780	5,473	6,868	448,448	577,747	45%	50%	4%	1%	0%
	Unsealed roads	262	262	1,394	1,650	51,160	110,042	0%	60%	39%	1%	0%
	Bridges	542	542	29	23	10,701	20,289	85%	3%	1%	11%	0%
	Footpaths	242	242	448	437	17,456	33,310	44%	26%	27%	3%	0%
	Other road assets	195	195	1,063	620	30,171	63,628	23%	13%	63%	1%	0%
	Bulk earthworks	446	446	–	–	5,943	5,943	0%	17%	43%	40%	0%
	Sub-total	3,465	3,465	8,408	9,598	563,879	810,958	37.8%	46.1%	14.5%	1.6%	0.0%
Water supply network												
	Water supply network	2,896	2,896	1,447	1,527	200,634	351,413	66%	20%	12%	2%	0%
	Sub-total	2,896	2,896	1,447	1,527	200,634	351,413	66.0%	20.0%	12.0%	2.0%	0.0%
Sewerage network												
	Sewerage network	6,493	6,493	1,853	1,621	239,409	342,235	68%	23%	5%	1%	3%
	Sub-total	6,493	6,493	1,853	1,621	239,409	342,235	68.0%	23.0%	5.0%	1.0%	3.0%

Wingecarribee 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	5,714	5,714	500	534	92,284	125,975	25%	37%	33%	1%	4%
	Sub-total	5,714	5,714	500	534	92,284	125,975	25.0%	37.0%	33.0%	1.0%	4.0%
Open space/recreational assets	Swimming pools	201	201	600	605	11,947	14,941	66%	5%	22%	7%	0%
	Other	592	592	2,270	2,220	9,268	17,828	14%	38%	33%	14%	1%
	Sub-total	793	793	2,870	2,825	21,215	32,769	37.7%	23.0%	28.0%	10.8%	0.5%
	TOTAL – ALL ASSETS	20,561	20,561	17,254	18,240	1,185,805	1,784,289	46.3%	35.6%	15.4%	1.8%	0.9%

Notes:

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

During the reporting period, the Wingecarribee Shire experienced significant inclement weather which caused substantial damage to the road network. As a result of the storm event we were required to spend additional funds on road maintenance to repair the damage caused. This is the reason we have reported to spend \$1.19 million more than is required to be spent in annual maintenance of the road network.

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

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	13,515	60.94%	>= 100%	65.76%	47.80%
Depreciation, amortisation and impairment	22,179				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	20,561	2.12%	< 2%	1.83%	2.24%
Net carrying amount of infrastructure assets	968,548				
3. Asset maintenance ratio					
Actual asset maintenance	18,240	1.06	> 1.00	0.81	0.95
Required asset maintenance	17,254				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	20,561	1.15%		1.16%	1.55%
Gross replacement cost	1,784,289				

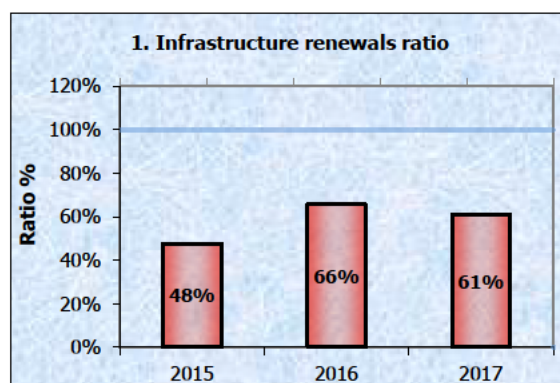
Notes

* 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.

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017



Benchmark: — Minimum $\geq 100.00\%$

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

Purpose of asset renewals ratio

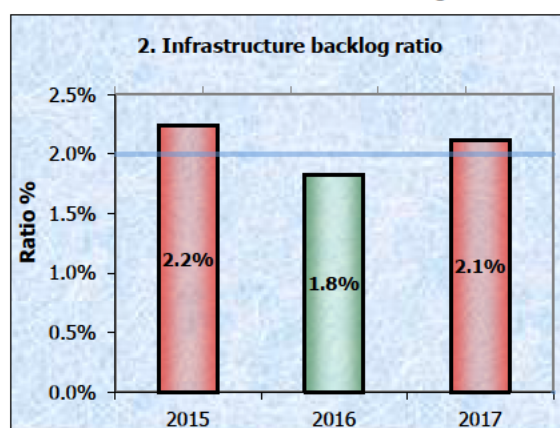
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 60.94%

While there has been a decline in this ratio when compared to the previous financial year. Council has recently implemented its Investing in our Future Special Rate Variation program which will see this ratio improve in future years. Council has recently established a dedicated project delivery team which will contribute to the delivery of infrastructure renewal projects across the shire.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

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

Purpose of infrastructure backlog ratio

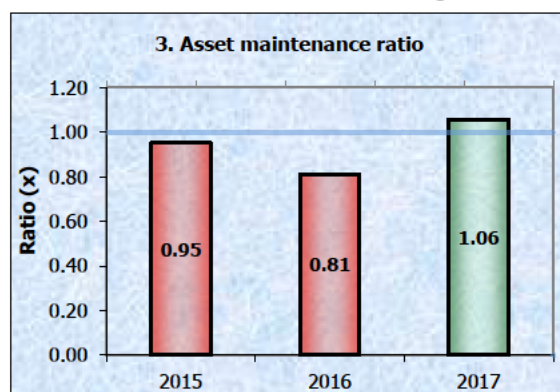
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 2.12%

The level of infrastructure backlog reported for the 2016/17 financial year has been impacted by the significant increase in water and sewer infrastructure valuations. There has also been a significant increase in the estimated cost to bring stormwater drainage assets back to a satisfactory standard as shown in special schedule 7. With the recently implemented Investing in our Future Special Rate Variation program, this ratio will fall below the industry benchmark of 2.00% over the coming years.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

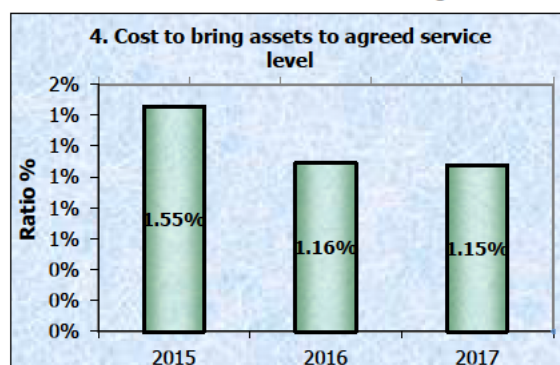
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2016/17 result

2016/17 Ratio 1.06 x

This ratio has been distorted due to major repairs works undertaken across the shire as a result of the June 2016 east coast low storm event. Council was required to undertake an additional \$1.8million in works to repair damages to road, bridge and drainage infrastructure. Notwithstanding that extraordinary event, Council will continue to improve this ratio as a result of the recently implemented Investing in our Future Special Rate Variation program.

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.

Commentary on 2016/17 result

2016/17 Ratio 1.15%

This ratio remains relatively stable compared to the 2015/16 financial year. Council expects that this ratio will continue to improve as a result of the recently implemented Investing in our Future Special Rate Variation program.

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⁾				
Depreciation, amortisation and impairment	>= 100%	11.64%	14.61%	86.58%
	prior period:	25.44%	27.97%	87.62%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard				
Net carrying amount of infrastructure assets	< 2%	1.44%	2.71%	2.11%
	prior period:	1.96%	2.65%	1.48%
3. Asset maintenance ratio				
Actual asset maintenance				
Required asset maintenance	> 1.00	1.06	0.87	1.08
	prior period:	0.69	0.61	0.86
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council				
Gross replacement cost		0.82%	1.90%	1.02%

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.

Wingecarribee 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	34,396	37,606
Plus or minus adjustments ⁽²⁾	b	242	447
Notional general income	c = (a + b)	34,638	38,053
Permissible income calculation			
Special variation percentage ⁽³⁾	d	8.55%	9.25%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	2,962	3,520
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	k = (c + g + h + i + j)	37,600	41,573
Plus (or minus) last year's carry forward total	l	11	5
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	11	5
Total permissible income	o = k + n	37,611	41,578
Less notional general income yield	p	37,606	41,492
Catch-up or (excess) result	q = o - p	5	86
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	(5)
Carry forward to next year	t = q + r - s	5	81

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

Wingecarribee Shire Council

To the Councillors of Wingecarribee 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 Wingecarribee Shire Council (the Council) for the year ending 30 June 2017.

In my opinion, Special Schedule No. 8 of Wingecarribee 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:

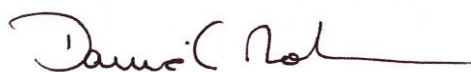
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

16 October 2017
SYDNEY

Wingecarribee Shire Council

General Purpose Financial Statements

For the year ended 30 June 2018



www.wsc.nsw.gov.au

Wingecarribee Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

68 Elizabeth Street
Moss Vale NSW 2577

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

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

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

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

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Wingecarribee Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 12 September 2018.



Clr Duncan Gair
Mayor
28 September 2018



Clr Peter Nelson
Councillor
28 September 2018



Ann Prendergast
General Manager
28 September 2018



Richard Mooney
Responsible Accounting Officer
28 September 2018

Chief Financial Officer's Report

This report provides additional commentary on the Financial Statements and Schedules of Wingecarribee Shire Council (Council) for the period ended 30 June 2018.

It also provides readers with an outline of significant changes to Council's accounting and reporting environment over the past 12 months. This report should be read in conjunction with the accompanying financial statements and notes.

Significant Changes to Accounting and Reporting Environment

Changes to Accounting Standards

There were no major changes to accounting standards which were required to be applied to the reporting period ending 30 June 2018.

There are a number of new accounting standards which have been published but are not yet mandatory. As such Council has not applied these standards in the current reporting period. Further details regarding these new standards are contained in Note 1.

Changes to the Local Government Code of Accounting Practice and Financial Reporting

Update number 26 of the Local Government Code of Accounting Practice and Financial Reporting (The Code) was released in April 2018.

The Code essentially provides all councils across NSW with guidance on the reporting disclosures and presentation of financial information to ensure compliance with Australian Accounting Standards. Major changes to the code for the reporting period ending 30 June 2018 include:

- The re-numbering of the notes accompanying the financial statements,
- The inclusion of relevant accounting policy statements under the relevant note (previously contained in Note 1),
- The removal of notes which are not relevant to the specific circumstances of the reporting Council.

Operating Result

A summary of Council's financial performance for the period ending 30 June 2018 (by fund) is shown in the table below:

'000s	Water Fund	Sewer Fund	General Fund
Total Revenue	\$25,919	\$32,709	\$97,715
Total Expenses	\$13,457	\$15,216	\$75,814
Operating Result	\$12,462	\$17,493	\$21,901
Capital Grants & Contributions	\$9,439	\$13,939	\$24,807
Operating Result before Capital Contributions	\$3,023	\$3,554	(\$2,906)

Net Operating Result (Including Capital Items)

The net operating result (consolidated) for the year ending 30 June 2018 is a surplus of \$51.856M. This includes all capital grants and contributions.

This result is in part due to the recognition of \$23.694M in non-cash infrastructure dedications and assets previously not accounted for. Council also received \$20.236M in developer contributions and other contributions during the 2017/18 financial year.

It is important to note that while Council has reported an operating surplus of \$51.856M, it continues to maintain a balanced budget position. The majority of this surplus is the recognition of non-cash infrastructure or contributions which must be restricted for the purposes of future infrastructure.

The operating result of \$51.856M represents an increase of \$10.947M when compared to the operating result for the period ending 30 June 2017 of \$40.909M. This increase is in part due to an increase in water and sewer developer contributions and an increase in non-cash subdivision dedications.

Revenue from water and sewer developer contributions increased by \$9.824M compared to the previous financial year. This was due to a moratorium being issued for all outstanding consents prior to the adoption of revised Development Servicing Plans.

Non-Cash contributions from subdivision dedications (Infrastructure Assets) also increased by \$6.789M when compared to the previous financial year. This increase highlights the continued urban development which is occurring across the shire.

Net Operating Result (Before Capital Items)

Council achieved a surplus before capital grants and contributions of \$3.671M (consolidated). This is a net reduction in the operating result of \$3.385M when compared to the operating result reported for the year ending 30 June 2017 of \$7.056M.

The reduction in the operating result when compared to the 2016/17 financial year is in part due to the advance payment of the Financial Assistance Grant (\$2.425M) and the recovery of CDO Investments Funds (\$4.756M) which were disclosed in the financial reports for the period ending 30 June 2017.

Comments on major variations compared to the 2017/18 original budget are included in note 18 of the General Purpose Financial Statements.

Investing in our Future Special Rate Variation

Council's rating revenues continue to increase in line with the Investing in our Future - Special Rate Variation which was approved by the Independent Pricing and Regulatory Tribunal (IPART) in May 2016.

The second year of this program has generated an additional \$2.603M above rate pegging for additional maintenance and infrastructure renewal works across the shire. Further information on how these funds have been spent is contained in Council's Annual Report.

Balance Sheet

The reportable balance of net assets (equity) as at 30 June 2018 is \$1.578B. This has increased by \$151M (up from \$1.427B) since the 2016/17 financial year.

This includes the revaluation of Council's Buildings, Operational Land and open space assets of \$98.847M. This revaluation was undertaken in accordance with the Office of Local Government's former infrastructure revaluation cycle and reflects the age, condition and replacement cost of buildings and open space assets.

Cash and Investments have increased by \$24.783M which is primarily a result of revenue which has been generated for externally restricted activities such as water and sewer operations and developer contributions.

Council's overall liabilities have remained relatively stable at \$50.254M. These liabilities primarily consist of outstanding loans (\$31.619M) and employee leave entitlements (\$7.662M).

Performance Measures

Council's financial performance is measured against a range of financial and asset management benchmarks. These ratios are disclosed in note 23 and special schedule seven of these financial reports.

Council continues to exceed all of the financial benchmarks however there are a number of asset management benchmarks which fall below the industry benchmark, namely the infrastructure renewal ratio and asset maintenance ratio.

Council recently updated its Long Term Financial Plan, which was adopted in June 2018. Council remains on track to meet the required benchmarks as outlined within its Improvement Plan under the NSW State Government Reform Agenda for its General Fund Operations.

Richard Mooney
Chief Financial Officer

Wingecarribee Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
66,206	Rates and annual charges	3a	67,674	62,344
18,920	User charges and fees	3b	23,073	21,189
3,248	Interest and investment revenue	3c	3,790	3,521
3,926	Other revenues	3d	4,686	9,253
8,811	Grants and contributions provided for operating purpose:	3e,f	8,935	13,479
8,752	Grants and contributions provided for capital purposes	3e,f	48,185	33,853
109,863	Total income from continuing operations		156,343	143,639
Expenses from continuing operations				
36,252	Employee benefits and on-costs	4a	33,379	32,342
1,585	Borrowing costs	4b	1,581	1,813
22,168	Materials and contracts	4c	24,114	26,064
24,047	Depreciation and amortisation	4d	27,547	24,752
15,665	Other expenses	4e	14,971	14,908
–	Net losses from the disposal of assets	5	2,895	2,851
99,717	Total expenses from continuing operations		104,487	102,730
10,146	Operating result from continuing operations		51,856	40,909
10,146	Net operating result for the year		51,856	40,909
10,146	Net operating result attributable to Council		51,856	40,909
1,394	Net operating result for the year before grants and contributions provided for capital purposes		3,671	7,056

Wingecarribee Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		51,856	40,909
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	98,847	68,848
Total items which will not be reclassified subsequently to the operating result		98,847	68,848
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		98,847	68,848
Total comprehensive income for the year		150,703	109,757
Total comprehensive income attributable to Council		150,703	109,757

Wingecarribee Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	11,133	4,350
Investments	6b	143,500	125,500
Receivables	7	15,475	14,730
Inventories	8	1,185	1,098
Other	8	416	419
Total current assets		171,709	146,097
Non-current assets			
Receivables	7	253	313
Infrastructure, property, plant and equipment	10	1,456,321	1,334,560
Total non-current assets		1,456,574	1,334,873
TOTAL ASSETS		1,628,283	1,480,970
LIABILITIES			
Current liabilities			
Payables	11	10,088	9,807
Income received in advance	11	867	696
Borrowings	11	4,478	4,148
Provisions	12	7,199	6,907
Total current liabilities		22,632	21,558
Non-current liabilities			
Payables	11	18	23
Borrowings	11	27,141	31,618
Provisions	12	463	445
Total non-current liabilities		27,622	32,086
TOTAL LIABILITIES		50,254	53,644
Net assets		1,578,029	1,427,326
EQUITY			
Accumulated surplus	13	674,782	622,926
Revaluation reserves	13	903,247	804,400
Total equity		1,578,029	1,427,326

Wingecarribee Shire Council

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

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
Opening balance		622,926	804,400	1,427,326	582,017	735,552	1,317,569
Net operating result for the year as reported in the 2017 financial statements		51,856	–	51,856	40,909	–	40,909
Net operating result for the year		51,856	–	51,856	40,909	–	40,909
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	98,847	98,847	–	68,848	68,848
Other comprehensive income		–	98,847	98,847	–	68,848	68,848
Total comprehensive income		51,856	98,847	150,703	40,909	68,848	109,757
Equity – balance at end of the reporting period		674,782	903,247	1,578,029	622,926	804,400	1,427,326

Wingecarribee Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
66,140	Rates and annual charges		67,569	62,251
18,655	User charges and fees		23,142	21,404
3,287	Investment and interest revenue received		3,442	2,724
17,955	Grants and contributions		34,384	26,267
–	Bonds, deposits and retention amounts received		254	221
5,071	Other		9,697	14,317
Payments:				
(36,135)	Employee benefits and on-costs		(33,299)	(32,249)
(22,814)	Materials and contracts		(28,204)	(27,720)
(1,621)	Borrowing costs		(1,589)	(1,772)
(15,664)	Other		(16,799)	(16,909)
34,874	Net cash provided (or used in) operating activities	14b	58,597	48,534
Cash flows from investing activities				
Receipts:				
5,423	Sale of investment securities		120,500	135,500
1,833	Sale of infrastructure, property, plant and equipment		1,075	1,919
–	Deferred debtors receipts		132	141
Payments:				
(1,716)	Purchase of investment securities		(138,500)	(170,000)
(36,214)	Purchase of infrastructure, property, plant and equipment		(30,737)	(23,419)
–	Purchase of real estate assets		(85)	–
(30,674)	Net cash provided (or used in) investing activities		(47,615)	(55,859)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(4,200)	Repayment of borrowings and advances		(4,199)	(4,283)
(4,200)	Net cash flow provided (used in) financing activities		(4,199)	(4,283)
–	Net increase/(decrease) in cash and cash equivalents		6,783	(11,608)
6,000	Plus: cash and cash equivalents – beginning of year	14a	4,350	15,958
6,000	Cash and cash equivalents – end of the year	14a	11,133	4,350
Additional Information:				
plus:	Investments on hand – end of year	6b	143,500	125,500
	Total cash, cash equivalents and investments		154,633	129,850

Wingecarribee Shire Council

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

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These financial statements were authorised for issue by Council on 12 September 2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) employee benefit provisions – refer Note 12.

Significant judgements in applying the Council's accounting policies

- (iii) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water supply
- Sewerage service
- Section 355 Committees of Council

(b) The Trust Fund

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).							
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations	Total assets held (current and non-current)
	2018	2017	2018	2017	2018	2017	2018	2018
Leadership	48,976	48,443	34,677	32,676	14,299	15,767	5,474	266,443
People	4,218	5,378	8,984	9,024	(4,766)	(3,646)	1,174	37,483
Places	59,954	51,562	45,882	44,925	14,072	6,637	6,034	1,210,812
Environment	41,448	36,576	12,888	13,916	28,560	22,660	347	100,015
Economy	1,747	1,680	2,056	2,189	(309)	(509)	161	13,530
Total functions and activities	156,343	143,639	104,487	102,730	51,856	40,909	13,190	1,628,283

Wingecarribee Shire Council

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

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

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

Leadership

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; corporate support and other support services.

People

Includes fire protection, emergency services, enforcement of regulations and animal control; social protection (welfare); aboriginal and other community services and administration; youth services; aged and disabled persons services; swimming pools; children's services, including family day care; child care; and other family and children services.

Places

Includes urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes; public cemeteries; public conveniences; street lighting; town planning; public libraries; community centres and halls; sporting grounds and venues; parks; gardens and other sporting and recreational services; water supplies; sewerage services; drainage; stormwater management; quarries and pits.

Environment

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

Economy

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; and Southern Regional Livestock Exchange (SRLX).

Wingecarribee Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	29,882	26,620
Farmland	4,403	4,124
Mining	112	102
Business	5,174	4,723
Total ordinary rates	39,571	35,569
Special rates		
Special environmental levy	1,186	1,141
Total special rates	1,186	1,141
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	7,778	7,344
Stormwater management services	510	504
Water supply services	3,301	3,212
Sewerage services	15,328	14,574
Total annual charges	26,917	25,634
TOTAL RATES AND ANNUAL CHARGES	67,674	62,344

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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

In May 2016, the Independent Pricing and Regulatory Tribunal (IPART) approved a Special Rating Variation (SRV) under section 508A of the Local Government Act, 1993. The application was submitted to IPART to ensure financial sustainability of the Wingecarribee Shire by funding the identified asset maintenance and renewal funding gap and backlog to achieve the sustainability indicators set by the NSW State Government's 'Fit for the Future' Local Government Reform Program.

This enables Council to use the additional revenue from the special variation to fund operating and capital expenditure for:

- the continuation of the Wingecarribee Our Future Environment program;
- increased infrastructure maintenance for roads, buildings, drainage and parks;
- infrastructure renewals for roads, buildings, drainage and parks; and
- asset upgrades for roads and drainage.

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	9,611	8,018
Sewerage services	1,316	1,193
Waste management services (non-domestic)	3,976	4,269
Total specific user charges	14,903	13,480
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	1,653	1,682
Inspection services	52	49
Planning and building regulation	2,131	1,952
Private works – section 67	386	185
Section 149 certificates (EPA Act)	210	223
Section 603 certificates	173	181
Total fees and charges – statutory/regulatory	4,605	4,272
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	477	444
GIPA fees	8	5
Leaseback fees – Council vehicles	387	345
Other waste management	4	2
Permits and licences	214	248
Pound fees and animal income	139	129
Sewer	171	229
Swimming centres	1,784	1,654
Water connections	354	345
Other	27	36
Total fees and charges – other	3,565	3,437
TOTAL USER CHARGES AND FEES	23,073	21,189

Accounting policy for user charges and fees

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

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	167	158
– Cash and investments	3,604	3,340
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	19	23
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>3,790</u>	<u>3,521</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	111	158
General Council cash and investments	950	1,300
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	315	348
– Section 64 – Water	398	249
– Section 64 – Sewer	342	152
– Section 64 – Stormwater	92	74
Water fund operations	928	757
Sewerage fund operations	654	483
<u>Total interest and investment revenue recognised</u>	<u>3,790</u>	<u>3,521</u>

Accounting policy for interest and investment revenue

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

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Fines		85	63
Fines – parking		290	316
Legal fees recovery – rates and charges (extra charges)		521	341
Cemeteries		288	287
Commissions and agency fees		96	157
Hall and room rental		93	65
Lease rental		660	582
Library		2	3
Other waste income		85	84
Printing and photocopying		6	8
Quarries income		182	213
Rebates and reimbursements		527	444
Recovery of lehman bros CDOs		18	4,756
Sales – general		109	125
Saleyards income		1,020	1,009
Sewerage supplies		–	24
Swimming centres		113	123
Tourism income		399	371
Tulip time		128	246
Water supplies		49	17
Other		15	19
<u>TOTAL OTHER REVENUE</u>		<u>4,686</u>	<u>9,253</u>

Accounting policy for other revenue

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

Parking fines are recognised when the penalty has been applied.

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

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

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

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	5,033	7,130	–	–
Other				
Pensioners' rates subsidies – general component	440	452	–	–
Total general purpose	5,473	7,582	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	190	193	–	–
– Sewerage	170	172	–	–
– Domestic waste management	136	149	–	–
Aged and disabled	45	37	–	–
Child care	42	54	–	–
Community care	8	18	–	–
Childrens services	452	456	–	–
Environmental protection	73	37	–	–
Heritage and cultural	20	25	–	–
Housing and community	87	151	–	–
Noxious weeds	–	97	–	–
NSW rural fire services	336	659	555	323
Recreation and culture	210	205	287	21
Street lighting	107	105	–	–
Transport and communication	1,137	1,129	3,860	4,817
Youth services	2	2	–	–
Total specific purpose	3,015	3,489	4,702	5,161
Total grants	8,488	11,071	4,702	5,161
Grant revenue is attributable to:				
– Commonwealth funding	5,529	7,647	814	2,799
– State funding	2,959	3,424	3,888	2,353
– Other funding	–	–	–	9
	8,488	11,071	4,702	5,161

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	3,514	1,345
S 7.12 – fixed development consent levies		–	–	148	40
S 64 – water supply contributions		–	–	7,171	2,235
S 64 – sewerage service contributions		–	–	7,074	2,719
S 64 – stormwater contributions		–	–	1,059	526
Other developer contributions (VPA)		–	–	519	61
Total developer contributions		–	–	19,485	6,926
Total developer contributions	21	–	–	19,485	6,926
Other contributions:					
Bushfire services		–	–	145	1,263
Child care services		3	8	–	–
Discovered assets		–	–	1,520	5,164
Emergency services levy implementation		3	109	–	–
Local infrastructure renewal scheme (lirs)		176	195	–	–
Management committees		164	166	–	–
Storm damage		75	1,837	–	–
Subdivider dedications		–	–	22,029	15,240
Tree clearance		–	72	–	–
Other		26	21	304	99
Total other contributions		447	2,408	23,998	21,766
Total other contributions		447	2,408	23,998	21,766
Total contributions		447	2,408	43,483	28,692
TOTAL GRANTS AND CONTRIBUTIONS		8,935	13,479	48,185	33,853

Accounting policy for contributions

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

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

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

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Grants		
Unexpended at the close of the previous reporting period	708	1,465
Add: operating grants recognised in the current period but not yet spent	452	638
Less: operating grants recognised in a previous reporting period now spent	(234)	(1,395)
Unexpended and held as restricted assets (operating grants)	926	708
Contributions		
Unexpended at the close of the previous reporting period	33,434	28,725
Add: contributions received for the provision of goods and services in a future period	19,485	6,926
Less: contributions recognised in a previous reporting period now spent	(1,258)	(2,217)
Unexpended and held as restricted assets (contributions)	51,661	33,434

Wingecarribee Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	27,459	26,260
Travel expenses	34	54
Employee leave entitlements (ELE)	3,013	2,729
Superannuation	2,950	2,844
Workers' compensation insurance	1,035	1,259
Fringe benefit tax (FBT)	62	84
Payroll tax	296	270
Training costs (other than salaries and wages)	474	571
Other	75	58
Total employee costs	35,398	34,129
Less: capitalised costs	(2,019)	(1,787)
TOTAL EMPLOYEE COSTS EXPENSED	33,379	32,342

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	1,529	1,746
Total interest bearing liability costs expensed	1,529	1,746
(ii) Other borrowing costs		
Interest applicable on interest free (and favourable) loans to Council	52	67
Total other borrowing costs	52	67
TOTAL BORROWING COSTS EXPENSED	1,581	1,813

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. No borrowing costs were capitalised during the year ended 30 June 2018.

Wingecarribee Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	15,700	15,016
Contractor and consultancy costs	35,312	32,804
Auditors remuneration ⁽²⁾	142	135
Legal expenses:		
– Legal expenses: planning and development	929	324
– Legal expenses: other	571	474
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	171	183
Other	7	21
Total materials and contracts	52,832	48,957
Less: capitalised costs	(28,718)	(22,893)
TOTAL MATERIALS AND CONTRACTS	24,114	26,064

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	171	183
	171	183

2. Auditor remuneration

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

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

Audit and review of financial statements	95	94
Remuneration for audit and other assurance services	95	94
Total Auditor-General remuneration	95	94

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

Due diligence services	47	41
Remuneration for audit and other assurance services	47	41
Total remuneration of non NSW Auditor-General audit firms	47	41
Total Auditor remuneration	142	135

Wingecarribee Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,272	2,253
Office equipment		204	199
Furniture and fittings		37	35
Infrastructure:			
– Buildings – non-specialised		34	12
– Buildings – specialised		1,931	2,032
– Other structures		120	65
– Roads		9,709	9,439
– Bridges		180	174
– Footpaths		693	676
– Stormwater drainage		1,156	1,108
– Water supply network		4,859	3,977
– Sewerage network		5,109	3,725
– Swimming pools		275	215
– Other open space/recreational assets		850	756
Other assets:			
– Library books		117	85
– Other		1	1
Total depreciation and amortisation costs		27,547	24,752
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		27,547	24,752

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

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

Impairment of non-financial assets

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

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

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

Wingecarribee Shire Council

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

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Impairment of financial assets

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

\$ '000	2018	2017
(e) Other expenses		
Advertising	309	319
Bad and doubtful debts	17	18
Bank charges	304	255
Chemicals	729	674
Clothing	112	102
Computer hardware maintenance	62	67
Computer software charges	792	728
Contributions/levies to other levels of government	1,403	1,221
– Emergency services levy (includes FRNSW, SES, and RFS levies)	712	734
Councillor expenses – mayoral fee	42	40
Councillor expenses – councillors' fees	174	165
Donations, contributions and assistance to other organisations (Section 356)	712	973
Election expenses	–	263
Electricity and heating	1,910	1,537
Equipment and fittings M and R	295	440
EPA licence	57	37
Freight	15	22
Insurance	1,116	1,125
Licence – other	47	57
Postage	225	227
Printing and stationery	367	337
Promotions	75	131
Rent	35	25
Security services	29	39
Street lighting	656	638
Subscriptions and publications	240	256
Telephone and communications	227	285
Valuation fees	229	157
Waste disposal costs	2,246	2,085
Water purchases	1,399	1,316
Water determination	97	70
Other	338	565
TOTAL OTHER EXPENSES	14,971	14,908

Accounting policy for other expenses

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		–	393
Less: carrying amount of property assets sold/written off		–	(281)
Net gain/(loss) on disposal		–	112
Infrastructure, plant and equipment	10		
Proceeds from disposal – plant and equipment		1,075	995
Less: carrying amount of plant and equipment assets sold/written off		(3,970)	(4,054)
Net gain/(loss) on disposal		(2,895)	(3,059)
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		120,500	135,500
Less: carrying amount of financial assets sold/redeemed/matured		(120,500)	(135,500)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’	9		
Proceeds from disposal – non-current assets ‘held for sale’		–	531
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(435)
Net gain/(loss) on disposal		–	96
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,895)	(2,851)

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	630	765
Cash-equivalent assets		
– Deposits at call	5,503	3,585
– Short-term deposits	5,000	–
Total cash and cash equivalents	11,133	4,350

Accounting policy for cash and cash equivalents

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

Wingecarribee Shire Council

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
'Held to maturity'	143,500	—	125,500	—
Total investments	143,500	—	125,500	—
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	154,633	—	129,850	—
Held to maturity investments				
Long term deposits	143,500	—	125,500	—
Total	143,500	—	125,500	—

Accounting policy for investments

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.

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. Assets in this category are measured at amortised cost.

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. Investments 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.

Impairment of available for sale investments

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.

Wingecarribee Shire Council

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

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	154,633	–	129,850	–
attributable to:				
External restrictions (refer below)	120,038	–	90,488	–
Internal restrictions (refer below)	34,342	–	37,998	–
Unrestricted	253	–	1,364	–
	154,633	–	129,850	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	14,029	10,309
Developer contributions – water fund	17,934	11,406
Developer contributions – sewer fund	15,916	9,057
Developer contributions – stormwater	3,782	2,662
Specific purpose unexpended grants	926	708
Water supplies	37,617	32,514
Sewerage services	24,008	18,970
Domestic waste management	3,779	2,740
Stormwater management	537	527
Environment levy	569	564
Quarry royalties	941	1,031
External restrictions – other	120,038	90,488
Total external restrictions	120,038	90,488

Wingecarribee Shire Council

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

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

\$ '000	2018	2017
Internal restrictions		
Contribution to Works	12	–
Alexandra square	4	4
Bonds and deposits	2,583	2,329
Bowral memorial hall	443	464
Bridges	988	1,038
Business transformation	1,945	2,000
Capital projects	2,278	2,156
Carry-over works	1,862	697
Cemeteries	461	382
Computer	99	46
Effluent disposal	63	63
Election expenses	94	–
Emergency assistance	50	50
Employees leave entitlement	1,533	1,423
Civic Centre refurbishment	5,271	5,505
Family day care	225	156
Financial assistance grant	2,548	2,425
Investing in our future	1,129	587
IRS	59	2,482
Land rental charge	5,079	5,427
Management committees	280	303
MVWMAC loan	–	2,526
Waste Facilities General Fund	1,413	2,678
Plant replacement	1,619	1,222
Property operations (PDR)	2,569	2,274
Renwick asset management	134	99
Revolving energy fund	196	93
Risk management	378	308
Roadside spoil management	112	225
Road resealing LIRS	–	220
Saleyards (capital improvement fund)	127	25
Saleyards (SRLX)	25	39
Tourism	2	121
Welby hockey field	631	631
Animal Shelter	30	–
Mittagong Pool	100	–
Total internal restrictions	34,342	37,998
TOTAL RESTRICTIONS	154,380	128,486

Wingecarribee Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	1,195	–	1,090	–
Interest and extra charges	321	–	334	–
User charges and fees	7,756	–	7,459	–
Accrued revenues				
– Interest on investments	2,014	–	1,672	–
– Other income accruals	330	–	358	–
Government grants and subsidies	1,625	–	1,983	–
Loans to sporting clubs	60	253	113	313
Net GST receivable	1,030	–	852	–
Debtors – building services – other	10	–	18	–
Debtors – cemeteries	18	–	2	–
Debtors – hall and room rental	2	–	8	–
Debtors – other waste income	113	–	103	–
Debtors – saleyards	97	–	67	–
Debtors – swimming centres	68	–	30	–
Domestic waste management	220	–	200	–
Bond paid by Council	40	–	–	–
Other debtors	584	–	454	–
Total	15,483	253	14,743	313
Less: provision for impairment				
User charges and fees	(8)	–	(13)	–
Total provision for impairment – receivables	(8)	–	(13)	–
TOTAL NET RECEIVABLES	15,475	253	14,730	313
Externally restricted receivables				
Water supply				
– Specific purpose grants	124	–	129	–
– Other	3,305	–	3,062	–
Sewerage services				
– Specific purpose grants	111	–	115	–
– Other	4,415	–	4,332	–
Domestic waste management	220	–	200	–
Total external restrictions	8,175	–	7,838	–
Internally restricted receivables				
– Loans to Sporting Clubs	60	253	113	313
Internally restricted receivables	60	253	113	313
Unrestricted receivables	7,240	–	6,779	–
TOTAL NET RECEIVABLES	15,475	253	14,730	313
Movement in provision for impairment of receivables			2018	2017
Balance at the beginning of the year			13	6
+ new provisions recognised during the year			8	13
– amounts already provided for and written off this year			(4)	(3)
– amounts provided for but recovered during the year			(9)	(3)
Balance at the end of the year			8	13

Wingecarribee Shire Council

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

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

Impairment

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.

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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Wingecarribee Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	135	—	50	—
Stores and materials	387	—	414	—
Trading stock	126	—	100	—
Accountable items	537	—	534	—
Total inventories at cost	1,185	—	1,098	—
<u>TOTAL INVENTORIES</u>	<u>1,185</u>	<u>—</u>	<u>1,098</u>	<u>—</u>
(b) Other assets				
Prepayments	416	—	419	—
<u>TOTAL OTHER ASSETS</u>	<u>416</u>	<u>—</u>	<u>419</u>	<u>—</u>
Externally restricted assets				
Water				
Stores and materials	320	—	362	—
Accountable items	176	—	182	—
Total water	496	—	544	—
Sewerage				
Accountable items	48	—	51	—
Total sewerage	48	—	51	—
Total externally restricted assets	544	—	595	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	1,057	—	922	—
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>1,601</u>	<u>—</u>	<u>1,517</u>	<u>—</u>

Wingecarribee Shire Council

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

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

(i) Other disclosures

(a) Details for real estate development

Residential	135	–	50	–
Total real estate for resale	135	–	50	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	50	–	–	–
Development costs	85	–	–	–
Other properties – book value	–	–	50	–
Total costs	135	–	50	–
Total real estate for resale	135	–	50	–

Movements:

Real estate assets at beginning of the year	50	–	–	–
– Purchases and other costs	85	–	–	–
– Transfers in from (out to) Note 10	–	–	50	–
Total real estate for resale	135	–	50	–

Accounting policy**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Wingecarribee Shire Council

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

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	Assets 'held for sale'	
	2018	2017
Reconciliation of non-current assets 'held for sale'		
Opening balance	—	847
Less: carrying value of assets/operations sold	—	(435)
Balance still unsold after 12 months:	—	412
Less: assets no longer classified as 'held for sale'	—	(412)
Closing balance of 'held for sale'	—	—
non-current assets and operations	—	—

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will 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 property that are carried at fair value.

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.

Wingecarribee Shire Council

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

Note 10. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	W P transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	4,564	–	4,564	5,990	1,312	(78)	–	(2,500)	–	–	–	9,295	7	9,288
Plant and equipment	29,940	13,202	16,738	–	2,817	(1,618)	(2,272)	–	–	–	–	28,885	13,220	15,665
Office equipment	8,029	7,476	553	–	46	(1)	(204)	–	–	–	–	8,060	7,666	394
Furniture and fittings	1,470	1,238	232	–	11	–	(37)	–	–	–	–	1,480	1,274	206
Land														
– Operational land	49,196	–	49,196	–	2,449	–	–	–	15,767	–	70,242	137,654	–	137,654
– Community land	77,060	–	77,060	–	–	–	–	–	(15,767)	–	–	61,293	–	61,293
Infrastructure														
– Buildings – non-specialised	1,578	856	722	–	398	(87)	(34)	–	–	(27)	–	1,285	313	972
– Buildings – specialised	117,173	51,028	66,145	837	1,635	(85)	(1,931)	431	–	–	17,585	120,367	35,750	84,617
– Other structures	2,188	671	1,517	–	263	–	(120)	291	(47)	–	1,212	5,130	2,014	3,116
– Roads	540,102	221,636	318,466	6,631	6,429	(645)	(9,709)	729	–	–	–	552,761	230,860	321,901
– Bridges	20,289	9,588	10,701	705	–	–	(180)	–	–	–	–	20,832	9,606	11,226
– Footpaths	33,308	15,853	17,455	564	1,125	(2)	(693)	221	–	–	–	35,203	16,533	18,670
– Bulk earthworks (non-depreciable)	217,257	–	217,257	2,149	15	(310)	–	–	–	–	–	219,111	–	219,111
– Stormwater drainage	125,975	33,691	92,284	718	5,269	(61)	(1,156)	–	–	–	–	131,866	34,812	97,054
– Water supply network	351,413	150,779	200,634	2,287	3,099	(303)	(4,859)	240	–	–	4,055	363,089	157,936	205,153
– Sewerage network	342,235	102,826	239,409	1,385	6,964	(765)	(5,109)	260	–	–	5,576	356,909	109,189	247,720
– Swimming pools	14,941	2,994	11,947	489	–	–	(275)	49	–	–	51	15,194	2,933	12,261
– Other open space/recreational assets	17,828	8,560	9,268	174	523	(15)	(850)	279	47	–	153	18,528	8,949	9,579
Other assets														
– Library books	4,955	4,548	407	–	147	–	(117)	–	–	–	–	5,102	4,665	437
– Other	11	6	5	–	–	–	(1)	–	–	–	–	4	–	4
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,959,512	624,952	1,334,560	21,929	32,502	(3,970)	(27,547)	–	–	(27)	98,874	2,092,048	635,727	1,456,321

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 100	Playground equipment	20
Office furniture	10 to 50	Outdoor furniture	20 to 25
Computer equipment	4	Sports surfaces	10 to 80
Vehicles	5 to 8	Fences/gates	25 to 60
Heavy plant/road making equipment	5 to 8		
Other plant and equipment	5 to 15	Buildings	
		Structure	40 to 150
		Roof	40 to 80
		Internal finishes	10 to 40
		Building services	25 to 50
Water and sewer assets		Stormwater assets	
Dam structure	100	Drains (lined)	100
Reservoir roof and structure	40 and 100	Pipes	80 to 100
Reticulation pipes	30 to 100	Flood control structures	80 to 120
Reticulation valves and hydrants	40 to 60		
Pumps	20		
Water meters	25		
Sewer manholes	70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 25	Bulk earthworks	Infinite
Sealed roads: structure	60 to 100	Swimming pools	80
Unsealed roads	14	Other open space/recreational assets	10 to 150
Bridge: concrete	100	Other infrastructure	20 to 50
Bridge: timber	50		
Footpaths (concrete)	50	Other Assets	
Culverts	100	Library books	5

Wingecarribee Shire Council

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

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads

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

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

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

Crown reserves

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

Wingecarribee Shire Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	6,209	18	6,192	23
Accrued expenses:				
– Borrowings	186	–	246	–
– Salaries and wages	1,110	–	1,040	–
Security bonds, deposits and retentions	2,583	–	2,329	–
Total payables	10,088	18	9,807	23
Income received in advance				
Payments received in advance	867	–	696	–
Total income received in advance	867	–	696	–
Borrowings				
Loans – secured ¹	4,478	27,141	4,148	31,618
Total borrowings	4,478	27,141	4,148	31,618
TOTAL PAYABLES AND BORROWINGS	15,433	27,159	14,651	31,641

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,542	1,738	1,124	2,017
Sewer	3,517	13,067	3,036	15,686
Domestic waste management	456	330	561	543
Payables and borrowings relating to externally restricted assets	5,515	15,135	4,721	18,246
Total payables and borrowings relating to restricted assets	5,515	15,135	4,721	18,246
Total payables and borrowings relating to unrestricted assets	9,918	12,024	9,930	13,395
TOTAL PAYABLES AND BORROWINGS	15,433	27,159	14,651	31,641

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 17.

Wingecarribee Shire Council

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

Note 11. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	2,066	1,863
	2,066	1,863

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	35,766	(4,199)	–	–	52	31,619
TOTAL	35,766	(4,199)	–	–	52	31,619

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	300	300
Credit cards/purchase cards	150	150
Total financing arrangements	450	450
Drawn facilities as at balance date:		
– Credit cards/purchase cards	22	19
Total drawn financing arrangements	22	19
Undrawn facilities as at balance date:		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	128	131
Total undrawn financing arrangements	428	431

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Wingecarribee Shire Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	2,684	–	2,539	–
Long service leave	4,159	463	4,024	445
RDO and TIL	356	–	344	–
<u>TOTAL PROVISIONS</u>	<u>7,199</u>	<u>463</u>	<u>6,907</u>	<u>445</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	392	26	471	33
Sewer	805	59	681	50
Domestic waste management	48	–	33	–
<u>Provisions relating to externally restricted assets</u>	<u>1,245</u>	<u>85</u>	<u>1,185</u>	<u>83</u>
Total provisions relating to restricted assets	1,245	85	1,185	83
Total provisions relating to unrestricted assets	5,954	378	5,722	362
<u>TOTAL PROVISIONS</u>	<u>7,199</u>	<u>463</u>	<u>6,907</u>	<u>445</u>

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

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

Provisions – employees benefits	4,320	4,087
	<u>4,320</u>	<u>4,087</u>

Wingecarribee Shire Council

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

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	2,539	—	4,469	—	344	7,352
Other	145	—	153	—	12	310
Total ELE provisions at end of year	2,684	—	4,622	—	356	7,662

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	2,402	—	4,357	—	300	7,059
Additional provisions	2,055	—	668	—	44	2,767
Amounts used (payments)	(1,918)	—	(556)	—	—	(2,474)
Total ELE provisions at end of year	2,539	—	4,469	—	344	7,352

Accounting policy for provisions

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

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

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

Wingecarribee Shire Council

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

Note 12. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Self-insurance

Council does not self-insure.

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

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.

Wingecarribee Shire Council

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

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	11,133	4,350
Less bank overdraft	13	—	—
Balance as per the Statement of Cash Flows		11,133	4,350
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		51,856	40,909
Adjust for non-cash items:			
Depreciation and amortisation		27,547	24,752
Net losses/(gains) on disposal of assets		2,895	2,851
Non-cash capital grants and contributions		(23,694)	(21,666)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(19)	(23)
– Interest exp. on interest-free loans received by Council (previously fair value)		52	67
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(793)	(1,122)
Increase/(decrease) in provision for doubtful debts		(5)	7
Decrease/(increase) in inventories		(2)	(103)
Decrease/(increase) in other assets		3	32
Increase/(decrease) in payables		12	1,947
Increase/(decrease) in accrued interest payable		(60)	(26)
Increase/(decrease) in other accrued expenses payable		70	(20)
Increase/(decrease) in other liabilities		425	636
Increase/(decrease) in employee leave entitlements		310	293
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		58,597	48,534
(c) Non-cash investing and financing activities			
Bushfire grants		145	1,263
Other dedications		22,029	15,239
Discovered assets		1,520	5,164
Total non-cash investing and financing activities		23,694	21,666

Wingecarribee Shire Council

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

Note 15. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	85	840
Plant and equipment	134	28
Infrastructure	1,883	1,748
Water system assets	2,283	1,378
Sewer system assets	2,197	1,735
Open Space	476	426
Total commitments	7,058	6,155
These expenditures are payable as follows:		
Within the next year	7,058	6,155
Total payable	7,058	6,155
Sources for funding of capital commitments:		
Unrestricted general funds	2,578	3,042
Externally restricted reserves	4,480	3,113
Total sources of funding	7,058	6,155
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	176	158
Later than one year and not later than 5 years	311	276
Total non-cancellable operating lease commitments	487	434

b. Non-cancellable operating leases include the following assets:

Council has entered into non-cancellable operating leases for various computer and printing equipment.

(i) No lease imposes any additional restrictions on Council in relation to additional debt or further leasing

(ii) The lease agreement included the option of renewing the lease for a period of up to 12 months.

Council must provide 30 days notice in writing if the lease is not to be extended.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme - Pool B (the scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all Councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2018 was \$348,936. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

The position is monitored annually and the Actuary has estimated that, as at 30 June 2018, a surplus exists. The requirement for additional contributions is assessed annually by the Actuary and is designed to not only restore the Funds to a satisfactory financial position but to allow the Trustee, on behalf of the employers, to commence de-risking the asset allocation and consequently reduce the market exposure risk to growth assets.

To enable this de-risking of the asset allocation to commence, additional contributions are estimated to remain in place until 30 June 2021. It is estimated that there are \$504,000 additional contributions remaining. Councils expected contributions to the Fund for the next annual reporting period are \$347,593.

(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.

Wingecarribee Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Landfill Remediation

The former landfill site at Welby requires remediation. While total costs for the project are yet to be determined it is estimated that the cost may be up to \$2,000,000. It is anticipated that funding will be from the Domestic Waste Management and Resource Recovery Reserves.

The rehabilitation plan for the site proposes to restore the site to a form that meets the relevant environmental standards and is capable of being adapted to a range of future open space uses. The timing of the rehabilitation works has not been scheduled at this point in time.

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.

Wingecarribee Shire Council

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

Note 16. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(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.

Wingecarribee Shire Council

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

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	11,133	4,350	11,133	4,350
Investments				
– 'Held to maturity'	143,500	125,500	143,500	125,500
Receivables	15,728	15,043	15,728	15,043
Total financial assets	170,361	144,893	170,361	144,893
Financial liabilities				
Payables	10,106	9,830	10,106	9,830
Loans/advances	31,619	35,766	31,619	35,766
Total financial liabilities	41,725	45,596	41,725	45,596

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 market 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.

Wingecarribee Shire Council

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

Note 17. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy was reviewed and readopted by Council and its staff in July 2017. A monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	15,463	15,463	(15,463)	(15,463)
Possible impact of a 1% movement in interest rates	1,546	1,546	(1,546)	(1,546)
2017				
Possible impact of a 10% movement in market values	12,985	12,985	(12,985)	(12,985)
Possible impact of a 1% movement in interest rates	1,299	1,299	(1,299)	(1,299)

Wingecarribee Shire Council

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

Note 17. 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.

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.

Council makes suitable provision for doubtful receivables as required.

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	83%	0%	88%
Overdue	100%	17%	100%	12%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
< 1 year overdue			758	655
1 – 2 years overdue			186	188
2 – 5 years overdue			146	163
> 5 years overdue			105	84
			1,195	1,090
Other receivables				
Current			12,107	11,850
0 – 30 days overdue			55	529
31 – 60 days overdue			608	9
61 – 90 days overdue			786	677
> 91 days overdue			985	901
			14,541	13,966

Wingecarribee Shire Council

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

Note 17. 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	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	2,583	7,523	-	-	10,106	10,106
Loans and advances	4.00%	-	5,706	18,094	13,903	37,703	31,619
Total financial liabilities		2,583	13,229	18,094	13,903	47,809	41,725
2017							
Trade/other payables	0.00%	2,329	7,501	-	-	9,830	9,830
Loans and advances	4.60%	-	5,786	20,487	19,288	45,561	35,766
Total financial liabilities		2,329	13,287	20,487	19,288	55,391	45,596

Wingecarribee Shire Council

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

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 14 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
REVENUES				
Rates and annual charges	66,206	67,674	1,468	2% F
User charges and fees	18,920	23,073	4,153	22% F
There has been an increase in user charges and fees when compared to the original budget. This increase is primarily due to the following items; water usage charges of \$2.613M, increased income for Planning and Building of \$1.127M due to increased development activity, sewer user charges of \$303K, and other water fees and charges \$298K.				
Interest and investment revenue	3,248	3,790	542	17% F
Investment income exceeded budget expectations by \$473K. The additional revenue was attributable to a larger than anticipated investment portfolio and an investment strategy which stretched the investment time horizons out to 12 months to take advantage of higher interest rates. Interest on overdue rates exceeded budget expectations by \$49K. A variation of \$19K also resulted from the amortisation (non cash) of an interest free loan.				
Other revenues	3,926	4,686	760	19% F
Other revenues have exceeded budget expectations. This is largely due to an increase in the following; Legal fees recovered \$262K, Lease rentals \$225K, Insurance rebates and reimbursements \$191K, and Cemetery income \$82K.				
Operating grants and contributions	8,811	8,935	124	1% F
Capital grants and contributions	8,752	48,185	39,433	451% F
Capital grants and contributions have exceeded budget forecasts due to the recognition of dedicated assets (non-cash) and higher than expected developer contributions. Council recognised dedicated assets valued at \$22.029M, rural fire service assets valued at \$145K, and discovered assets valued at \$1.520M. Revenue from developer contributions was \$15.435M above budget projections.				

Wingecarribee Shire Council

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

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	36,252	33,379	2,873	8% F
Borrowing costs	1,585	1,581	4	0% F
Materials and contracts	22,168	24,114	(1,946)	(9%) U
Depreciation and amortisation	24,047	27,547	(3,500)	(15%) U
Depreciation expense is \$3.5M greater than originally forecast. This is primarily due to dedicated assets and revaluation of water & sewer infrastructure in the previous year. The increased values were not known at the time of preparing the 2017/18 original budget.				
Other expenses	15,665	14,971	694	4% F
Net losses from disposal of assets	—	2,895	(2,895)	0% U
Council does not estimate the net profit/loss from the disposal of assets as part of the annual budget, instead estimates are based on the expected sales proceeds.				

Wingecarribee Shire Council

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

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

Fair value measurement hierarchy					
2018		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
WIP	30/06/18	—	—	9,288	9,288
Plant & Equipment	30/06/18	—	—	15,665	15,665
Office Equipment	30/06/18	—	—	394	394
Furniture & Fittings	30/06/18	—	—	206	206
Operational Land	30/06/18	—	—	137,654	137,654
Community Land	30/06/18	—	—	61,293	61,293
Buildings - Non Specialised	30/06/18	—	—	972	972
Buildings - Specialised	30/06/18	—	—	84,617	84,617
Other Structures	30/06/18	—	—	3,116	3,116
Roads	30/06/18	—	—	321,901	321,901
Bridges	30/06/18	—	—	11,226	11,226
Footpaths	30/06/18	—	—	18,670	18,670
Bulk Earthworks (non-depreciable)	30/06/18	—	—	219,111	219,111
Stormwater Drainage	30/06/18	—	—	97,054	97,054
Water Supply Network	30/06/18	—	—	205,153	205,153
Sewerage Network	30/06/18	—	—	247,720	247,720
Swimming Pools	30/06/18	—	—	12,261	12,261
Other Open Space/Recreational Assets	30/06/18	—	—	9,579	9,579
Library Books	30/06/18	—	—	437	437
Other	30/06/18	—	—	4	4
Total infrastructure, property, plant and equipment		—	—	1,456,321	1,456,321

Wingecarribee Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
WIP	30/06/17	—	—	4,564	4,564
Plant & Equipment	30/06/17	—	—	16,738	16,738
Office Equipment	30/06/17	—	—	553	553
Furniture & Fittings	30/06/17	—	—	232	232
Operational Land	30/06/17	—	—	49,196	49,196
Community Land	30/06/17	—	—	77,060	77,060
Buildings - Non Specialised	30/06/17	—	—	722	722
Buildings - Specialised	30/06/17	—	—	66,145	66,145
Other Structures	30/06/17	—	—	1,517	1,517
Roads	30/06/17	—	—	318,466	318,466
Bridges	30/06/17	—	—	10,701	10,701
Footpaths	30/06/17	—	—	17,455	17,455
Bulk Earthworks (non-depreciable)	30/06/17	—	—	217,257	217,257
Stormwater Drainage	30/06/17	—	—	92,284	92,284
Water Supply Network	30/06/17	—	—	200,634	200,634
Sewerage Network	30/06/17	—	—	239,409	239,409
Swimming Pools	30/06/17	—	—	11,947	11,947
Other Open Space/Recreational Assets	30/06/17	—	—	9,268	9,268
Library Books	30/06/17	—	—	407	407
Other	30/06/17	—	—	5	5
Total infrastructure, property, plant and equipment		—	—	1,334,560	1,334,560

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

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

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. 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:

Financial assets

Investments – Held to Maturity

Council obtains its fair values for held to maturity investments from audit confirmations provided by Approved Deposit Taking Institutions (ADIs).

Infrastructure, property, plant and equipment

Property, Plant & Equipment, Furniture & Fittings

Council's Plant & Equipment, Furniture & Fittings incorporates:

- Major plant Truck, tractors, street sweepers
- Fleet vehicles Cars, vans, utes etc.
- Minor plant Chainsaws, brush cutters, mowers, concrete mixers
- Furniture & fittings Desks, chairs, display systems
- Office equipment Computers, monitors, PABX, projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of consumption

- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2018) using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal.

The unobservable Level 3 inputs used include:

- Rate per square metre
- Description of land

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period.

Community Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it

In relation to community land the Office of Local Government has reviewed its position on the use of the NSW Valuer General's valuations of community land and in association with the Local Government Accounting Advisory Group; the Office has determined that community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under Clause 31 of AASB 116

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the NSW Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the NSW Valuer General did not provide a UCV.

The 'Market Approach' is used to value community land. There has been no change to the valuation process during the reporting period.

Property – Buildings (Specialised & Non-Specialised)

Council buildings comprise:

- Libraries
- Public amenities
- Sporting club houses
- Kiosks and amenities
- Depot buildings and workshops
- Community centres
- Rural Fire Service buildings

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of

factors. Buildings are physically inspected and unit rates, although based on square metres could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been no change to the valuation process during the reporting period.

Other Structures

Council's other structures incorporates the following classes of assets:

- Significant single assets such as playgrounds, floodlighting system irrigation systems, tennis courts, tennis shelters, artificial turf playing surfaces etc. and;
- Aggregated lower value assets such as recreational/park infrastructures (picnic tables, seats, bollards, fences, BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are under taken by Council staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Residual value

The "Cost Approach" is used to value other structures. There has been no change to the valuation process during the reporting period

Roads, Bridges & Footpaths

This asset class comprises:

- Road carriageways
- Bus shelters
- Car parks
- Guardrails
- Kerb and guttering
- Bridges
- Footpaths
- Traffic facilities
- Road drainage

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's Asset Management System (Conquest) contains detailed dimensions and specifications for all Council road assets.

Council applies fair values to road infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life of carriageway
- Gross replacement cost

The 'Cost Approach' is used to value road assets. There were no changes in valuation technique from prior year.

Stormwater Drainage

Council's drainage assets comprise:

- Pits
- Pipes
- Culverts
- Open channels
- Headwalls
- Various types of water quality device used to collect, store and remove stormwater

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council drainage assets.

Council applies fair values to drainage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value drainage by componentising the assets into significant parts and then rolling up these component values to provide an overall drainage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Water Supply Network

Council's water supply network comprises:

- Treatment Works
- Dams
- Reservoirs
- Pumping stations
- Water reticulation (pipes, valves, hydrants, meters, service lines)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council water assets.

Council applies fair values to water infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value water assets by componentising the assets into significant parts and then rolling up these component values to provide an overall water valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Sewerage Supply Network

Assets within this class comprise:

- Treatment works

- Pumping stations
- Sewerage reticulation (pipes, manholes, valves, vents)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council sewerage assets.

Council applies fair values to sewerage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value sewer assets by componentising the assets into significant parts and then rolling up these component values to provide an overall sewerage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Other Assets

Council's other assets comprise:

- Library books
- Reference materials
- CD's & DVD's
- Art collections

Council fair values other assets using Level 3 inputs.

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

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

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

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

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Plant & Equipment	15,665	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Office Equipment	394	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Furniture & Fittings	206	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Operational Land	137,654	Level 3	Price per square metre
Community Land	61,293	Level 3	Average unit rate based on unimproved capital value per square metre
Buildings – non-specialised	972	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Buildings – specialised	84,617	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Other Structures	3,116	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Roads	321,901	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bridges	11,226	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Footpaths	18,670	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bulk Earthworks (non-depreciable)	219,111	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Stormwater Drainage	97,054	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Water Supply Network	205,153	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Sewerage Supply Network	247,720	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Swimming Pools	12,261	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Other Open Space/Recreational Assets	9,579	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Library Books	437	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition
Other	4	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition

(5). Highest and best use

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

Wingecarribee Shire Council

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

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	1,759	1,672
Post-employment benefits	207	203
Other long-term benefits	–	13
Termination benefits	11	–
Total	1,977	1,888

Termination benefits relate to the payment of outstanding entitlements in accordance with the Local Government (State) Award 2017.

Wingecarribee Shire Council

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

Note 20. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Payment of rates and water charges to Council	1	113,365	9,105	-	-	-
Development application fees paid to Council	2	24,615	-	-	-	-
Payment by Council for the provision of services	3	49,044	-	-	-	-
2017						
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
Lease of public golf course	4	21,624	-	-	-	-
Payment of rates and water charges to Council	5	61,381	-	-	-	-
Development application submission	6	32,593	-	-	-	-
Contribution towards cost of construction of accommodation	7	198,000	-	-	-	-
Payment of waste disposal charges	8	40,798	-	-	-	-

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

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

- 1 As per Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed at Note 20b above for 2018, relates to rates and water account payments by four of Council's key management personnel (including their related parties). Council is actively pursuing settlement of the outstanding balance which is secured against property.
- 2 One of Council's KMP made payments to Council during the year in relation to a development application and subdivision certificate.
- 3 During the year various departments of Council engaged the services of a not-for-profit organisation of which one of Council's KMP is a committee member. Amounts were billed, and were due and payable, in accordance with the organisation's standard terms.
- 4 In 2009 Council entered into a 21 year lease agreement with a company of which one of Council's former KMP is a Director. The lease is managed via a rental property agent. Rent is payable by the company by quarterly instalments in advance. No amounts were outstanding as at 30 June 2017. Rent is increased annually in accordance with the Sydney Consumer Price Index.
- 5 According to Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed at Note 20b above for 2017, relates to rates and water account payments by two of Council's key management personnel (including their related parties).
- 6 A company of which one of Council's KMP is a Director submitted an application during the year with a fee payable of \$32,593. The application relates to Mittagong Road, Bowral.
- 7 Council made a contribution of \$198,000 to a not-for-profit organisation of which one of Council's KMP is a committee member. The contribution reflected the third and fourth (final) progress payments towards the construction of accommodation in accordance with an agreement resolved by Council in September 2013.
- 8 A company of which one of Council's former KMP is a Director made use of Council's Resource Recovery Centre during the year, with fees paid being \$40,798. Fees charged were in accordance with Council's published fees and charges.

Wingecarribee Shire Council

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

Note 21. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,723	1,597	–	92	(91)	–	4,321	–
Community facilities	304	88	–	4	–	–	396	–
Open Space & Community Facilities	4,144	1,135	–	126	(3)	–	5,402	–
Administration	177	287	–	2	(6)	–	460	–
Resource Recovery Centre	1	141	–	–	(141)	–	1	–
CF Library Loan	157	246	–	13	–	–	416	–
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	67	20	–	2	–	–	89	–
Land Acquisition (MVEC)	4	–	–	–	–	–	4	–
S7.11 contributions – under a plan	7,578	3,514	–	239	(241)	–	11,090	–
S7.12 levies – under a plan	211	148	–	8	(16)	–	351	–
Total S7.11 and S7.12 revenue under plans	7,789	3,662	–	247	(257)	–	11,441	–
S7.11 not under plans	1,394	–	–	38	–	–	1,432	–
S94 not under plans (VPA)	3,081	519	–	82	(519)	–	3,163	–
S64 Contributions Water	10,612	7,171	–	377	(1,040)	–	17,120	–
S64 Contributions Sewer	7,896	7,074	–	311	(558)	–	14,723	–
S64 Stormwater	2,662	1,059	–	92	(31)	–	3,782	–
Total contributions	33,434	19,485	–	1,147	(2,405)	–	51,661	–

Wingecarribee Shire Council

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN
CONTRIBUTION PLAN 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,723	1,597	–	92	(91)	–	4,321	
Community facilities	304	88	–	4	–	–	396	
Open Space & Community Facilities	4,144	1,135	–	126	(3)	–	5,402	
Administration	177	287	–	2	(6)	–	460	
Resource Recovery Centre	1	141	–	–	(141)	–	1	
CF Library Loan	157	246	–	13	–	–	416	
Total	7,506	3,494	–	237	(241)	–	10,996	–

S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration (MVEC)	1	–	–	–	–	–	1	
Future Works (MVEC)	67	20	–	2	–	–	89	
Land Acquisition (MVEC)	4	–	–	–	–	–	4	
Total	72	20	–	2	–	–	94	–

S7.12 LEVIES – UNDER A PLAN

S94A Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A	211	148	–	8	(16)	–	351	
Total	211	148	–	8	(16)	–	351	–

Wingecarribee Shire Council

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

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

S94 not under Plans (VPA)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	19	155	–	–	(155)	–	19	
Roads	465	364	–	13	(364)	–	478	
Open space	–	–	–	1	–	–	1	
Community facilities	85	–	–	2	–	–	87	
Sewer	1,163	–	–	30	–	–	1,193	
Water	794	–	–	20	–	–	814	
RRC	83	–	–	2	–	–	85	
ASH	11	–	–	–	–	–	11	
Administration	424	–	–	13	–	–	437	
Management Contribution	37	–	–	1	–	–	38	
Total	3,081	519	–	82	(519)	–	3,163	–

S94 not under Plans Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	1,394	–	–	38	–	–	1,432	
Total	1,394	–	–	38	–	–	1,432	–

Wingecarribee Shire Council

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

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	3,301	15,328	49,045
User charges and fees	10,958	1,694	10,421
Interest and investment revenue	1,326	996	1,468
Other revenues	705	582	3,399
Grants and contributions provided for operating purposes	190	170	8,575
Grants and contributions provided for capital purposes	9,439	13,939	24,807
Total income from continuing operations	25,919	32,709	97,715
Expenses from continuing operations			
Employee benefits and on-costs	2,362	3,428	27,589
Borrowing costs	114	753	714
Materials and contracts	1,140	1,871	21,103
Depreciation and amortisation	5,034	5,312	17,201
Other expenses	4,475	3,080	7,416
Net losses from the disposal of assets	332	772	1,791
Total expenses from continuing operations	13,457	15,216	75,814
Operating result from continuing operations	12,462	17,493	21,901
 Net operating result attributable to each council fund	 12,462	 17,493	 21,901
 Net operating result for the year before grants and contributions provided for capital purposes	 3,023	 3,554	 (2,906)

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.

Wingecarribee Shire Council

Notes to the Financial Statements
as at 30 June 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,889	2,795	4,449
Investments	51,662	37,129	54,709
Receivables	3,429	4,526	7,520
Inventories	496	48	641
Other	—	—	416
Total current assets	59,476	44,498	67,735
Non-current assets			
Receivables	—	—	253
Infrastructure, property, plant and equipment	220,066	264,093	972,162
Total non-current assets	220,066	264,093	972,415
TOTAL ASSETS	279,542	308,591	1,040,150
LIABILITIES			
Current liabilities			
Payables	952	860	8,276
Income received in advance	310	37	520
Borrowings	280	2,620	1,578
Provisions	392	805	6,002
Total current liabilities	1,934	4,322	16,376
Non-current liabilities			
Payables	—	—	18
Borrowings	1,738	13,067	12,336
Provisions	26	59	378
Total non-current liabilities	1,764	13,126	12,732
TOTAL LIABILITIES	3,698	17,448	29,108
Net assets	275,844	291,143	1,011,042
EQUITY			
Accumulated surplus	86,162	148,561	440,059
Revaluation reserves	189,682	142,582	570,983
Total equity	275,844	291,143	1,011,042

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.

Wingecarribee Shire Council

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

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	6,566	6.07%	9.02%	6.51%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	108,158				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	99,223	63.46%	67.05%	74.94%	> 60.00%
Total continuing operating revenue ⁽¹⁾	156,343				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	42,952	4.53x	4.86x	5.40x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	9,486				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	35,694	6.18x	5.98x	5.28x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,780				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,516	2.17%	2.22%	2.20%	< 10% regional & rural
Rates, annual and extra charges collectible	69,786				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	154,633	22.07 mths	18.8 mths	15.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	7,008				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

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

Wingecarribee Shire Council

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

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
	-0.90%	-2.24%	19.04%	29.85%	21.78%	29.13%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾							
	65.84%	68.44%	62.85%	69.28%	56.87%	61.11%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)							
	4.13x	4.86x	27.45x	22.73x	7.49x	6.31x	> 1.5x

Notes

^{(1) - (4)} Refer to Notes at Note 23a above.

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

Wingecarribee Shire Council

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

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	8.03x	7.37x	21.71x	25.14x	3.04x	3.02x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	2.97%	3.08%	9.74%	6.61%	3.37%	2.82%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.07	10.94	79.78	68.91	41.36	28.62	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 23a above.

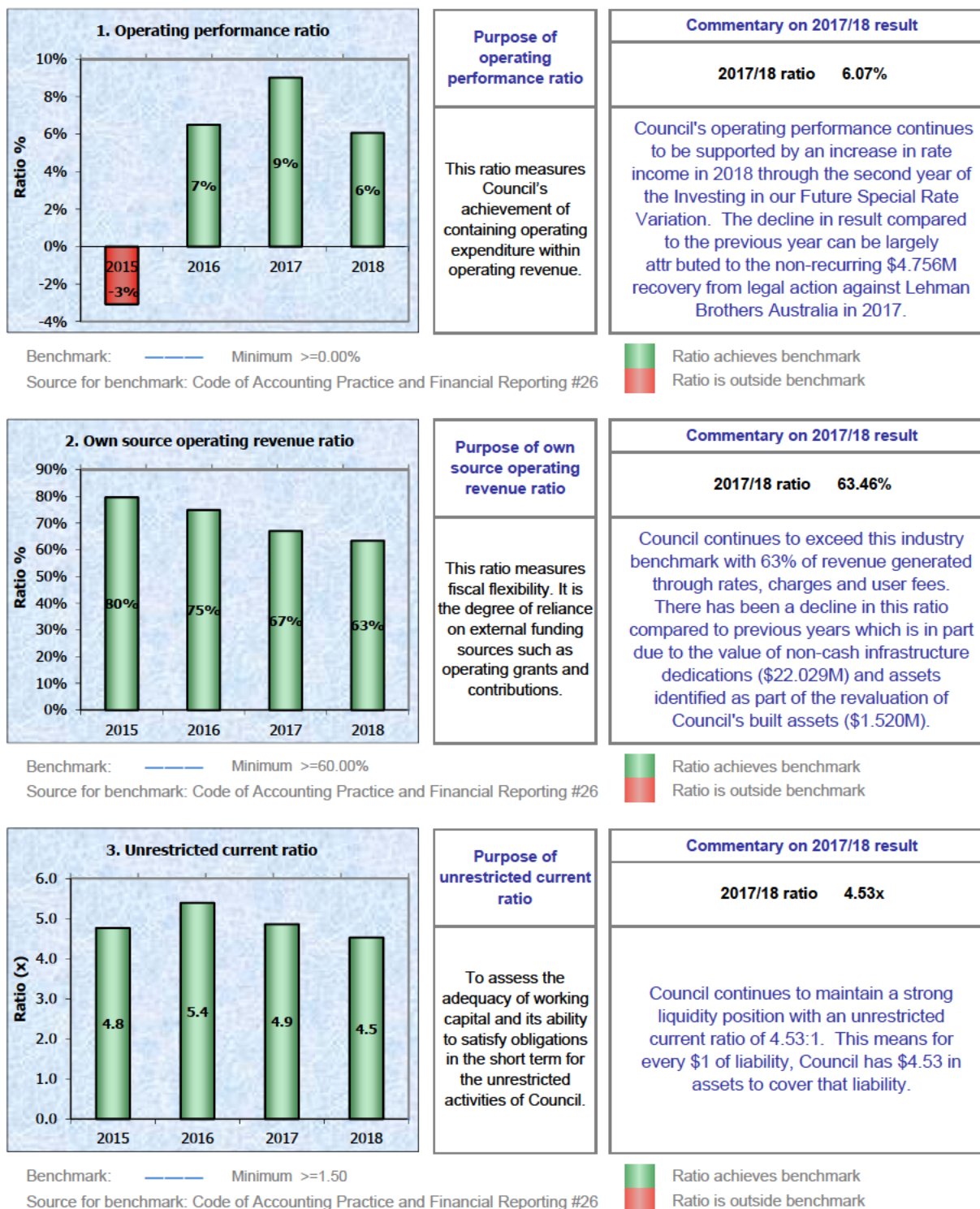
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Wingecarribee Shire Council

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

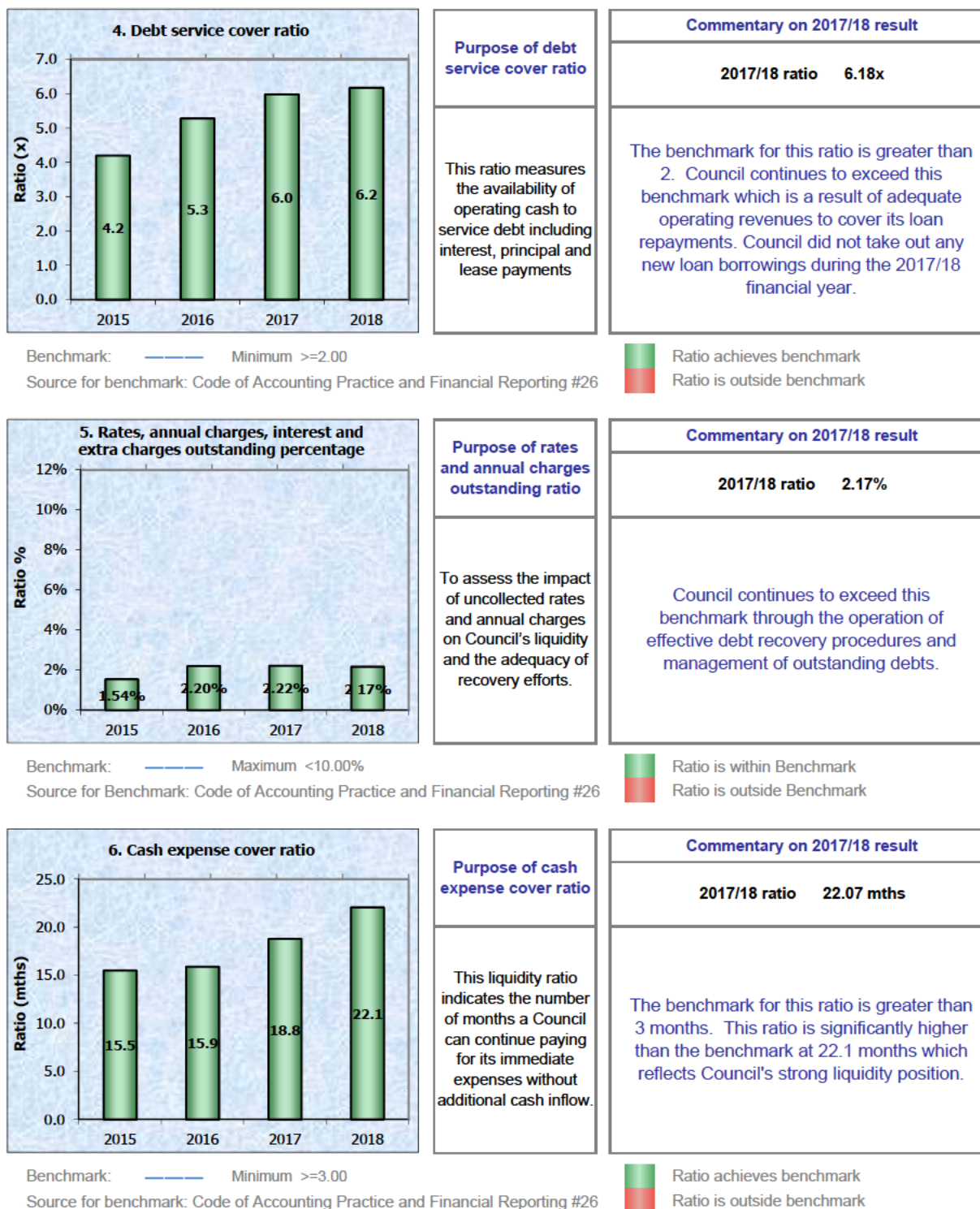
Note 23(c). Statement of performance measures – consolidated results (graphs)



Wingecarribee Shire Council

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

Note 23(c). Statement of performance measures – consolidated results (graphs)



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Wingecarribee Shire Council

To the Councillors of the Wingecarribee Shire Council

Opinion

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

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

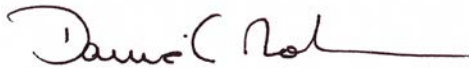
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

17 October 2018
SYDNEY

Mr Duncan Gair
Mayor
Wingecarribee Shire Council
PO Box 141
MOSS VALE NSW 2577

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1825148 /1809

17 October 2018

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

There have been no significant matters identified during the audit.

A significant matter would affect the ability of the Council to achieve its objectives and may require third party intervention or can arise from a fundamental systemic failure of governance practices and/or internal controls across the entity.

OTHER MATTERS

Revaluations of property plant and equipment

Operational land, buildings and open space assets

The Council's operational land, building and open space assets were revalued during the year by external valuers. The revaluation resulted in an increase of \$89.2m in the value these assets.

Water and sewer infrastructure

The value of water and sewer infrastructure assets increased by \$9.6 million through indexation carried out internally by the Council at 30 June 2018.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	67.7	62.3	8.7
Grants and contributions revenue	57.1	47.3	20.7
Operating result for the year	51.9	40.9	26.9
Net operating result before capital amounts	3.7	7.1	48.3

Council's operating result (\$51.9 million including the effect of depreciation and amortisation expense of \$27.6 million) was \$11 million higher than the 2016–17 result. The increase from the previous period is mainly due to increased cash contributions from developers being \$12.6 million higher than the previous period.

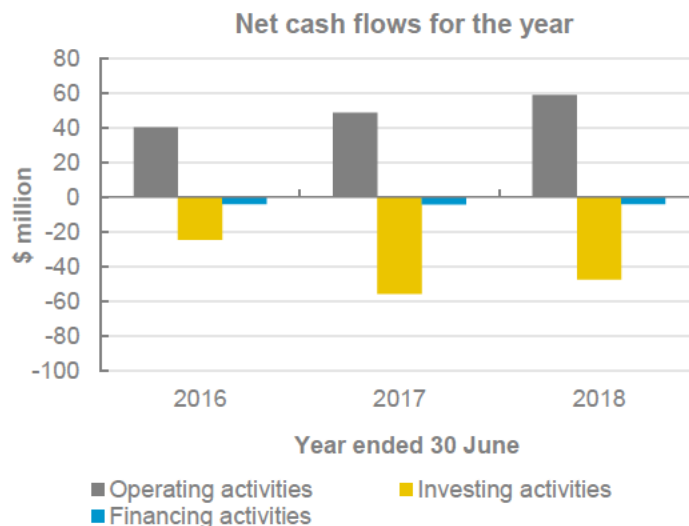
The net operating result before capital grants and contributions (\$3.7 million) was \$3.4 million lower than the 2016–17 result. The decrease was largely due to reduced funding from financial assistance grants, lower by \$2.1 million in the current period.

Rates and annual charges revenue (\$67.7 million) increased by \$5.4 million (8.7 per cent) in 2017–2018. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 9.25 per cent in 2017–18. The Special Rate Variation that became effective in the previous year, will result in increases of 9.25% in 2018-19 and 12.15% in 2019–20.

Grants and contributions revenue (\$57.1 million) increased by \$9.8 million (20.7 per cent) in 2017–2018 due largely to increased developer capital contributions \$19.4 million (\$6.9 million in 2016–17)

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$6.8 million to \$11.1 million at the close of the year.
- The increase can be attributed to increased rates and charges and grant contributions discussed earlier.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	120.0	90.5	• External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.
Internal restrictions	34.3	38.0	
Unrestricted	0.3	1.4	
Cash and investments	154.6	129.9	• Balances are internally restricted due to Council policy or decisions for forward plans including works program. • Unrestricted balances provide liquidity for day-to-day operations.

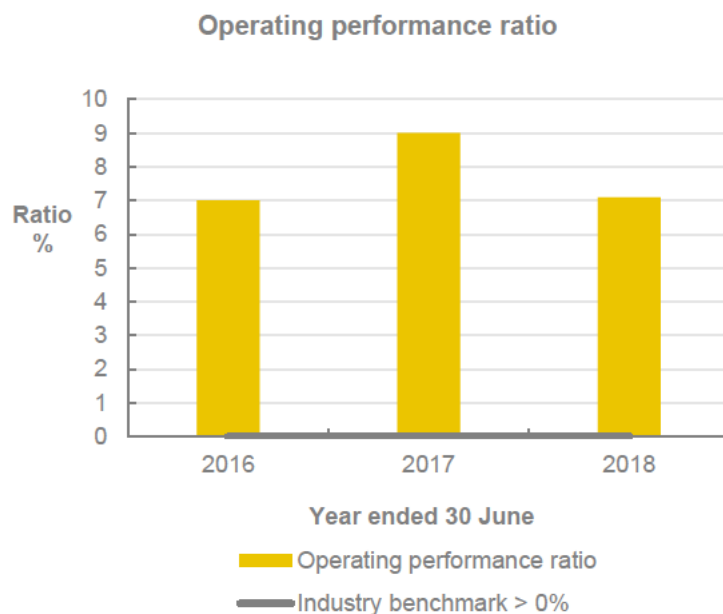
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

- The indicator of 6.07 per cent was above the industry benchmark.
- The reduction in this ratio from the previous year is largely attributable to the \$4.8m non-recurring Lehman Brothers recovery in 2016–17.

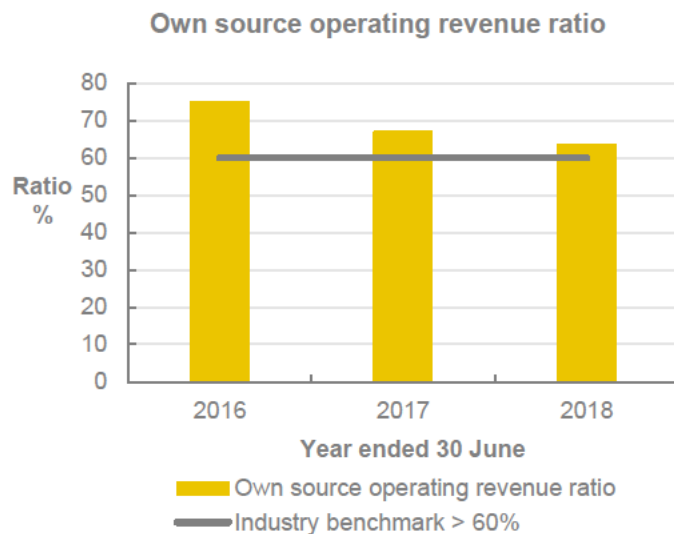
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council's own source operating revenue ratio of 63.5 per cent was above the industry benchmark.
- This indicator has slightly decreased from the previous year primarily due to an increase in developer contributions.

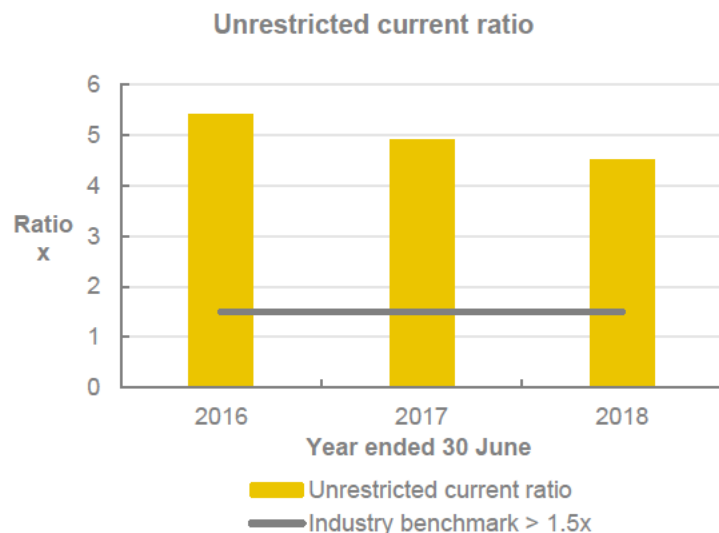
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio decreased slightly from 4.9 in the previous year to 4.5 at year end. The ratio exceeds the benchmark by over 3 times.

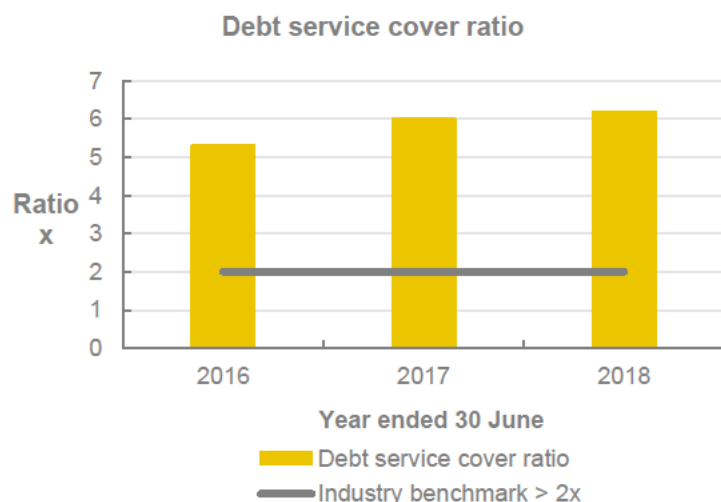
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 6.18 times exceeded the industry benchmark.
- Repayments of borrowings and advances of \$4.2m were made reducing the balance of loans outstanding to \$31.6m at year end.
- Council did not obtain any new borrowings during 2017-18.

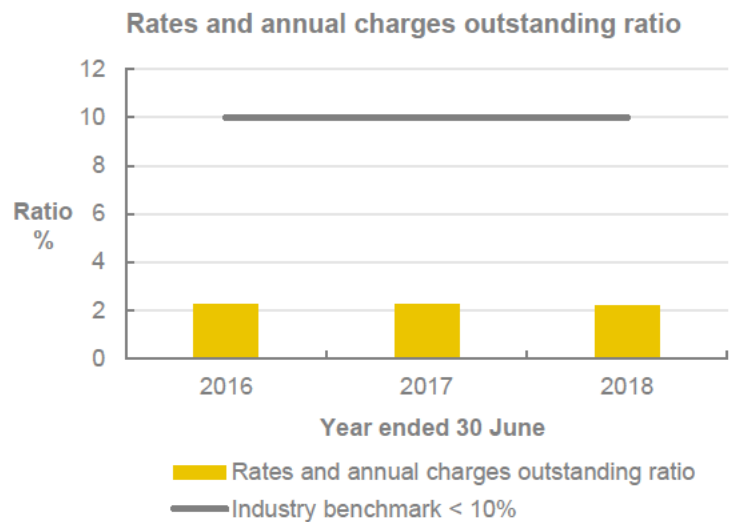
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 2.2 per cent was within the industry benchmark.

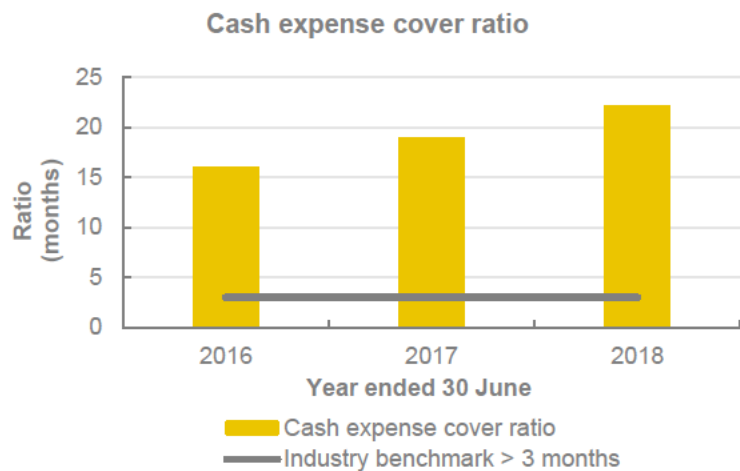
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

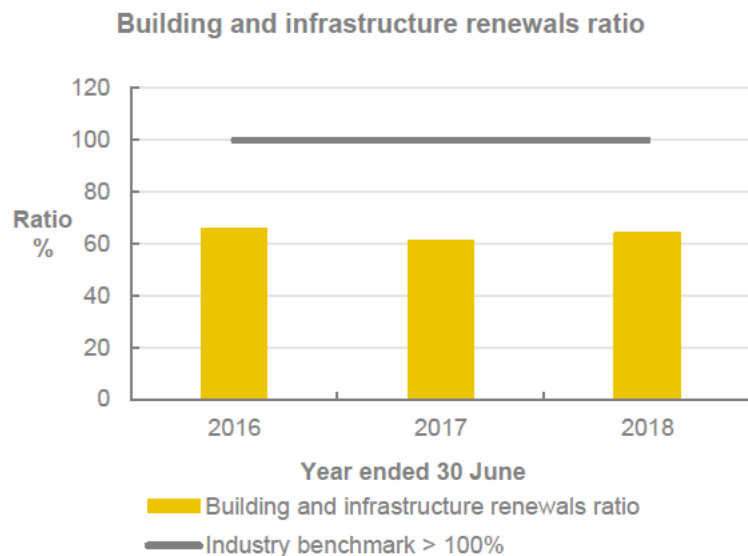
- Council's cash expense cover ratio of 22.1 months well exceeded the industry benchmark.

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



Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 64 per cent is below the industry benchmark. The ratio increased slightly from the previous year.
- The ratio should see improvement with the implementation of Council's Fit for the Future improvement plan that includes asset renewals. The Council's 'Delivery Program 2017–2021 and Operational Plan 2017–18' indicates significant increases in capital expenditure are planned for 2018–19 and 2019–20.



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

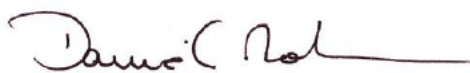
This ratio is sourced from council's Special Schedule 7 which has not been audited.

OTHER MATTERS

Legislative compliance

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

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



David Nolan
Director, Financial Audit Services

cc: Ms Ann Prendergast, General Manager
Ms Jan Edwards, Chair of the Audit, Risk and Continuous Improvement Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Wingecarribee Shire Council

Special Purpose Financial Statements

For the year ended 30 June 2018



www.wsc.nsw.gov.au

Wingecarribee Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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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
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	

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).
-

Wingecarribee Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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.

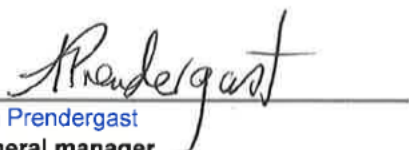
Signed in accordance with a resolution of Council made on 12 September 2018.



Clr Duncan Gair
Mayor
28 September 2018



Clr Peter Nelson
Councillor
28 September 2018



Ann Prendergast
General manager
28 September 2018



Richard Mooney
Responsible accounting officer
28 September 2018

Wingecarribee Shire Council

Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	3,301	3,212
User charges	10,360	8,857
Fees	598	517
Interest	1,326	1,006
Grants and contributions provided for non-capital purposes	190	193
Other income	705	2,122
Total income from continuing operations	16,480	15,907
Expenses from continuing operations		
Employee benefits and on-costs	2,362	2,156
Borrowing costs	114	127
Materials and contracts	1,140	911
Depreciation, amortisation and impairment	5,034	4,157
Water purchase charges	1,399	1,315
Loss on sale of assets	332	792
Calculated taxation equivalents	218	109
Debt guarantee fee (if applicable)	56	54
Other expenses	3,076	2,887
Total expenses from continuing operations	13,731	12,508
Surplus (deficit) from continuing operations before capital amounts	2,749	3,399
Grants and contributions provided for capital purposes	9,439	6,375
Surplus (deficit) from continuing operations after capital amounts	12,188	9,774
Surplus (deficit) from all operations before tax	12,188	9,774
Less: corporate taxation equivalent (30%) [based on result before capital]	(825)	(1,020)
SURPLUS (DEFICIT) AFTER TAX	11,363	8,754
Plus opening retained profits	73,700	63,763
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	218	109
– Debt guarantee fees	56	54
– Corporate taxation equivalent	825	1,020
Closing retained profits	86,162	73,700
Return on capital %	1.3%	1.7%
Subsidy from Council	2,925	1,460
Calculation of dividend payable:		
Surplus (deficit) after tax	11,363	8,754
Less: capital grants and contributions (excluding developer contributions)	(2,268)	(4,140)
Surplus for dividend calculation purposes	9,095	4,614
Potential dividend calculated from surplus	4,548	2,307

Wingecarribee Shire Council

Income Statement of Council's Sewerage Business Activity
for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	15,328	14,574
User charges	1,340	1,211
Liquid trade waste charges	4	2
Fees	350	309
Interest	996	635
Grants and contributions provided for non-capital purposes	170	172
Other income	582	1,477
Total income from continuing operations	18,770	18,380
Expenses from continuing operations		
Employee benefits and on-costs	3,428	3,213
Borrowing costs	753	877
Materials and contracts	1,871	1,800
Depreciation, amortisation and impairment	5,312	3,913
Loss on sale of assets	772	1,798
Calculated taxation equivalents	238	226
Debt guarantee fee (if applicable)	438	431
Other expenses	3,080	3,248
Total expenses from continuing operations	15,892	15,506
Surplus (deficit) from continuing operations before capital amounts	2,878	2,874
Grants and contributions provided for capital purposes	13,939	11,417
Surplus (deficit) from continuing operations after capital amounts	16,817	14,291
Surplus (deficit) from all operations before tax	16,817	14,291
Less: corporate taxation equivalent (30%) [based on result before capital]	(863)	(862)
SURPLUS (DEFICIT) AFTER TAX	15,954	13,429
Plus opening retained profits	131,068	116,120
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	238	226
– Debt guarantee fees	438	431
– Corporate taxation equivalent	863	862
Closing retained profits	148,561	131,068
Return on capital %	1.4%	1.5%
Subsidy from Council	3,315	2,295
Calculation of dividend payable:		
Surplus (deficit) after tax	15,954	13,429
Less: capital grants and contributions (excluding developer contributions)	(6,865)	(8,698)
Surplus for dividend calculation purposes	9,089	4,731
Potential dividend calculated from surplus	4,544	2,365

Wingecarribee Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	3,889	1,470
Investments	51,662	42,450
Receivables	3,429	3,191
Inventories	496	544
Total current assets	59,476	47,655
Non-current assets		
Infrastructure, property, plant and equipment	220,066	209,490
Total non-current assets	220,066	209,490
TOTAL ASSETS	279,542	257,145
LIABILITIES		
Current liabilities		
Payables	952	567
Income received in advance	310	292
Borrowings	280	265
Provisions	392	471
Total current liabilities	1,934	1,595
Non-current liabilities		
Borrowings	1,738	2,017
Provisions	26	33
Total non-current liabilities	1,764	2,050
TOTAL LIABILITIES	3,698	3,645
NET ASSETS	275,844	253,500
EQUITY		
Accumulated surplus	86,162	73,700
Revaluation reserves	189,682	179,800
TOTAL EQUITY	275,844	253,500

Wingecarribee Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	2,795	938
Investments	37,129	27,089
Receivables	4,526	4,447
Inventories	48	51
Total current Assets	44,498	32,525
Non-current assets		
Infrastructure, property, plant and equipment	264,093	254,013
Total non-current assets	264,093	254,013
TOTAL ASSETS	308,591	286,538
LIABILITIES		
Current liabilities		
Payables	860	602
Income received in advance	37	–
Borrowings	2,620	2,434
Provisions	805	681
Total current liabilities	4,322	3,717
Non-current liabilities		
Borrowings	13,067	15,686
Provisions	59	50
Total non-current liabilities	13,126	15,736
TOTAL LIABILITIES	17,448	19,453
NET ASSETS	291,143	267,085
EQUITY		
Accumulated surplus	148,561	131,068
Revaluation reserves	142,582	136,017
TOTAL EQUITY	291,143	267,085

Wingecarribee Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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)

a. Wingecaribee Shire Council Water Fund

Comprising the whole of the operations and assets of the water supply systems servicing the major towns of Moss Vale, Bowral, Mittagong, Robertson and Bundanoon and surrounding villages.

b. Wingecaribee Shire Council Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the major towns of Moss Vale, Bowral and Bundanoon, Robertson, and Mittagong and surrounding villages, and the village of Berrima

Category 2

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

Nil.

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 Crown Lands and Water (CLAW), 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 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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 to 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 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:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(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 2018 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.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Wingecarribee Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	274,000
(ii)	Number of assessments multiplied by \$3/assessment	62,916
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	62,916
(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]	4,547,650
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	566,244
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	18,159,800

2018 Surplus	9,095,300	2017 Surplus	4,614,300	2016 Surplus	4,450,200
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	566,244
(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	YES

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]	YES
	– 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	NO

Wingecarribee Shire Council

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

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

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

2018

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	24,617
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)]	%	70.97%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	218,985
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	7,977
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	6,518
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)]	%	5.27%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Wingecarribee Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i) Calculated tax equivalents	676,000
(ii) Number of assessments multiplied by \$3/assessment	53,535
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	53,535
(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]	4,544,300
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	481,815
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	18,978,600

2018 Surplus	9,088,600	2017 Surplus	4,730,800	2016 Surplus	5,159,200
		2017 Dividend	–	2016 Dividend	

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	481,815
(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	YES

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]	YES
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	NO

Wingecarribee Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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	31,745
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	263,135
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	8,198
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	10,195
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)]	%	6.90%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	55,258
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.65%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	16,713
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)]	%	6.16%
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%

Wingecarribee Shire Council

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

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage)	%	-13.72%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		29,841
	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:		(1,417)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	29,955
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	360
	Grants for pensioner rebates (w11b + s12b)		

- 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.
- a 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 report
Wingecarribee Shire Council

To the Councillors of the Wingecarribee Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Wingecarribee Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, 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 Activity
- Sewerage Business Activity

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its 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.

Basis for Opinion

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

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

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

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

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

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the 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 report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

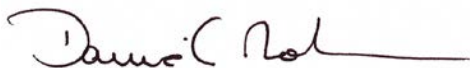
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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



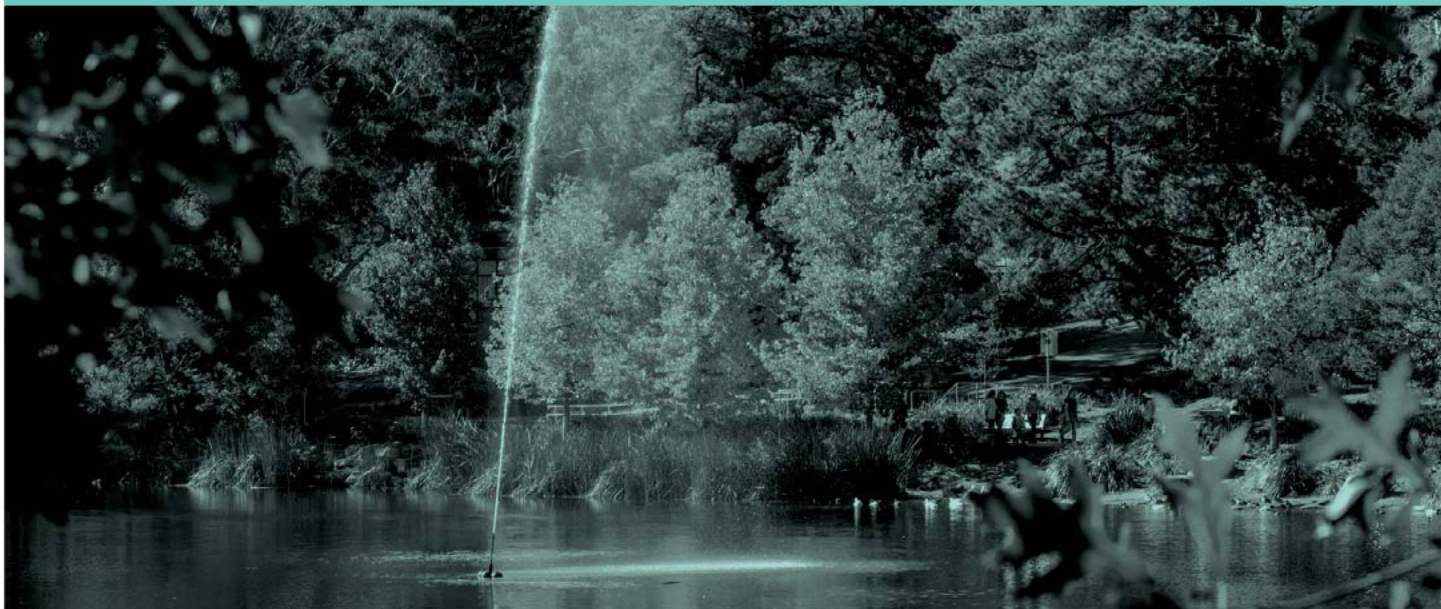
David Nolan
Director, Financial Audit Services

17 October 2018
SYDNEY

Wingecarribee Shire Council

Special Schedules

For the year ended 30 June 2018



www.wsc.nsw.gov.au

Wingecarribee Shire Council

Special Schedules for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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.

Wingecarribee Shire Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,343	19	–	(1,324)
Administration	18,354	1,326	24	(17,004)
Public order and safety				
Fire service levy, fire protection, emergency services	1,549	287	727	(535)
Beach control	–	–	–	–
Enforcement of local government regulations	1,335	606	–	(729)
Animal control	443	56	–	(387)
Other	–	–	–	–
Total public order and safety	3,327	949	727	(1,651)
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	113	3	–	(110)
Other environmental protection	1,673	211	–	(1,462)
Solid waste management	11,015	12,188	–	1,173
Street cleaning	–	–	–	–
Drainage	1,868	16	4,847	2,995
Stormwater management	429	519	–	90
Total environment	15,098	12,937	4,847	2,686
Community services and education				
Administration and education	194	1	–	(193)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	72	45	–	(27)
Children's services	1,034	982	1,124	1,072
Total community services and education	1,300	1,028	1,124	852
Housing and community amenities				
Public cemeteries	206	287	–	81
Public conveniences	374	–	–	(374)
Street lighting	726	261	–	(465)
Town planning	3,587	4,128	–	541
Other community amenities	296	20	–	(276)
Total housing and community amenities	5,189	4,696	–	(493)
Water supplies	11,732	16,121	9,439	13,828
Sewerage services	13,372	18,471	13,939	19,038

Wingecarribee Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,324	141	–	(1,183)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	1,129	57	113	(959)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	461	257	–	(204)
Sporting grounds and venues	412	83	166	(163)
Swimming pools	3,895	1,971	–	(1,924)
Parks and gardens (lakes)	3,368	88	367	(2,913)
Other sport and recreation	–	–	–	–
Total recreation and culture	10,589	2,597	646	(7,346)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,490	125	–	(1,365)
Other mining, manufacturing and construction	145	186	–	41
Total mining, manufacturing and const.	1,635	311	–	(1,324)
Transport and communication				
Urban roads (UR) – local	4,363	–	7,649	3,286
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,424	295	6,408	2,279
Sealed rural roads (SRR) – regional	1,488	967	266	(255)
Unsealed rural roads (URR) – local	2,826	5	–	(2,821)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	716	716
Bridges on SRR – local	180	–	921	741
Bridges on URR – local	13	–	–	(13)
Bridges on regional roads	–	–	–	–
Parking areas	9	–	–	(9)
Footpaths	893	–	1,056	163
Aerodromes	–	–	–	–
Other transport and communication	5,851	177	267	(5,407)
Total transport and communication	20,047	1,444	17,283	(1,320)
Economic affairs				
Camping areas and caravan parks	72	120	–	48
Other economic affairs	2,429	2,034	156	(239)
Total economic affairs	2,501	2,154	156	(191)
Totals – functions	104,487	62,053	48,185	5,751
General purpose revenues ⁽¹⁾		46,105		46,105
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	104,487	108,158	48,185	51,856

(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

Wingecarribee Shire Council

Special Schedule 2 – Permissible income for general rates
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	41,492	37,606
Plus or minus adjustments ⁽²⁾	b	470	447
Notional general income	c = (a + b)	41,962	38,053
Permissible income calculation			
Special variation percentage ⁽³⁾	d	9.25%	9.25%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	3,881	3,519.90
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	45,843	41,573
Plus (or minus) last year's carry forward total	l	81	5
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	81	5
Total permissible income	$o = k + n$	45,925	41,578
Less notional general income yield	p	46,002	41,492
Catch-up or (excess) result	$q = o - p$	(77)	86
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	79	—
Less unused catch-up ⁽⁵⁾	s	—	(5)
Carry forward to next year	$t = q + r - s$	2	81

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 2 in the financial data return (FDR) to administer this process.

INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Wingecarribee Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

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 Schedule' 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 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 special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

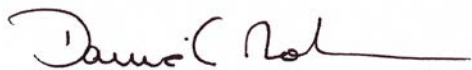
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

17 October 2018
SYDNEY

Wingecarribee 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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,763	2,265
b. Engineering and supervision	450	361
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	27	16
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	1,234	1,570
– Reservoirs		
e. Operation expenses	127	88
f. Maintenance expenses	77	89
– Pumping stations		
g. Operation expenses (excluding energy costs)	29	67
h. Energy costs	115	79
i. Maintenance expenses	67	51
– Treatment		
j. Operation expenses (excluding chemical costs)	790	695
k. Chemical costs	377	194
l. Maintenance expenses	259	238
– Other		
m. Operation expenses	132	113
n. Maintenance expenses	135	133
o. Purchase of water	1,395	1,310
3. Depreciation expenses		
a. System assets	4,884	3,987
b. Plant and equipment	150	170
4. Miscellaneous expenses		
a. Interest expenses	114	127
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	13,125	11,553

Wingecarribee 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 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	3,111	3,212
b. Usage charges	7,605	6,232
7. Non-residential charges		
a. Access (including rates)	534	526
b. Usage charges	2,625	2,806
8. Extra charges	24	25
9. Interest income	1,302	981
10. Other income	1,089	1,654
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	190	193
c. Other grants	–	–
12. Contributions		
a. Developer charges	7,171	2,514
b. Developer provided assets	2,268	2,015
c. Other contributions	–	2,124
13. Total income	25,919	22,282
14. Gain (or loss) on disposal of assets	(332)	(792)
15. Operating result	12,462	9,937
15a. Operating result (less grants for acquisition of assets)	12,462	9,937

Wingecarribee 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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	988	657
b. New assets for growth	3,130	4,137
c. Renewals	2,203	465
d. Plant and equipment	197	368
17. Repayment of debt	265	252
18. Totals	6,783	5,879
Non-operating funds employed		
19. Proceeds from disposal of assets	110	213
20. Borrowing utilised	–	–
21. Totals	110	213
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	18,246	18,027
b. Residential (unoccupied, ie. vacant lot)	929	601
c. Non-residential (occupied)	1,393	1,538
d. Non-residential (unoccupied, ie. vacant lot)	404	399
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 345,100	\$ 350,414

Wingecarribee 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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	17,934	–	17,934
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	37,617	–	37,617
26. Receivables			
a. Specific purpose grants	124	–	124
b. Rates and availability charges	–	–	–
c. User charges	3,304	–	3,304
d. Other	1	–	1
27. Inventories	496	–	496
28. Property, plant and equipment			
a. System assets	–	218,985	218,985
b. Plant and equipment	–	1,081	1,081
29. Other assets	–	–	–
30. Total assets	59,476	220,066	279,542
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	1,262	–	1,262
33. Borrowings	280	1,738	2,018
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	392	26	418
35. Total liabilities	1,934	1,764	3,698
36. NET ASSETS COMMITTED	57,542	218,302	275,844
EQUITY			
37. Accumulated surplus			86,162
38. Asset revaluation reserve			189,682
39. Other reserves			–
40. TOTAL EQUITY			275,844
Note to system assets:			
41. Current replacement cost of system assets			377,242
42. Accumulated current cost depreciation of system assets			(158,257)
43. Written down current cost of system assets			218,985

Wingecarribee 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 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	881	823
b. Engineering and supervision	3,190	3,020
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	1,027	823
– Pumping stations		
c. Operation expenses (excluding energy costs)	334	242
d. Energy costs	147	173
e. Maintenance expenses	149	271
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,101	1,626
g. Chemical costs	203	226
h. Energy costs	504	384
i. Effluent management	71	56
j. Biosolids management	346	203
k. Maintenance expenses	245	402
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	5,136	3,743
b. Plant and equipment	176	170
4. Miscellaneous expenses		
a. Interest expenses	735	877
b. Revaluation decrements	–	–
c. Other expenses	199	12
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	14,444	13,051

Wingecarribee 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 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	13,977	12,871
7. Non-residential charges		
a. Access (including rates)	1,595	1,656
b. Usage charges	1,014	987
8. Trade waste charges		
a. Annual fees	65	47
b. Usage charges	302	225
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	32	31
10. Interest income	964	604
11. Other income	651	1,787
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	170	172
c. Other grants	—	—
13. Contributions		
a. Developer charges	7,074	2,719
b. Developer provided assets	6,865	5,807
c. Other contributions	—	2,891
14. Total income	32,709	29,797
15. Gain (or loss) on disposal of assets	(772)	(1,798)
16. Operating result	17,493	14,948
16a. Operating result (less grants for acquisition of assets)	17,493	14,948

Wingecarribee 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 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	673	275
b. New assets for growth	7,482	8,665
c. Renewals	1,938	547
d. Plant and equipment	102	447
18. Repayment of debt	2,452	2,615
19. Totals	12,647	12,549
Non-operating funds employed		
20. Proceeds from disposal of assets	33	89
21. Borrowing utilised	–	–
22. Totals	33	89
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	16,087	15,738
b. Residential (unoccupied, ie. vacant lot)	634	452
c. Non-residential (occupied)	990	1,014
d. Non-residential (unoccupied, ie. vacant lot)	134	134
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 308,801	\$ 312,897

Wingecarribee 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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	15,916	—	15,916
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	24,008	—	24,008
27. Receivables			
a. Specific purpose grants	111	—	111
b. Rates and availability charges	—	—	—
c. User charges	4,403	—	4,403
d. Other	12	—	12
28. Inventories	48	—	48
29. Property, plant and equipment			
a. System assets	—	263,135	263,135
b. Plant and equipment	—	958	958
30. Other assets	—	—	—
31. Total assets	44,498	264,093	308,591
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	897	—	897
34. Borrowings	2,620	13,067	15,687
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	805	59	864
36. Total liabilities	4,322	13,126	17,448
37. NET ASSETS COMMITTED	40,176	250,967	291,143
EQUITY			
38. Accumulated surplus			148,560
39. Asset revaluation reserve			142,583
40. Other reserves			—
41. TOTAL EQUITY			291,143
Note to system assets:			
42. Current replacement cost of system assets			372,645
43. Accumulated current cost depreciation of system assets			(109,510)
44. Written down current cost of system assets			263,135

Wingecarribee Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

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 contribution 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.

Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance ^a	2017/18 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	15	15	29	25	972	1,285	2%	21%	72%	6%	0%
	Buildings – specialised	1,014	1,014	2,708	2,455	84,617	120,367	39%	30%	27%	4%	0%
	Sub-total	1,029	1,029	2,737	2,480	85,589	121,652	38.6%	29.9%	27.6%	3.6%	0.2%
Other structures	Other structures	79	79	103	51	3,116	5,130	26%	28%	38%	8%	0%
	Sub-total	79	79	103	51	3,116	5,130	26.0%	28.2%	38.2%	7.6%	0.0%
Roads	Sealed roads	1,717	1,717	4,798	4,417	454,906	591,256	46%	49%	4%	1%	0%
	Unsealed roads	221	221	1,806	1,498	49,009	108,908	2%	60%	38%	0%	0%
	Bridges	510	510	29	20	11,225	20,832	86%	3%	1%	10%	0%
	Footpaths	242	242	536	507	18,671	35,203	47%	25%	26%	2%	0%
	Other road assets	200	200	1,075	906	31,152	65,763	25%	13%	62%	0%	0%
	Bulk earthworks	446	446	–	–	5,945	5,945	0%	17%	43%	40%	0%
	Sub-total	3,336	3,336	8,244	7,348	570,908	827,907	39.3%	45.2%	14.2%	1.3%	0.0%
Water supply network	Water supply network	2,774	2,774	1,916	1,321	205,153	363,089	66%	19%	12%	1%	1%
	Sub-total	2,774	2,774	1,916	1,321	205,153	363,089	66.3%	19.5%	11.8%	1.4%	1.0%
Sewerage network	Sewerage network	6,444	6,444	2,277	1,555	247,720	356,909	69%	22%	5%	1%	3%
	Sub-total	6,444	6,444	2,277	1,555	247,720	356,909	69.1%	22.0%	4.6%	1.2%	3.1%

Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 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	5,715	5,715	816	739	97,054	131,866	28%	36%	32%	1%	3%
	Sub-total	5,715	5,715	816	739	97,054	131,866	28.0%	36.0%	32.0%	1.0%	3.0%
Open space/recreational assets	Swimming pools	40	40	685	647	12,260	15,194	75%	5%	20%	1%	0%
	Other	545	545	1,899	1,856	9,580	18,528	19%	35%	33%	12%	1%
	Sub-total	585	585	2,584	2,503	21,840	33,722	44.0%	21.5%	26.9%	6.9%	0.7%
	TOTAL – ALL ASSETS	19,962	19,962	18,677	15,997	1,231,380	1,840,275	49.6%	33.5%	14.3%	1.6%	1.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods 2017 2016		Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	15,939	63.97%	60.94%	65.76%	>= 100%
Depreciation, amortisation and impairment	24,916				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	19,962	1.62%	2.12%	1.83%	< 2.00%
Net carrying amount of infrastructure assets	1,231,380				
3. Asset maintenance ratio					
Actual asset maintenance	15,997	85.65%	105.72%	81.25%	> 100%
Required asset maintenance	18,677				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	19,962	1.08%	1.15%	1.16%	
Gross replacement cost	1,840,275				

Notes

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

⁽¹⁾ Excludes Work In Progress (WIP)

⁽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.

Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 63.97%</p> <p>The ratio has improved when compared to last year. It is expected to continue to improve in the coming years with the implementation of the Special Rate Variation. Council has recently increased resources in the project delivery team which will contribute to the delivery of infrastructure renewal projects across the shire.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 1.62%</p> <p>The ratio has improved with the completion of renewal projects aimed to clear the backlog. Council expects that this ratio will continue to improve with the ongoing implementation of the Special Rate Variation.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 85.65%</p> <p>The ratio in 2016/17 was distorted due to the major repair works completed as a result of the June 2016 east coast low storm event and is not a fair comparison. The ratio has improved when compared with 2015/16 and is expected to continue to improve with the ongoing implementation of the Special Rate Variation.</p>
<p>4. Cost to bring assets to agreed service level</p> <p>Benchmark: — Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of agreed service level ratio</p> <p>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.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 1.08%</p> <p>This ratio has improved as a result of completion of renewal projects. Council expects that this ratio will continue to improve with the ongoing implementation of the Special Rate Variation.</p>

Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾							
Depreciation, amortisation and impairment	82.06%	86.58%	47.07%	11.64%	27.11%	14.61%	>= 100%
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.38%	2.11%	1.35%	1.44%	2.60%	2.71%	< 2.00%
3. Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	90.59%	108.16%	68.95%	105.53%	68.29%	87.48%	> 100%
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.96%	1.02%	0.76%	0.82%	1.81%	1.90%	

Notes

⁽¹⁾ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

⁽²⁾ Excludes Work In Progress (WIP)

⁽³⁾ 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.

Wingecarribee Shire Council

General Purpose Financial Statements

For the year ended 30 June 2019



www.wsc.nsw.gov.au





Chief Financial Officer's Report

This report provides additional commentary on the Financial Statements and Schedules of Wingecarribee Shire Council (Council) for the period ended 30 June 2019.

It also provides readers with an outline of significant changes to Council's accounting and reporting environment over the past 12 months. This report should be read in conjunction with the accompanying financial statements and notes.

Significant Changes to Accounting and Reporting Environment

Changes to Accounting Standards

The financial reporting landscape continues to change with a number of new accounting standards to be applied to the reporting periods ending 30 June 2018 and 30 June 2019.

For the reporting period ended 30 June 2019, Council has adopted AASB 9 Financial Instruments.

AASB 9 has primarily impacted on the classification of financial assets, measurement of equity instruments and the impairment of financial assets. Further information regarding these changes can be found in Note 6, 7 and 13 of Council's General Purpose Financial Statements.

In addition to AASB 9, there are a number of new accounting standards which have been published which are not mandatory for the reporting period ended 30 June 2019. These standards will be applicable from the 1 July 2019.

The most significant change in these standards relates to AASB 16 Leases. Under this Standard, Council will be required in almost all circumstances to recognise operating leases on the Statement of Financial Position as is currently the case for Finance Leases.

Further details regarding these new standards and Council's assessment of their impact is contained in Note 1 – *Basis of Preparation*.

Changes to the Local Government Code of Accounting Practice and Financial Reporting

Update number 27 of the Local Government Code of Accounting Practice and Financial Reporting (The Code) was released in March 2019.

The Code essentially provides all councils across NSW with guidance on the reporting disclosures and presentation of financial information to ensure compliance with Australian Accounting Standards.

Changes to the code for the reporting period ending 30 June 2019 include the removal of a number of special schedules which are no longer required, additional comparative disclosures and other formatting improvements.

Operating Result

A summary of Council's financial performance for the period ending 30 June 2019 (by fund) is shown in the table below:

'000s	General Fund	Water Fund	Sewer Fund
Total Revenue	\$108,475	\$22,168	\$27,691
Total Expenses	\$82,082	\$14,403	\$15,663
Operating Result	\$26,393	\$7,765	\$12,028
Capital Grants & Contributions	\$27,905	\$5,863	\$7,976
Operating Result before Capital Contributions	(\$1,512)	\$1,902	\$4,052

Net Operating Result (Including Capital Items)

The net operating result (consolidated) for the year ending 30 June 2019 is a surplus of \$46.186M. This includes all capital grants and contributions.

This result is in part due to the recognition of \$29.263M in non-cash infrastructure dedications. Council also received \$6.904M in developer contributions and other contributions during the 2018/19 financial year.



It is important to note that while Council has reported an operating surplus of \$46.186M, it continues to maintain a balanced budget position. The majority of this surplus is the recognition of non-cash infrastructure or contributions which must be restricted for the purposes of future infrastructure.

The operating result of \$46.186M represents a decrease of \$5.670M when compared to the operating result for the period ending 30 June 2018 of \$51.856M.

Revenue from Section 64 developer contributions has decreased by \$10.308M compared to the previous financial year. The level of income received in the 2017/18 financial year was due to a moratorium being issued for all outstanding consents prior to the adoption of revised Development Servicing Plans.

This is offset however by an increase in non-cash contributions from subdivision dedications (Infrastructure Assets) which increased by \$7.234M when compared to the previous financial year. This increase highlights the continued urban development which is occurring within the shire.

Net Operating Result (Before Capital Items)

Council achieved a surplus before capital grants and contributions of \$4.442M (consolidated). This is a slight increase in the operating result of \$0.771M when compared to the operating result reported for the year ending 30 June 2018 of \$3.671M.

The reported Operating Result before capital grants and contributions would have been significantly higher for the year ended 30 June 2019, however Council has disclosed a provision for the remediation of the former landfill site at Welby in the 2018/19 financial year of \$3.500M. This has resulted in an increase in operating expense in the same reporting period of \$3.500M.

Comments on major variations compared to the 2018/19 original budget are included in note 19 of the General Purpose Financial Statements.

Investing in our Future Special Rate Variation

Council's rating revenues continue to increase in line with the Investing in our Future - Special Rate Variation which was approved by the Independent Pricing and Regulatory Tribunal (IPART) in May 2016.

The third year of this program has generated an additional \$2.928M above rate pegging (\$7.853M in total) for additional maintenance and infrastructure renewal works across the shire.

Further information on how these funds have been spent is contained in Council's Annual Report.

Statement of Financial Position

The reportable balance of net assets (equity) as at 30 June 2019 is \$1.630B. This has increased by \$52M (up from \$1.578B) since the 2017/18 financial year.

Cash and Investments have increased by \$16.877M which is primarily a result of revenue which has been generated for externally restricted activities such as water and sewer operations and developer contributions. There has also been an increase in internal cash reserves of \$5.559M which is partly due to the level of carry over projects which will be completed in the 2019/20 financial year.

There has been an increase in fixed assets of \$25.454M which is largely attributable to additions (renewal and new). Revaluations have only been performed for water and sewer infrastructure where indexation has been applied in accordance with Rates Reference Manual issued by Crown Lands and Water.

Council's overall liabilities have remained relatively stable at \$47.978M. These liabilities primarily consist of outstanding loans (\$25.285M) and employee leave entitlements (\$8.338M).



Performance Measures

Council's financial performance is measured against a range of financial and asset management benchmarks. These ratios are disclosed in note 24 and the special schedule – *Report on Infrastructure Assets*.

Council continues to exceed all of the financial benchmarks however there are a number of asset management benchmarks which fall below the industry benchmark, namely the infrastructure renewal ratio and asset maintenance ratio.

The reduction in the Infrastructure Renewal Ratio is primarily due to a number of significant infrastructure renewal projects which were identified as works in progress as at 30 June 2019.

Council recently updated its Long Term Financial Plan, which was adopted in June 2019. The Long Term Financial Plan forecasts that Council will continue to meet all benchmarks over the long term with the exception of the infrastructure renewal ratio.

In summary, these performance measures demonstrate that Council remains in a strong financial position, which should continue into the future based on the financial strategy employed within its Long Term Financial Plan.

Richard Mooney
Chief Financial Officer

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

68 Elizabeth Street
Moss Vale NSW 2577

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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.

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 11 September 2019.



Clr Duncan Gair
Mayor
28 October 2019



Clr Garry Turland
Councillor
28 October 2019



Ann Prendergast
General Manager
28 October 2019



Richard Mooney
Responsible Accounting Officer
28 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
Revenue:				
72,585	Rates and annual charges	3a	74,778	68,610
20,531	User charges and fees	3b	22,731	23,073
3,265	Interest and investment revenue	3c	4,603	3,790
3,764	Other revenues	3d	5,259	4,686
8,680	Grants and contributions provided for operating purposes	3e,3f	9,219	7,999
14,348	Grants and contributions provided for capital purposes	3e,3f	41,744	48,185
123,173	Total income from continuing operations		158,334	156,343
Expenses from continuing operations				
37,288	Employee benefits and on-costs	4a	35,998	33,379
1,408	Borrowing costs	4b	1,227	1,581
23,553	Materials and contracts	4c	24,880	24,114
25,009	Depreciation and amortisation	4d	28,005	27,547
16,030	Other expenses	4e	19,400	14,971
—	Net losses from the disposal of assets	5	2,638	2,895
103,288	Total expenses from continuing operations		112,148	104,487
19,885	Operating result from continuing operations		46,186	51,856
19,885	Net operating result for the year		46,186	51,856
19,885	Net operating result attributable to council		46,186	51,856
5,537	Net operating result for the year before grants and contributions provided for capital purposes		4,442	3,671

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		46,186	51,856
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	5,545	98,847
Gain (loss) on revaluation of equity instruments		(32)	—
Total items which will not be reclassified subsequently to the operating result		5,513	98,847
Total other comprehensive income for the year		5,513	98,847
Total comprehensive income for the year		51,699	150,703
Total comprehensive income attributable to Council		51,699	150,703

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	3,010	11,133
Investments	6(b)	168,500	143,500
Receivables	7	17,241	15,475
Inventories	8a	1,436	1,185
Other	8b	577	416
Current assets classified as 'held for sale'	9	4,900	—
Total current assets		195,664	171,709
Non-current assets			
Investments	6(b)	56	—
Receivables	7	276	253
Infrastructure, property, plant and equipment	10	1,481,775	1,456,321
Total non-current assets		1,482,107	1,456,574
TOTAL ASSETS		1,677,771	1,628,283
LIABILITIES			
Current liabilities			
Payables	11	9,996	10,088
Income received in advance	11	839	867
Borrowings	11	4,427	4,478
Provisions	12	7,826	7,199
Total current liabilities		23,088	22,632
Non-current liabilities			
Payables	11	20	18
Borrowings	11	20,858	27,141
Provisions	12	4,012	463
Total non-current liabilities		24,890	27,622
TOTAL LIABILITIES		47,978	50,254
Net assets		1,629,793	1,578,029
EQUITY			
Accumulated surplus	13a	720,945	674,782
Revaluation reserves	13a	908,792	903,247
Other reserves	13a	56	—
Council equity interest		1,629,793	1,578,029
Total equity		1,629,793	1,578,029

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	2019				2018 ¹			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		674,782	903,247	–	1,578,029	622,926	804,400	–	1,427,326
Adoption of new accounting standards – not retrospective	13b	(23)	–	88	65	–	–	–	–
Restated opening balance		674,759	903,247	88	1,578,094	622,926	804,400	–	1,427,326
Net operating result for the year		46,186	–	–	46,186	51,856	–	–	51,856
Restated net operating result for the period		46,186	–	–	46,186	51,856	–	–	51,856
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	10	–	5,545	–	5,545	–	98,847	–	98,847
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	(32)	(32)	–	–	–	–
Other comprehensive income		–	5,545	(32)	5,513	–	98,847	–	98,847
Total comprehensive income		46,186	5,545	(32)	51,699	51,856	98,847	–	150,703
Equity – balance at end of the reporting period		720,945	908,792	56	1,629,793	674,782	903,247	–	1,578,029

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
72,504	Rates and annual charges		74,414	67,569
19,913	User charges and fees		22,205	23,142
3,238	Investment and interest revenue received		4,656	3,442
21,901	Grants and contributions		21,730	34,384
–	Bonds, deposits and retention amounts received		104	254
3,822	Other		9,627	9,697
	<u>Payments</u>			
(37,216)	Employee benefits and on-costs		(35,532)	(33,299)
(24,752)	Materials and contracts		(29,207)	(28,204)
(1,323)	Borrowing costs		(1,218)	(1,589)
(16,030)	Other		(17,754)	(16,799)
42,057	Net cash provided (or used in) operating activities	14b	49,025	58,597
Cash flows from investing activities				
	<u>Receipts</u>			
3,250	Sale of investment securities		186,500	120,500
–	Sale of real estate assets		410	–
1,269	Sale of infrastructure, property, plant and equipment		845	1,075
–	Deferred debtors receipts		74	132
	<u>Payments</u>			
(586)	Purchase of investment securities		(211,523)	(138,500)
(47,353)	Purchase of infrastructure, property, plant and equipment		(26,678)	(30,737)
–	Purchase of real estate assets		(337)	(85)
–	Deferred debtors and advances made		(69)	–
(43,420)	Net cash provided (or used in) investing activities		(50,778)	(47,615)
Cash flows from financing activities				
	<u>Receipts</u>			
5,740	Proceeds from borrowings and advances		–	–
	<u>Payments</u>			
(4,377)	Repayment of borrowings and advances		(6,370)	(4,199)
1,363	Net cash flow provided (used in) financing activities		(6,370)	(4,199)
–	Net increase/(decrease) in cash and cash equivalents		(8,123)	6,783
6,000	Plus: cash and cash equivalents – beginning of year	14a	11,133	4,350
6,000	Cash and cash equivalents – end of the year	14a	3,010	11,133
Additional Information:				
110,163	plus: Investments on hand – end of year	6(b)	168,556	143,500
116,163	Total cash, cash equivalents and investments		171,566	154,633

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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 – refer Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and 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
- Water service
- Sewerage service
- Section 355 Committees of Council

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and 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.

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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council has reviewed all of its leasing arrangements taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019).

AASB 16 will affect Council's accounting for existing operating lease agreements that are in place as at 30 June 2019.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$438K - refer Note 16.

Of these commitments, approximately \$18K relates to low value leases and approximately \$7K relates to leases for which below-market rent is paid.

These low value leases and leases with below-market rent amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of approximately \$413K, Council anticipates it will recognise lease liabilities (on its balance sheet) of approximately \$352K (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complementary right-of-use assets (on its balance sheet) totalling approximately \$352K on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net current assets will be \$160K lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will be largely unchanged for the 2019/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$160K as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils will assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

In accordance with a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).									
\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)
	2019	2018	2019	2018	2019	2018	2019	2018	
Functions or activities									
Leadership	54,421	48,976	34,518	34,677	19,903	14,299	5,197	5,033	278,002
People	4,834	4,218	9,168	8,984	(4,334)	(4,766)	1,207	1,174	39,697
Places	52,640	59,954	50,077	45,882	2,563	14,072	7,020	5,674	1,238,808
Environment	44,491	41,448	16,341	12,888	28,150	28,560	537	212	108,090
Economy	1,948	1,747	2,044	2,056	(96)	(309)	155	161	13,174
Total functions and activities	158,334	156,343	112,148	104,487	46,186	51,856	14,116	12,254	1,677,771
									1,628,283

Notes to the Financial Statements

for the year ended 30 June 2019

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:

Leadership

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; corporate support and other support services.

People

Includes fire protection, emergency services, enforcement of regulations and animal control; social protection (welfare); aboriginal and other community services and administration; youth services; aged and disabled persons services; swimming pools; children's services, including family day care; child care; and other family and children's services.

Places

Includes urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes; public cemeteries; public conveniences; street lighting; town planning; public libraries; community centres and halls; sporting grounds and venues; parks; gardens and other sporting and recreational services; water supplies; sewerage services; drainage; stormwater management; quarries and pits.

Environment

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

Economy

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; and Southern Regional Livestock Exchange (SRLX).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	34,667	30,675
Farmland	4,860	4,410
Mining	75	112
Business	5,610	5,174
Less: pensioner rebates (mandatory)	(790)	(800)
Rates levied to ratepayers	44,422	39,571
Pensioner rate subsidies received	435	440
Total ordinary rates	44,857	40,011
Special rates		
Special environmental levy	1,247	1,186
Rates levied to ratepayers	1,247	1,186
Total special rates	1,247	1,186
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	8,242	8,025
Stormwater management services	515	510
Water supply services	3,751	3,646
Sewerage services	16,542	15,637
Less: pensioner rebates (mandatory)	(836)	(901)
Annual charges levied	28,214	26,917
Pensioner subsidies received:		
– Water	178	190
– Sewerage	159	170
– Domestic waste management	123	136
Total annual charges	28,674	27,413
TOTAL RATES AND ANNUAL CHARGES	74,778	68,610

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

Accounting policy for rates and charges

Rates, annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

In May 2016, the Independent Pricing and Regulatory Tribunal (IPART) approved a Special Rating Variation (SRV) under section 508A of the Local Government Act, 1993. The application was submitted to IPART to ensure financial sustainability of the Wingecarribee Shire by funding the identified asset maintenance and renewal funding gap and backlog to achieve the sustainability indicators set by the NSW State Government's 'Fit for the Future' Local Government Reform Program.

This enables Council to use the additional revenue from the special variation to fund operating and capital expenditure for:

- the continuation of the Wingecarribee Our Future Environment program;
- increased infrastructure maintenance for roads, buildings, drainage and parks;
- infrastructure renewals for roads, buildings, drainage and parks; and
- asset upgrades for roads and drainage.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	9,262	9,611
Sewerage services	1,140	1,316
Waste management services (non-domestic)	4,225	3,976
Total specific user charges	14,627	14,903
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	1,847	1,653
Inspection services	58	52
Planning and building regulation	1,820	2,131
Private works – section 67	304	386
Section 10.7 certificates (EP&A Act)	179	210
Section 603 certificates	136	173
Total fees and charges – statutory/regulatory	4,344	4,605
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	358	477
Leaseback fees – Council vehicles	441	387
Swimming centres	1,903	1,784
GIPA fees	4	8
Other waste management	8	4
Permits and licences	240	214
Pound fees and animal income	129	139
Sewer	253	171
Water connections	304	354
Other	120	27
Total fees and charges – other	3,760	3,565
TOTAL USER CHARGES AND FEES	22,731	23,073

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	177	167
– Cash and investments	4,410	3,604
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	16	19
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>4,603</u>	<u>3,790</u>

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	116	111
General Council cash and investments	1,169	950

Restricted investments/funds – external:

Development contributions		
– Section 7.11	404	315
– Section 64 – Water	516	398
– Section 64 – Sewer	485	342
– Section 64 – Stormwater	95	92
Water fund operations	1,083	928
Sewerage fund operations	722	654
Unspent grants	13	–
Total interest and investment revenue	<u>4,603</u>	<u>3,790</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Fines	84	85
Fines – parking	281	290
Legal fees recovery – rates and charges (extra charges)	585	521
Commissions and agency fees	97	96
Sales – general	165	109
Cemeteries	285	288
Hall and room rental	79	93
Lease rental	701	660
Library	2	2
Other waste income	86	85
Printing and photocopying	5	6
Quarries income	142	182
Other	133	15
Rebates and reimbursements	629	527
Recovery of lehman bros CDOs	19	18
Saleyards income	1,046	1,020
Swimming centres	136	113
Tourism income	355	399
Tulip time	398	128
Water supplies	31	49
<u>TOTAL OTHER REVENUE</u>	<u>5,259</u>	<u>4,686</u>

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the penalty has been applied.

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,512	2,485	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,606	2,548	–	–
Total general purpose	5,118	5,033	–	–
Specific purpose				
Child care	1	42	–	–
Community care	38	8	–	–
Environmental programs	225	73	–	–
Heritage and cultural	20	20	–	–
Noxious weeds	106	–	–	–
NSW rural fire services	391	336	–	555
Recreation and culture	202	210	809	287
Street lighting	110	107	–	–
Administration	8	–	–	–
Aged and disabled	46	45	–	–
Childrens services	633	452	–	–
Housing and community	131	87	–	–
Transport and communication	1,638	1,137	4,606	3,860
Youth services	4	2	–	–
Crown Land Plans of Management	30	–	–	–
Total specific purpose	3,583	2,519	5,415	4,702
Total grants	8,701	7,552	5,415	4,702
Grant revenue is attributable to:				
– Commonwealth funding	5,134	5,529	982	814
– State funding	3,560	2,023	4,433	3,888
– Other funding	7	–	–	–
	8,701	7,552	5,415	4,702

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	905	3,514
S 7.12 – fixed development consent levies		–	–	124	148
S 64 – water supply contributions		–	–	2,520	7,171
S 64 – sewerage service contributions		–	–	2,260	7,074
S 64 – stormwater contributions		–	–	216	1,059
Other developer contributions (VPA)		–	–	213	519
Total developer contributions – cash		–	–	6,238	19,485
Total developer contributions	22	–	–	6,238	19,485
Other contributions:					
Cash contributions					
Other		64	26	148	304
Child care services		2	3	–	–
Emergency services levy implementation		–	3	–	–
Local infrastructure renewal scheme (lirs)		157	176	–	–
Management committees		154	164	–	–
Storm damage		–	75	–	–
Tree clearance		141	–	–	–
Total other contributions – cash		518	447	148	304
Non-cash contributions					
Bushfire services		–	–	680	145
Dedications – subdivisions (other than by s7.11)		–	–	29,263	22,029
Discovered assets		–	–	–	1,520
Total other contributions – non-cash		–	–	29,943	23,694
Total other contributions		518	447	30,091	23,998
Total contributions		518	447	36,329	43,483
TOTAL GRANTS AND CONTRIBUTIONS		9,219	7,999	41,744	48,185

Accounting policy for grants and contributions

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*. While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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.

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating and Capital grants

Unexpended at the close of the previous reporting period	926	708
Add: operating grants recognised in the current period but not yet spent	891	452
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(355)	(234)
Unexpended and held as restricted assets (operating grants)	1,462	926

Contributions

Unexpended at the close of the previous reporting period	51,661	33,434
Add: contributions recognised in the current period but not yet spent	–	–
Add: contributions received for the provision of goods and services in a future period	6,238	19,485
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(3,724)	(1,258)
Unexpended and held as restricted assets (contributions)	54,175	51,661

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	29,460	27,459
Travel expenses	50	34
Employee leave entitlements (ELE)	3,456	3,013
Superannuation	3,132	2,950
Workers' compensation insurance	995	1,035
Fringe benefit tax (FBT)	68	62
Payroll tax	286	296
Training costs (other than salaries and wages)	545	474
Other	58	75
Total employee costs	38,050	35,398
Less: capitalised costs	(2,052)	(2,019)
TOTAL EMPLOYEE COSTS EXPENSED	35,998	33,379

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	1,161	1,529
Total interest bearing liability costs expensed	1,161	1,529

(ii) Other borrowing costs

Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	30	–
Interest applicable on interest free (and favourable) loans to Council	36	52
Total other borrowing costs	66	52

TOTAL BORROWING COSTS EXPENSED	1,227	1,581
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Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. No borrowing costs were capitalised during the year ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	15,117	15,700
Contractor and consultancy costs	32,612	35,312
Auditors remuneration ²	143	142
Legal expenses:		
– Legal expenses: planning and development	874	929
– Legal expenses: other	579	571
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	170	171
Other	7	7
Total materials and contracts	49,502	52,832
Less: capitalised costs	(24,622)	(28,718)
TOTAL MATERIALS AND CONTRACTS	24,880	24,114

Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	170	171
	170	171

2. Auditor remuneration

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

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

Audit and review of financial statements	99	95
Remuneration for audit and other assurance services	99	95
Total Auditor-General remuneration	99	95

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

Due diligence services	44	47
Remuneration for audit and other assurance services	44	47
Total remuneration of non NSW Auditor-General audit firms	44	47
Total Auditor remuneration	143	142

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	2,227	2,272
Office equipment	150	204
Furniture and fittings	38	37
Infrastructure:		
– Buildings – non-specialised	36	34
– Buildings – specialised	1,939	1,931
– Other structures	123	120
– Roads	9,764	9,709
– Bridges	186	180
– Footpaths	753	693
– Stormwater drainage	1,262	1,156
– Water supply network	5,059	4,859
– Sewerage network	5,391	5,109
– Swimming pools	252	275
– Other open space/recreational assets	678	850
Other assets:		
– Library books	146	117
– Other	1	1
Total gross depreciation and amortisation costs	28,005	27,547
Total depreciation and amortisation costs	28,005	27,547
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	28,005	27,547

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	429	309
Bad and doubtful debts	3	17
Bank charges	265	272
Chemicals	704	729
Clothing	99	112
Computer hardware maintenance	32	62
Computer software charges	1,019	792
Contributions/levies to other levels of government	881	1,403
– Emergency services levy (includes FRNSW, SES, and RFS levies)	712	744
Councillor expenses – mayoral fee	44	42
Councillor expenses – councillors' fees	178	174
Donations, contributions and assistance to other organisations (Section 356)	755	712
Electricity and heating	2,097	1,910
Equipment and fittings M and R	450	295
EPA licence	50	57
Freight	46	15
Insurance	1,195	1,116
Landfill remediation/restoration expense	3,500	–
Licence – other	34	47
Postage	233	225
Printing and stationery	360	367
Promotions	44	75
Rent	15	35
Security services	28	29
Street lighting	892	656
Subscriptions and publications	269	240
Telephone and communications	337	227
Valuation fees	201	229
Waste disposal costs	2,594	2,246
Water purchases	1,398	1,399
Water determination	49	97
Other	487	338
Total other expenses	19,400	14,971
<u>TOTAL OTHER EXPENSES</u>	<u>19,400</u>	<u>14,971</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Infrastructure Plant and equipment	10		
Proceeds from disposal – plant and equipment		845	1,075
Less: carrying amount of plant and equipment assets sold/written off		(3,807)	(3,970)
Net gain/(loss) on disposal		(2,962)	(2,895)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		410	–
Less: carrying amount of real estate assets sold/written off		(86)	–
Net gain/(loss) on disposal		324	–
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		186,500	120,500
Less: carrying amount of investments sold/redeemed/matured		(186,500)	(120,500)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,638)	(2,895)

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	611	630
Cash-equivalent assets		
– Deposits at call	2,399	5,503
– Short-term deposits	–	5,000
Total cash and cash equivalents	3,010	11,133

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	168,500	–	143,500	–
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	56	–	–
Total Investments	168,500	56	143,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	171,510	56	154,633	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	168,500	–	143,500	–
Total	168,500	–	143,500	–
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
Unlisted equity securities	–	56	–	–
Total	–	56	–	–

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Fair value through other comprehensive income – equity instruments

Council has an investment in Southern Phone Company Limited over which it does not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve would be transferred to accumulated surplus and would not be reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

(a) 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 held at fair value with changes in value taken through profit or loss at each reporting period.

(b) 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. Assets in this category are measured at amortised cost.

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. Investments 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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	171,510	56	154,633	–
attributable to:				
External restrictions	131,468	56	120,038	–
Internal restrictions	39,901	–	34,342	–
Unrestricted	141	–	253	–
	171,510	56	154,633	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	14,816	14,029
Developer contributions – water fund	18,419	17,934
Developer contributions – sewer fund	18,001	15,916
Developer contributions – stormwater	2,939	3,782
Specific purpose unexpended grants	1,462	926
Water supplies	41,065	37,617
Sewerage services	28,213	24,008
Domestic waste management	4,750	3,779
Stormwater management	150	537
Environment levy	570	569
Quarry royalties	1,083	941
Other	56	–

External restrictions – other	131,524	120,038
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Total external restrictions	131,524	120,038
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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Alexandra square	4	4
Bonds and deposits	2,687	2,583
Bowral memorial hall	348	443
Bridges	826	988
Contribution to Works	59	12
Business transformation	1,743	1,945
Capital projects	1,668	2,278
Carry-over works	4,307	1,862
Cemeteries	461	461
Computer	67	99
Effluent disposal	63	63
Election expenses	187	94
Emergency assistance	45	50
Employees leave entitlement	1,603	1,533
Civic Centre refurbishment	5,305	5,271
Family day care	310	225
Financial assistance grant	2,606	2,548
Investing in our future	2,684	1,129
IRS	–	59
Land rental charge	4,714	5,079
Management committees	313	280
Waste Facilities General Fund	2,230	1,413
Plant replacement	2,193	1,619
Property operations (PDR)	3,197	2,569
Renwick asset management	199	134
Revolving energy fund	252	196
Risk management	417	378
Roadside spoil management	112	112
Regional Art Gallery	200	–
Saleyards (capital improvement fund)	184	127
Saleyards (SRLX)	54	25
Tourism	113	2
Welby hockey field	631	631
Animal Shelter	30	30
Mittagong Pool	–	100
MVWMAC loan reserve	39	–
Bong Bong Common	50	–
Total internal restrictions	39,901	34,342
TOTAL RESTRICTIONS	171,425	154,380

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,559	–	1,195	–
Interest and extra charges	295	–	321	–
User charges and fees	8,478	–	7,756	–
Accrued revenues				
– Interest on investments	1,971	–	2,014	–
– Other income accruals	380	–	330	–
Loans to sporting clubs	18	276	60	253
Government grants and subsidies	1,515	–	1,625	–
Net GST receivable	995	–	1,030	–
Debtors – building services – other	17	–	10	–
Debtors – cemeteries	15	–	18	–
Debtors – hall and room rental	8	–	2	–
Debtors – other waste income	147	–	113	–
Debtors – saleyards	85	–	97	–
Debtors – swimming centres	98	–	68	–
Domestic waste management	260	–	220	–
Bond paid by Council	40	–	40	–
Other debtors	1,392	–	584	–
Total	17,273	276	15,483	253
Less: provision of impairment				
User charges and fees	(32)	–	(8)	–
Total provision for impairment – receivables	(32)	–	(8)	–
TOTAL NET RECEIVABLES	17,241	276	15,475	253

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	8	13
Amount restated through opening retained earnings on adoption of AASB 9	23	–
+ new provisions recognised during the year	3	8
– amounts already provided for and written off this year	(2)	(4)
– amounts provided for but recovered during the year	–	(9)
Balance at the end of the period	32	8

Accounting policy for receivables

Recognition and measurement

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable 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 the 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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	386	—	135	—
Stores and materials	396	—	387	—
Trading stock	85	—	126	—
Accountable items	569	—	537	—
Total inventories at cost	1,436	—	1,185	—
<u>TOTAL INVENTORIES</u>	<u>1,436</u>	<u>—</u>	<u>1,185</u>	<u>—</u>

(b) Other assets

Prepayments	577	—	416	—
<u>TOTAL OTHER ASSETS</u>	<u>577</u>	<u>—</u>	<u>416</u>	<u>—</u>

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		386	—	135	—
Total real estate for resale		386	—	135	—
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		27	—	50	—
Development costs		359	—	85	—
Total costs		386	—	135	—
Total real estate for resale		386	—	135	—
Movements:					
Real estate assets at beginning of the year		135	—	50	—
– Purchases and other costs		337	—	85	—
– WDV of sales (expense)	5	(86)	—	—	—
Total real estate for resale		386	—	135	—

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

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

\$ '000	2019	2018
	—	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Note 9. Non-current assets classified as held for sale

Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

	2019 Assets 'held for sale'	2018 Assets 'held for sale'
\$ '000		
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	4,900	–
Closing balance of 'held for sale' non-current assets and operations	<u>4,900</u>	<u>–</u>

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	9,295	(7)	9,288	5,562	529	(141)	–	(4,585)	–	–	–	10,653	–	10,653
Plant and equipment	28,885	(13,220)	15,665	–	3,076	(1,155)	(2,227)	–	–	–	–	29,474	(14,115)	15,359
Office equipment	8,060	(7,666)	394	–	130	(8)	(150)	–	–	–	–	8,168	(7,802)	366
Furniture and fittings	1,480	(1,274)	206	–	15	–	(38)	–	–	–	–	1,495	(1,312)	183
Land:														
– Operational land	137,654	–	137,654	–	3,329	–	–	–	–	(4,900)	–	136,083	–	136,083
– Community land	61,293	–	61,293	–	563	–	–	–	–	–	–	61,856	–	61,856
Infrastructure:														
– Buildings – non-specialised	1,285	(313)	972	–	–	–	(36)	–	13	–	–	1,346	(397)	949
– Buildings – specialised	120,367	(35,750)	84,617	188	159	(21)	(1,939)	–	297	–	–	121,004	(37,703)	83,301
– Other structures	5,130	(2,014)	3,116	15	450	–	(123)	–	(13)	–	–	5,533	(2,088)	3,445
– Roads	552,761	(230,860)	321,901	3,608	9,144	(246)	(9,764)	1,776	–	–	–	566,777	(240,358)	326,419
– Bridges	20,832	(9,606)	11,226	–	–	–	(186)	–	–	–	–	20,832	(9,792)	11,040
– Footpaths	35,203	(16,533)	18,670	154	3,254	(23)	(753)	–	–	–	–	38,499	(17,197)	21,302
– Bulk earthworks (non-depreciable)	219,111	–	219,111	491	66	(13)	–	–	–	–	–	219,655	–	219,655
– Stormwater drainage	131,866	(34,812)	97,054	636	8,783	(93)	(1,262)	–	–	–	–	141,075	(35,957)	105,118
– Water supply network	363,089	(157,936)	205,153	1,996	4,109	(706)	(5,059)	386	–	–	1,988	371,421	(163,554)	207,867
– Sewerage network	356,909	(109,189)	247,720	2,274	5,798	(1,250)	(5,391)	1,087	–	–	3,557	368,607	(114,812)	253,795
– Swimming pools	15,194	(2,933)	12,261	1,166	389	(7)	(252)	1,336	–	–	–	18,047	(3,154)	14,893
– Other open space/recreational assets	18,528	(8,949)	9,579	206	378	(144)	(678)	–	(297)	–	–	18,613	(9,569)	9,044
Other assets:														
– Library books	5,102	(4,665)	437	–	153	–	(146)	–	–	–	–	5,255	(4,811)	444
– Other	4	–	4	–	–	–	(1)	–	–	–	–	11	(8)	3
Total Infrastructure, property, plant and equipment	2,092,048	(635,727)	1,456,321	16,296	40,325	(3,807)	(28,005)	–	–	(4,900)	5,545	2,144,404	(662,629)	1,481,775

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017				Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount		Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Net carrying amount
Capital work in progress	4,564	–	4,564		5,990	1,312	(78)	–	(2,500)	–	–	–	9,288
Plant and equipment	29,940	(13,202)	16,738		–	2,817	(1,618)	(2,272)	–	–	–	–	15,665
Office equipment	8,029	(7,476)	553		–	46	(1)	(204)	–	–	–	–	394
Furniture and fittings	1,470	(1,238)	232		–	11	–	(37)	–	–	–	–	206
Land:													
– Operational land	49,196	–	49,196		–	2,449	–	–	–	15,767	–	70,242	137,654
– Community land	77,060	–	77,060		–	–	–	–	–	(15,767)	–	–	61,293
Infrastructure:													
– Buildings – non-specialised	1,578	(856)	722		–	398	(87)	(34)	–	–	(27)	–	972
– Buildings – specialised	117,173	(51,028)	66,145		837	1,635	(85)	(1,931)	431	–	–	17,585	84,617
– Other structures	2,188	(671)	1,517		–	263	–	(120)	291	(47)	–	1,212	3,116
– Roads	540,102	(221,636)	318,466		6,631	6,429	(645)	(9,709)	729	–	–	–	321,901
– Bridges	20,289	(9,588)	10,701		705	–	–	(180)	–	–	–	–	11,226
– Footpaths	33,308	(15,853)	17,455		564	1,125	(2)	(693)	221	–	–	–	18,670
– Bulk earthworks (non-depreciable)	217,257	–	217,257		2,149	15	(310)	–	–	–	–	–	219,111
– Stormwater drainage	125,975	(33,691)	92,284		718	5,269	(61)	(1,156)	–	–	–	–	97,054
– Water supply network	351,413	(150,779)	200,634		2,287	3,099	(303)	(4,859)	240	–	–	4,055	205,153
– Sewerage network	342,235	(102,826)	239,409		1,385	6,964	(765)	(5,109)	260	–	–	5,576	247,720
– Swimming pools	14,941	(2,994)	11,947		489	–	–	(275)	49	–	–	51	12,261
– Other open space/recreational assets	17,828	(8,560)	9,268		174	523	(15)	(850)	279	47	–	153	9,579
Other assets:													
– Library books	4,955	(4,548)	407		–	147	–	(117)	–	–	–	–	437
– Other	11	(6)	5		–	–	–	(1)	–	–	–	–	4
Total Infrastructure, property, plant and equipment	1,959,512	(624,952)	1,334,560		21,929	32,502	(3,970)	(27,547)	–	–	(27)	98,874	2,092,048
													(635,727)
													1,456,321

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	20
Office furniture	10	Outdoor furniture	20 to 25
Computer equipment	5	Sports surfaces	10 to 80
Vehicles	10	Fences/gates	25 to 60
Heavy plant/road making equipment	10 to 15		
Other plant and equipment	5 to 15	Buildings	
		Structure	40 to 150
		Roof	40 to 80
Water and sewer assets		Internal finishes	10 to 40
Dam structure	100	Building services	25 to 50
Reservoir roof and structure	40 and 100		
Reticulation pipes	30 to 100	Stormwater assets	
Reticulation valves and hydrants	40 to 60	Drains (lined)	100
Pumps	20	Pipes	80 to 100
Water meters	25	Flood control structures	80 to 120
Sewer manholes	70		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	15 to 25	Swimming pools	80
Sealed roads: structure	60 to 100	Other open space/recreational assets	10 to 150
Unsealed roads	14	Other infrastructure	20 to 50
Bridge: concrete	100		
Bridge: timber	50	Other assets	
Footpaths (concrete)	50	Library books	5
Culverts	100		

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

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	5,980	20	6,209	18
Accrued expenses:				
– Borrowings	129	–	186	–
– Salaries and wages	1,200	–	1,110	–
Security bonds, deposits and retentions	2,687	–	2,583	–
Total payables	9,996	20	10,088	18
Income received in advance				
Payments received in advance	839	–	867	–
Total income received in advance	839	–	867	–
Borrowings				
Loans – secured ¹	4,427	20,858	4,478	27,141
Total borrowings	4,427	20,858	4,478	27,141
TOTAL PAYABLES AND BORROWINGS	15,262	20,878	15,433	27,159

(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 18.

\$ '000	2019	2018
(a) Current payables and borrowings 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.		
Payables – security bonds, deposits and retentions	2,150	2,066
Total payables and borrowings	2,150	2,066

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	31,619	(6,370)	–	–	36	25,285
TOTAL	31,619	(6,370)	–	–	36	25,285

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	35,766	(4,199)	–	–	52	31,619
TOTAL	35,766	(4,199)	–	–	52	31,619

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	150	150
Total financing arrangements	450	450
Drawn facilities as at balance date:		
– Credit cards/purchase cards	34	22
Total drawn financing arrangements	34	22
Undrawn facilities as at balance date:		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	116	128
Total undrawn financing arrangements	416	428

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,882	–	2,684	–
Long service leave	4,584	512	4,159	463
RDO and TIL	360	–	356	–
Sub-total – aggregate employee benefits	7,826	512	7,199	463
Asset remediation/restoration:				
Landfill remediation/restoration (future works)	–	3,500	–	–
Sub-total – asset remediation/restoration	–	3,500	–	–
TOTAL PROVISIONS	7,826	4,012	7,199	463

\$ '000	2019	2018
---------	------	------

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

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

Provisions – employees benefits	4,695	4,320
	4,695	4,320

(b) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	2,684	4,622	356	7,662
Other	198	474	4	676
Total ELE provisions at end of period	2,882	5,096	360	8,338
2018				
At beginning of year	2,539	4,469	344	7,352
Other	145	153	12	310
Total ELE provisions at end of period	2,684	4,622	356	7,662

\$ '000	Other provisions	
	Asset remediation	Total
2019		
Other	3,500	3,500
Total other provisions at end of period	3,500	3,500

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Subsequent to commissioning a report to provide detailed estimates of the costs of remediation of the former landfill site at Welby, Council has recognised a provision for landfill remediation/restoration (future works) during the year ended 30 June 2019.

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve.

Available for sale investments revaluation reserve (2018 only)

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Notes to the Financial Statements

for the year ended 30 June 2019

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Adjustments to the current year figures for the year ended 30 June 2019			
Equity Securities	—	88	88
Receivables	15,728	(23)	15,705
Total assets	1,628,283	65	1,628,348
Total liabilities	50,254	—	50,254
Fair Value - Other comprehensive income	—	88	88
Retained Earnings	674,782	(23)	674,759
Total equity	1,578,029	65	1,578,094

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

\$ '000	Available for sale invest- ment revaluation reserve	FVOCI reserve	Retained earnings	Non- controlling interests	Total
Equity securities	—	88	—	—	88
Increase in expected credit losses for trade receivables	—	—	(23)	—	(23)
Adjustments to equity as a result of adoption of AASB 9	—	88	(23)	—	65
Opening equity balances at 1 July 2018 – AASB 9	—	88	674,759	—	674,847

Council holds one ordinary class and one redeemable preference share in Southern Phone Company Limited. Under AASB 139 these shares were held at cost, being one dollar (\$1) per share. AASB 9 requires that Council now recognise these shares at fair value. An independent valuation of an ordinary share was performed by Ernst & Young on behalf of Southern Phone shareholders. The valuation as at 1 July 2018 was identified as being \$88K. Council has opted, in accordance with AASB 9, to recognise changes in fair value of this equity instrument through other comprehensive income. As a result, an opening adjustment to the fair value through other comprehensive income (FVOCI) reserve of \$88K has been recognised. No opening balance adjustments were required for the redeemable preference share.

Council has previously recognised provisions for doubtful debts based on a detailed review of outstanding receivables as at 30 June each year. AASB 9 requires that entities take a forward-looking approach to provisions for doubtful debts based on lifetime expected credit losses. A practical expedient in AASB 9 enables entities to use a matrix to determine the value of lifetime expected credit losses. In accordance with AASB 9, Council has used this matrix approach to determine its lifetime expected credit losses as at 1 July 2018, being the date of transition to AASB 9. This approach has led to a \$23K increase in expected credit losses which has been recognised as a reduction in opening retained earnings.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Equity securities	Available for sale	FVOCI - equity	–	–	88	88
Receivables	Loans & receivables	Amortised cost	15,728	–	(23)	15,705
Cash & cash equivalents	Loans & receivables	Amortised cost	11,133	–	–	11,133
Term deposits	Held to maturity	Amortised cost	143,500	–	–	143,500
Total financial assets under AASB 9 at 1 July 2018			170,361	–	65	170,426
Financial liabilities						
Secured bank loans	Other financial liabilities	Other financial liabilities	31,619	–	–	31,619
Trade payables	Other financial liabilities	Other financial liabilities	10,106	–	–	10,106
Total financial liabilities under AASB 9 at 1 July 2018			41,725	–	–	41,725

Notes to the table above

Reclassification from 'held to maturity' to 'amortised cost'

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	3,010	11,133
Balance as per the Statement of Cash Flows		3,010	11,133

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	46,186	51,856
Adjust for non-cash items:		
Depreciation and amortisation	28,005	27,547
Net losses/(gains) on disposal of assets	2,638	2,895
Non-cash capital grants and contributions	(29,943)	(23,694)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Interest-free advances made by Council (deferred debtors)	30	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	(16)	(19)
– Interest exp. on interest-free loans received by Council (previously fair valued)	36	52
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(1,832)	(793)
Increase/(decrease) in provision for impairment of receivables	24	(5)
Decrease/(increase) in inventories	–	(2)
Decrease/(increase) in other current assets	(161)	3
Increase/(decrease) in payables	(227)	12
Increase/(decrease) in accrued interest payable	(57)	(60)
Increase/(decrease) in other accrued expenses payable	90	70
Increase/(decrease) in other liabilities	76	425
Increase/(decrease) in provision for employee benefits	676	310
Increase/(decrease) in other provisions	3,500	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	49,025	58,597

(c) Non-cash investing and financing activities

Bushfire grants	680	145
Other dedications	29,263	22,029
Discovered assets	–	1,520
Total non-cash investing and financing activities	29,943	23,694

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

Council has an interest in the Canberra Region Joint Organisation, along with other member Councils, which is not considered material. The activities of this organisation are not controlled by any one Council.

The Canberra Region Joint Organisation provides a forum for Councils, State agencies and other stakeholders to work together at a regional level to identify shared priorities.

Note 16. Commitments

\$ '000	2019	2018
---------	------	------

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	1,118	85
Plant and equipment	781	134
Infrastructure	255	1,883
Water system assets	730	2,283
Sewer system assets	1,243	2,197
Open Space	1,002	476
Total commitments	5,129	7,058

These expenditures are payable as follows:

Within the next year	5,129	7,058
Total payable	5,129	7,058

Sources for funding of capital commitments:

Unrestricted general funds	3,156	2,578
Externally restricted reserves	1,973	4,480
Total sources of funding	5,129	7,058

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

\$ '000	2019	2018
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	188	176
Later than one year and not later than 5 years	250	311
Total non-cancellable operating lease commitments	438	487

b. Non-cancellable operating leases include the following assets:

Council has entered into non-cancellable operating leases for various computer and printing equipment.

(i) No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

(ii) The lease agreement includes the option of renewing the lease for a period of up to 12 months.

Council must provide 30 days notice in writing if the lease is not to be extended.

Council also has in place a number of leases for operational land and buildings.

Conditions relating to finance and operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Note 17. 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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Division B	1.9 times members contributions for non-180 Point Member; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Member, employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 302,117.43. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$304,950.44.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

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

Investment return	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(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.

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

(iii) Possible reimbursement of grant funding

National Stronger Regions Fund - Berrima Road Deviation

In November 2014 Council submitted an application under the National Stronger Regions Fund to the Federal Government - Department of Infrastructure and Regional Development.

The application was submitted to part fund the upgrade and realignment of Berrima Road, in line with improvements required for the Moss Vale Enterprise Corridor. The application stated an estimated project cost of \$9,205,192, with Council seeking fifty percent grant funding of \$4,602,596. The application was successful with Council entering into a Funding Agreement on the 6 May 2016.

Notes to the Financial Statements

for the year ended 30 June 2019

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

At the Ordinary Meeting of Council held on the 10 April 2019, a formal report was presented which identified a number of complex issues which would result in delays in delivering the project within the required timeframes of the Funding Agreement.

To date, Council has received a total of \$920,519 from the Department of Infrastructure and Regional Development in line with the milestone payment schedule of the Funding Agreement.

Section 6.5.4 of the Funding Agreement states *if the completed project ceases to be operational during the operational period, the Commonwealth may give the recipient notice requiring the recipient to repay all or part of the funding to the Commonwealth*. Council is yet to receive formal direction from the Department of Infrastructure and Regional Development regarding the possible reimbursement of this payment.

As such, the amount has been disclosed as a Contingent Liability until further direction has been provided.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	17,151	17,151	(17,151)	(17,151)
Possible impact of a 1% movement in interest rates	1,715	1,715	(1,715)	(1,715)
2018				
Possible impact of a 10% movement in market values	15,463	15,463	(15,463)	(15,463)
Possible impact of a 1% movement in interest rates	1,546	1,546	(1,546)	(1,546)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(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.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	1,142	182	121	114	1,559
2018						
Gross carrying amount	–	758	186	146	105	1,195

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	14,250	20	525	72	1,123	15,990
Expected loss rate (%)	0.01%	3.27%	0.10%	2.15%	2.50%	0.20%
ECL provision	1	1	–	2	28	32
2018						
Gross carrying amount	12,107	55	608	786	985	14,541
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	2,687	7,329	–	–	10,016	10,016
Loans and advances	3.81%	–	5,307	14,339	10,058	29,704	25,285
Total financial liabilities		<u>2,687</u>	<u>12,636</u>	<u>14,339</u>	<u>10,058</u>	<u>39,720</u>	<u>35,301</u>
2018							
Trade/other payables	0.00%	2,583	7,523	–	–	10,106	10,106
Loans and advances	4.00%	–	5,706	18,094	13,903	37,703	31,619
Total financial liabilities		<u>2,583</u>	<u>13,229</u>	<u>18,094</u>	<u>13,903</u>	<u>47,809</u>	<u>41,725</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for the 2018/19 financial year was adopted by Council on 13/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	72,585	74,778	2,193	3% F
No material budget variations.				
User charges and fees	20,531	22,731	2,200	11% F
There has been an increase in user charges and fees when compared to the original budget. This increase is primarily due to the following items; water usage charges of \$1.084M, increased waste management charges of \$729K, increased income for Planning and Building of \$327K due to increased development activity, and sewer connection fees of \$192K.				
Interest and investment revenue	3,265	4,603	1,338	41% F
Investment income exceeded budget expectations by \$1.265M. The additional revenue was attributable to a larger than anticipated investment portfolio and an investment strategy which stretched the investment time horizons out to 12 months to take advantage of higher rates. Interest on overdue rates exceeded budget expectations by \$57K. A variation of \$16K also resulted from the amortisation (non cash) of an interest free loan.				
Other revenues	3,764	5,259	1,495	40% F
Other revenues have exceeded budget expectations. This is largely due to an increase in the following; Legal fees recovered \$309K, Insurance rebates and reimbursements \$205K, Quarries income \$141K, Other income and sales \$140K, Property easement income \$125K, Tulip Time income \$105K, Lease rentals \$90K, Development and Regulatory fines \$84K, Saleyards income \$81K, and Cemetery income \$64K.				
Operating grants and contributions	8,680	9,219	539	6% F
No material budget variations.				
Capital grants and contributions	14,348	41,744	27,396	191% F
Capital grants and contributions have exceeded budget forecasts due to the recognition of dedicated assets (non cash) and higher than expected developer contributions. Council recognised dedicated assets valued at \$29.263M, and rural fire service assets valued at \$680K. Revenue from developer contributions was \$1.21M above budget projections. Road and Transport Capital grants was \$3.516M less than the original budget.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	37,288	35,998	1,290	3% F
No material budget variations.				
Borrowing costs	1,408	1,227	181	13% F
Borrowing costs were less than the original budget due to the renegotiation of a number of loans \$224K, plus the early payout of the water fund loan \$23K. Offsetting this was the cost (non cash) of Interest Free Loans \$66K.				
Materials and contracts	23,553	24,880	(1,327)	(6)% U
No material budget variation.				
Depreciation and amortisation	25,009	28,005	(2,996)	(12)% U
Depreciation expense is \$2.99M greater than originally forecast. This is primarily due to dedicated assets and indexation of water & sewer infrastructure.				
Other expenses	16,030	19,400	(3,370)	(21)% U
Other expenses exceeded the original budget due to a provision of \$3.5M for rehabilitation of Welby Tip.				
Net losses from disposal of assets	–	2,638	(2,638)	∞ U
Council does not estimate the net profit/loss from the disposal of assets as part of the annual budget, instead estimates are based on the expected sales proceeds.				
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	42,057	49,025	6,968	17% F
Net cash from operating activities has increased from the original budget primarily due to additional income received from rates and annual charges, User charges and fees and other revenues.				
Net cash provided from (used in) investing activities	(43,420)	(50,778)	(7,358)	17% U
Net cash from investing activities has varied from the original budget due to an increase in Council's total investment portfolio, and less than anticipated expenditure on capital works.				
Net cash provided from (used in) financing activities	1,363	(6,370)	(7,733)	(567)% U
Net cash used in financing activities has varied from the original budget due to no new loans being taken up in the Financial Year. Also a water fund loan of \$1.7M was paid out in full.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Financial assets at fair value through other comprehensive income’		30/06/19	–	56	–	56
– ‘Held to Maturity’		30/06/19	–	168,500	–	168,500
Total financial assets			–	168,556	–	168,556
Infrastructure, property, plant and equipment						
	10					
WIP		30/06/19	–	–	10,653	10,653
Plant & Equipment		30/06/19	–	–	15,359	15,359
Office Equipment		30/06/19	–	–	366	366
Furniture & Fittings		30/06/19	–	–	183	183
Operational Land		30/06/19	–	–	136,083	136,083
Community Land		30/06/19	–	–	61,856	61,856
Buildings – Non Specialised		30/06/19	–	–	949	949
Buildings – Specialised		30/06/19	–	–	83,301	83,301
Other Structures		30/06/19	–	–	3,445	3,445
Roads		30/06/19	–	–	326,419	326,419
Bridges		30/06/19	–	–	11,040	11,040
Footpaths		30/06/19	–	–	21,302	21,302
Bulk Earthworks (non-depreciable)		30/06/19	–	–	219,655	219,655
Stormwater Drainage		30/06/19	–	–	105,118	105,118
Water Supply Network		30/06/19	–	–	207,867	207,867
Sewerage Network		30/06/19	–	–	253,795	253,795
Swimming Pools		30/06/19	–	–	14,893	14,893
Other Open Space/Recreational Assets		30/06/19	–	–	9,044	9,044
Library Books		30/06/19	–	–	444	444
Other		30/06/19	–	–	3	3
Total infrastructure, property, plant and equipment			–	–	1,481,775	1,481,775

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2019	Notes					
Non-current assets classified as 'held for sale'	9					
Land		30/06/19	—	—	4,900	4,900
Total NCA's classified as 'held for sale'			—	—	4,900	4,900

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2018	Notes					
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Held to Maturity'		30/06/18	—	143,500	—	143,500
Total financial assets			—	143,500	—	143,500

Infrastructure, property, plant and equipment	10					
WIP		30/06/18	—	—	9,288	9,288
Plant & Equipment		30/06/18	—	—	15,665	15,665
Office Equipment		30/06/18	—	—	394	394
Furniture & Fittings		30/06/18	—	—	206	206
Operational Land		30/06/18	—	—	137,654	137,654
Community Land		30/06/18	—	—	61,293	61,293
Buildings – Non Specialised		30/06/18	—	—	972	972
Buildings – Specialised		30/06/18	—	—	84,617	84,617
Other Structures		30/06/18	—	—	3,116	3,116
Roads		30/06/18	—	—	321,901	321,901
Bridges		30/06/18	—	—	11,226	11,226
Footpaths		30/06/18	—	—	18,670	18,670
Bulk Earthworks (non-depreciable)		30/06/18	—	—	219,111	219,111
Stormwater Drainage		30/06/18	—	—	97,054	97,054
Water Supply Network		30/06/18	—	—	205,153	205,153
Sewerage Network		30/06/18	—	—	247,720	247,720
Swimming Pools		30/06/18	—	—	12,261	12,261
Other Open Space/Recreational Assets		30/06/18	—	—	9,579	9,579
Library Books		30/06/18	—	—	437	437
Other		30/06/18	—	—	4	4
Total infrastructure, property, plant and equipment			—	—	1,456,321	1,456,321

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	

Note that capital WIP is not included above since it is carried at cost.

(2) 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:

Financial assets**Financial assets at fair value through other comprehensive income**

Council obtains its fair values for fair value through other comprehensive income from an independent valuation of ordinary shares on behalf of Southern Phone Company Limited shareholders.

Investments – Held to Maturity

Council obtains its fair values for held to maturity investments from audit confirmations provided by Approved Deposit Taking Institutions (ADIs).

Infrastructure, property, plant and equipment (IPP&E)**Property, Plant & Equipment, Furniture & Fittings**

Council's Plant & Equipment, Furniture & Fittings incorporates:

- Major plant Truck, tractors, street sweepers
- Fleet vehicles Cars, vans, utes etc.
- Minor plant Chainsaws, brush cutters, mowers, concrete mixers
- Furniture & fittings Desks, chairs, display systems
- Office equipment Computers, monitors, PABX, projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2018) using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal.

The unobservable Level 3 inputs used include:

- Rate per square metre
- Description of land

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period.

Community Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it

In relation to community land the Office of Local Government has reviewed its position on the use of the NSW Valuer General's valuations of community land and in association with the Local Government Accounting Advisory Group; the Office has determined that community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under Clause 31 of AASB 116

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the NSW Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the NSW Valuer General did not provide a UCV.

The 'Market Approach' is used to value community land. There has been no change to the valuation process during the reporting period.

Property – Buildings (Specialised & Non-Specialised)

Council buildings comprise:

- Libraries
- Public amenities
- Sporting club houses
- Kiosks and amenities
- Depot buildings and workshops
- Community centres
- Rural Fire Service buildings

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

inspected and unit rates, although based on square metres could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been no change to the valuation process during the reporting period.

Other Structures

Council's other structures incorporates the following classes of assets:

- Significant single assets such as playgrounds, floodlighting system irrigation systems, tennis courts, tennis shelters, artificial turf playing surfaces etc. and;
- Aggregated lower value assets such as recreational/park infrastructures (picnic tables, seats, bollards, fences, BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are undertaken by Council staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Residual value

The 'Cost Approach' is used to value other structures. There has been no change to the valuation process during the reporting period

Roads, Bridges & Footpaths

This asset class comprises:

- Road carriageways
- Bus shelters
- Car parks
- Guardrails
- Kerb and guttering
- Bridges
- Footpaths
- Traffic facilities
- Road drainage

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's Asset Management System (Conquest) contains detailed dimensions and specifications for all Council road assets.

Council applies fair values to road infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system.

The unobservable Level 3 inputs used include:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life of carriageway
- Gross replacement cost

The 'Cost Approach' is used to value road assets. There were no changes in valuation technique from prior year.

Stormwater Drainage

Council's drainage assets comprise:

- Pits
- Pipes
- Culverts
- Open channels
- Headwalls
- Various types of water quality device used to collect, store and remove stormwater

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council drainage assets.

Council applies fair values to drainage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value drainage by componentising the assets into significant parts and then rolling up these component values to provide an overall drainage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Water Supply Network

Council's water supply network comprises:

- Treatment Works
- Dams
- Reservoirs
- Pumping stations
- Water reticulation (pipes, valves, hydrants, meters, service lines)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council water assets.

Council applies fair values to water infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value water assets by componentising the assets into significant parts and then rolling up these component values to provide an overall water valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

Sewerage Supply Network

Assets within this class comprise:

- Treatment works
- Pumping stations
- Sewerage reticulation (pipes, manholes, valves, vents)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council sewerage assets.

Council applies fair values to sewerage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value sewer assets by componentising the assets into significant parts and then rolling up these component values to provide an overall sewerage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Other Assets

Council's other assets comprise:

- Library books
- Reference materials
- CD's & DVD's
- Art collections

Council fair values other assets using Level 3 inputs.

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Office Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Furniture & Fittings	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Operational Land	Level 3	Price per square metre
Community Land	Level 3	Average unit rate based on unimproved capital value per square metre
Buildings – non-specialised	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Buildings – specialised	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Other Structures	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Roads	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bridges	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Footpaths	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bulk Earthworks (non-depreciable)	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Stormwater Drainage	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Water Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Sewerage Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Swimming Pools	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Other Open Space/Recreational Assets	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Library Books	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition
Other	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(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:

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,995	1,759
Post-employment benefits	222	207
Other long-term benefits	37	–
Termination benefits ¹	228	11
Total	2,482	1,977

(1) Termination benefits relate to the payment of outstanding entitlements in accordance with the Local Government (State) Award 2017.

(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	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Payment of rates and water charges to Council	1	134	1		–	–
Payment by Council for the provision of services	3	89	–		–	–
2018						
Payment of rates and water charges to Council	1	113	9		–	–
Development application fees paid to Council	2	25	–		–	–
Payment by Council for the provision of services	3	49	–		–	–

continued on next page ...

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

- 1 As per Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed relates to rates and water account payments by four of Council's key management personnel (including their related parties). Outstanding balances are secured against property.
- 2 One of Council's KMP made payments to Council during the year ended 30 June 2018 in relation to a development application and subdivision certificate.
- 3 During the year various departments of Council engaged the services of a not-for-profit organisation of which one of Council's KMP is a committee member. Amounts were billed, and were due and payable, in accordance with the organisation's standard terms.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

	as at 30/6/2018		as at 30/6/2019				
	Opening Balance	Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash				
Roads	4,321	422	—	(668)	—	4,198	—
Community facilities	396	5	—	—	—	408	—
Open Space & Community Facilities	5,402	323	—	(11)	—	5,868	—
Administration	460	59	—	—	—	533	—
Resource Recovery Centre	1	30	—	(30)	—	1	—
CF Library Loan	416	52	—	—	—	484	—
Administration (MVEC)	1	—	—	—	—	1	—
Future Works (MVEC)	89	14	—	—	—	106	—
Land Acquisition (MVEC)	4	—	—	—	—	4	—
S7.11 contributions – under a plan	11,090	905	—	(709)	—	11,603	—
S7.12 levies – under a plan	351	124	—	(80)	—	406	—
Total S7.11 and S7.12 revenue under plans	11,441	1,029	—	(789)	—	12,009	—
S7.11 not under plans (VPA)	3,163	213	—	—	—	3,468	—
s7.11 not under plans Parking	1,432	—	—	(70)	—	1,401	—
S64 Contributions Water	17,120	2,520	—	(2,551)	—	17,583	—
S64 Contributions Sewer	14,723	2,260	—	(660)	—	16,775	—
S64 Stormwater	3,782	216	—	(1,154)	—	2,939	—
Total contributions	51,661	6,238	—	(5,224)	—	54,175	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

	as at 30/6/2018		Contributions received during the year				Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
\$ '000	Opening Balance		Cash	Non-cash		Held as restricted asset				Cumulative internal borrowings due/(payable)	
S7.11 Contributions – under a plan											
CONTRIBUTION PLAN 1											
Roads	4,321		422	–	123	(668)	–	4,198	–		
Community facilities	396		5	–	7	–	–	408	–		
Open Space & Community Facilities	5,402		323	–	154	(11)	–	5,868	–		
Administration	460		59	–	14	–	–	533	–		
Resource Recovery Centre	1		30	–	–	(30)	–	1	–		
CF Library Loan	416		52	–	16	–	–	484	–		
Total	10,996		891	–	314	(709)	–	11,492	–		
S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)											
Administration (MVEC)	1		–	–	–	–	–	1	–		
Future Works (MVEC)	89		14	–	3	–	–	106	–		
Land Acquisition (MVEC)	4		–	–	–	–	–	4	–		
Total	94		14	–	3	–	–	111	–		
S7.12 Levies – under a plan											
S94A Plan											
S94A	351		124	–	11	(80)	–	406	–		
Total	351		124	–	11	(80)	–	406	–		

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

	as at 30/6/2018	Contributions received during the year			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash	Held as restricted asset				Cumulative internal borrowings due/(payable)	
\$ '000									
S7.11 Contributions – not under a plan									
S94 not under Plans (VPA)									
Drainage	19	–	–	–	1	–	–	20	–
Roads	478	–	–	–	13	–	–	491	–
Open space	1	–	–	–	–	–	–	1	–
Community facilities	87	213	–	–	8	–	–	308	–
Sewer	1,193	–	–	–	33	–	–	1,226	–
Water	814	–	–	–	22	–	–	836	–
RRC	85	–	–	–	2	–	–	87	–
ASH	11	–	–	–	–	–	–	11	–
Administration	437	–	–	–	12	–	–	449	–
Management Contribution	38	–	–	–	1	–	–	39	–
Total	3,163	213	–	–	92	–	–	3,468	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	54,760	3,606	16,412
User charges and fees	10,699	10,438	1,594
Interest and investment revenue	1,798	1,599	1,206
Other revenues	4,094	662	503
Grants and contributions provided for operating purposes	9,219	–	–
Grants and contributions provided for capital purposes	27,905	5,863	7,976
Total income from continuing operations	108,475	22,168	27,691
Expenses from continuing operations			
Employee benefits and on-costs	29,747	2,792	3,459
Borrowing costs	581	80	566
Materials and contracts	22,446	836	1,598
Depreciation and amortisation	17,166	5,241	5,598
Other expenses	11,520	4,720	3,160
Net losses from the disposal of assets	622	734	1,282
Total expenses from continuing operations	82,082	14,403	15,663
Operating result from continuing operations	26,393	7,765	12,028
Net operating result for the year	26,393	7,765	12,028
Net operating result attributable to each council fund	26,393	7,765	12,028
Net operating result for the year before grants and contributions provided for capital purposes	(1,512)	1,902	4,052

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,165	1,038	807
Investments	64,647	58,446	45,407
Receivables	8,571	3,616	5,054
Inventories	886	504	46
Other	577	–	–
Non-current assets classified as 'held for sale'	4,900	–	–
Total current assets	80,746	63,604	51,314
Non-current assets			
Investments	56	–	–
Receivables	276	–	–
Infrastructure, property, plant and equipment	988,565	223,325	269,885
Total non-current assets	988,897	223,325	269,885
TOTAL ASSETS	1,069,643	286,929	321,199
LIABILITIES			
Current liabilities			
Payables	8,961	490	545
Income received in advance	456	364	19
Borrowings	1,658	–	2,769
Provisions	6,489	447	890
Total current liabilities	17,564	1,301	4,223
Non-current liabilities			
Payables	20	–	–
Borrowings	10,678	–	10,180
Provisions	3,914	31	67
Total non-current liabilities	14,612	31	10,247
TOTAL LIABILITIES	32,176	1,332	14,470
Net assets	1,037,467	285,597	306,729
EQUITY			
Accumulated surplus	466,429	93,927	160,589
Revaluation reserves	570,982	191,670	146,140
Other reserves	56	–	–
Council equity interest	1,037,467	285,597	306,729
Total equity	1,037,467	285,597	306,729

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	7,080	6.07%	6.07%	9.02%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	116,590				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	106,476	67.25%	63.46%	67.05%	>60.00%
Total continuing operating revenue ¹	158,334				
3. Unrestricted current ratio					
Current assets less all external restrictions	54,776	5.39x	4.53x	4.86x	>1.50x
Current liabilities less specific purpose liabilities	10,170				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	36,312	4.78x	6.18x	5.98x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,597				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,854	2.43%	2.17%	2.22%	<10.00%
Rates, annual and extra charges collectible	76,161				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	171,510	22.85 mths	22.07 mths	18.80 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	7,507				

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

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

	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
\$ '000	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1.10)%	(1.53)%	16.17%	20.36%	27.06%	23.05%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	64.64%	65.47%	74.35%	63.58%	71.77%	57.38%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.08x	3.82x	43.74x	27.46x	8.61x	7.49x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7.59x	7.97x	3.69x	21.71x	3.47x	3.04x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.31%	2.99%	5.90%	9.22%	2.88%	3.33%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.93	11.07	63.85	79.78	43.68	41.36	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

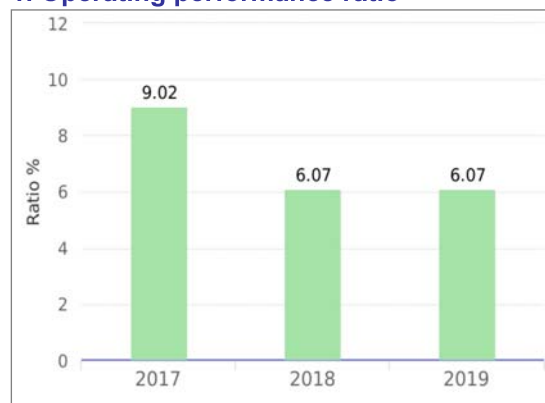
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 6.07%

Council's operating performance continues to be supported by an increase in rate income through the third year of the Investing in Our Future Special Rate Variation.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



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.

Commentary on 2018/19 result

2018/19 ratio 67.25%

Council continues to exceed this industry benchmark with 67% of revenue generated through rates, charges and user fees.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



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.

Commentary on 2018/19 result

2018/19 ratio 5.39x

Council continues to maintain a strong liquidity position with a healthy unrestricted current ratio. This means that Council can easily pay its financial obligations as they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.78x

Council continues to exceed this benchmark which is a result of adequate operating revenues to cover its loan repayments. Council did not take out any new loan borrowings during the reporting period.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 2.43%

Council continues to exceed this benchmark through the operation of effective debt recovery procedures and management of outstanding debts.

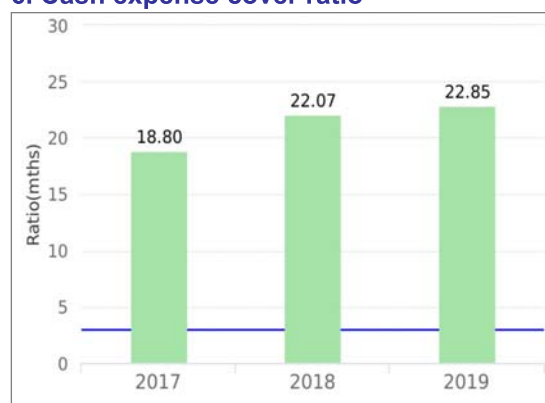
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



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.

Commentary on 2018/19 result

2018/19 ratio 22.85 mths

This ratio is significantly higher than benchmark which reflects Council's strong liquidity position.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wingecarribee Shire Council

To the Councillors of the Wingecarribee Shire Council

Opinion

I have audited the accompanying financial statements of Wingecarribee Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial 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 2019, 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.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

Auditor's Responsibilities for the Audit of the Financial 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.

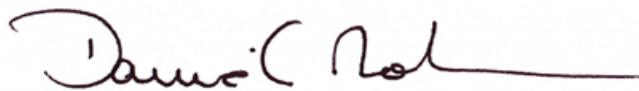
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

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/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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 dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY



Mr Duncan Gair
Mayor
Wingecarribee Shire Council
PO Box 141
MOSS VALE NSW 2577

Contact: David Nolan
Phone no: 9275 7377
Our ref: D1924917/1809

28 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Wingecarribee Shire Council**

I have audited the general purpose financial statements (GPFS) of the Wingecarribee Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.





SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

There have been no significant matters identified during the audit.

A significant matter would affect the ability of the Council to achieve its objectives and may require third party intervention or can arise from a fundamental systemic failure of governance practices and/or internal controls across the entity.

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	74.8	68.6	9.0 
Grants and contributions revenue	51.0	56.1	9.1 
Operating result for the year	46.2	51.9	11.0 
Net operating result before capital grants and contributions	4.4	3.7	18.9 

Council's operating result (\$46.2 million including the effect of depreciation and amortisation expense of \$28.0 million) was \$5.7 million lower than the 2017–18 result. The decrease from the previous period is mainly due to an expense for \$3.5 million associated with the creation of a remediation provision for the former Welby landfill site.

The net operating result before capital grants and contributions (\$4.4 million) was \$0.7 million higher than the 2017–18 result. A number of offsetting items contributed to the small increase and are explained below.

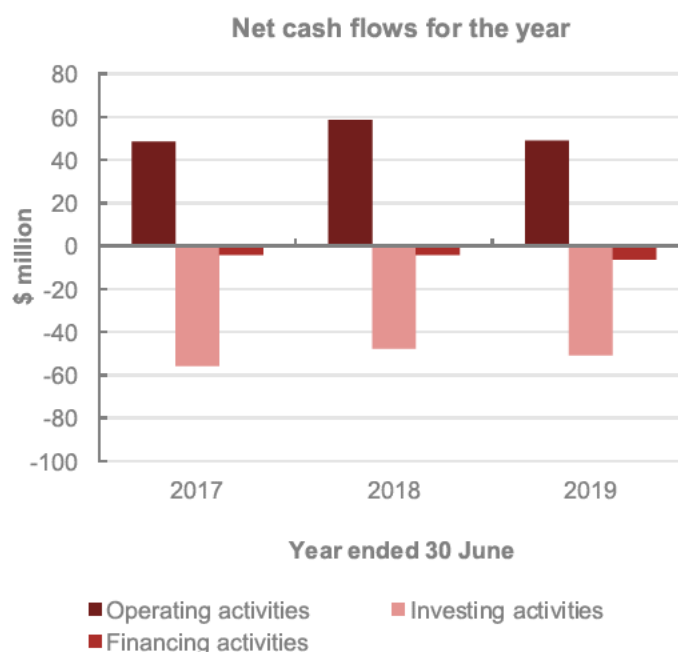
Rates and annual charges revenue (\$74.8 million) increased by \$6.2 million (9.0 per cent) in 2018–2019. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 9.25 per cent in 2018–19. The Special Rate Variation that became effective in 2016–17 and will end next year with a rates increase of 12.15% in 2019–20.

Grants and contributions revenue (\$51.0 million) decreased by \$5.1 million (9.1 per cent) in 2018–2019 due to:

- a decrease of \$13.3 million in developer cash contributions compared to 2017–18
- an increase \$7.2 million from non-cash contributions relating to subdivision dedications.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$8.1 million to \$3.0 million at the close of the year.
- Cash inflows from operating activities decreased from \$58.6 million in 2017–18 to \$49.0 million largely due to lower revenue from grants and contributions. The increase in cash outflow from investing activities came from the purchase of investment securities.
- Cash outflows from financing activities have increased due to the repayment of borrowings (\$6.4 million). No new debt was obtained during the year.



FINANCIAL POSITION

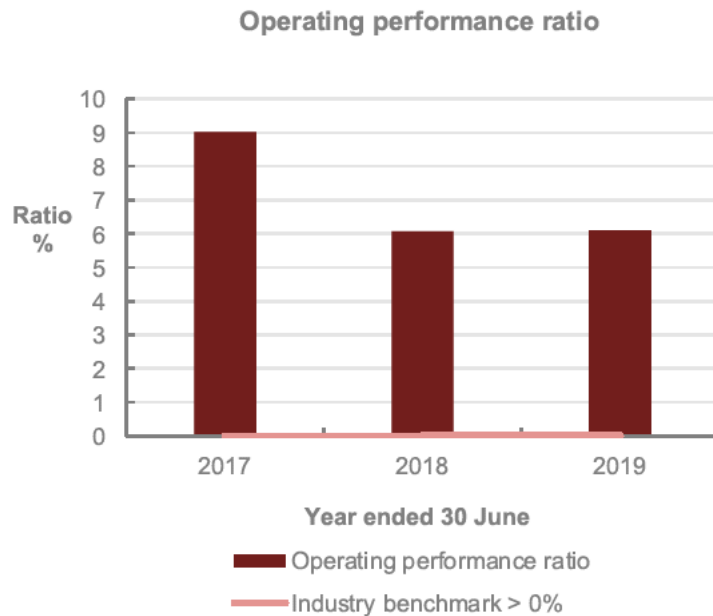
Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	131.5	120.0	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds. Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	39.9	34.3	
Unrestricted	0.2	0.3	
Cash and investments	171.6	154.6	

PERFORMANCE

Operating performance ratio

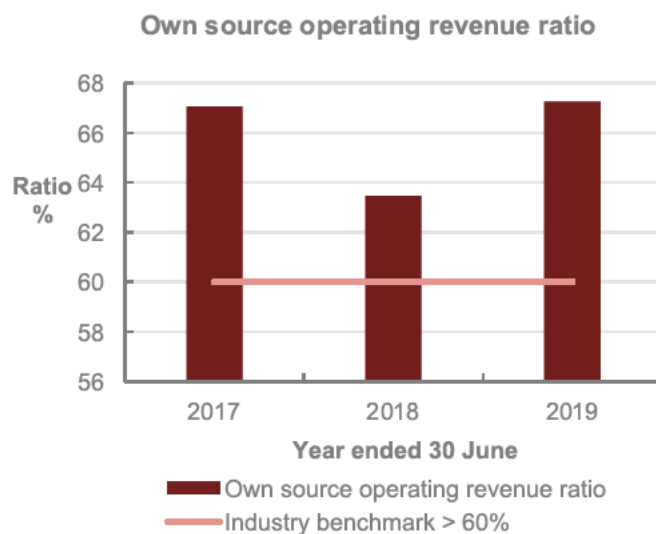
- Operating performance has remained stable from the previous year and Council continues to exceed the benchmark.
- The indicator ratio of 6.07 per cent remained constant with the previous year.
- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

- Council's own source operating revenue ratio of 67.3 per cent was above the industry benchmark.
- This indicator has increased from the previous year and indicates that Council is not overly reliant on grants and contributions.

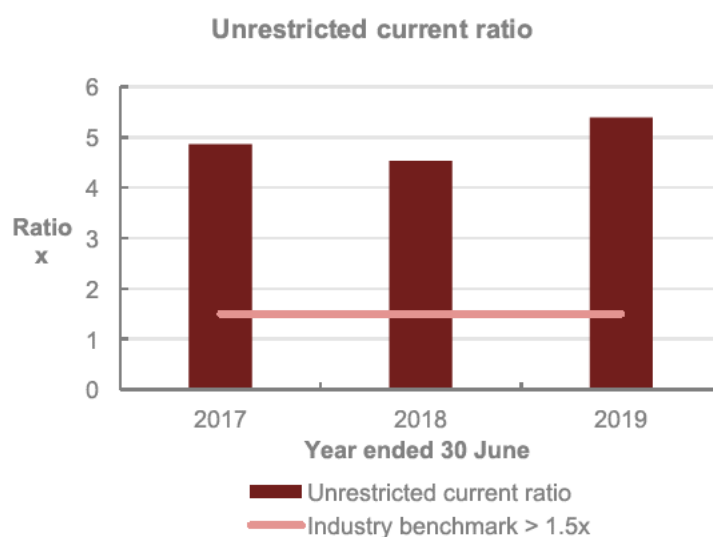
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio increased from 4.5 in the previous year to 5.4 at year end. The ratio exceeds the benchmark by over 3 times.
- Council continues to invest funds to align with planned timing of spending of externally restricted funds. This strategy positively impacts this ratio.

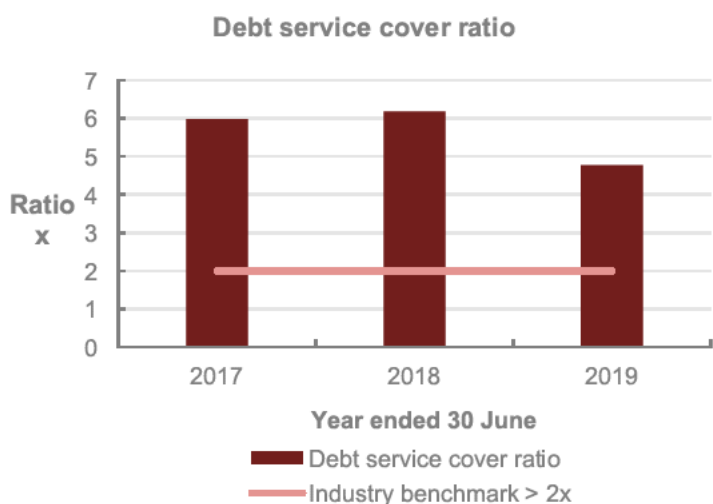
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 4.8 times exceeded the industry benchmark.
- Repayments of borrowings and advances of \$6.4m were made reducing the balance of loans outstanding to \$25.3 at year end.
- Council did not obtain any new borrowings during 2018–19.

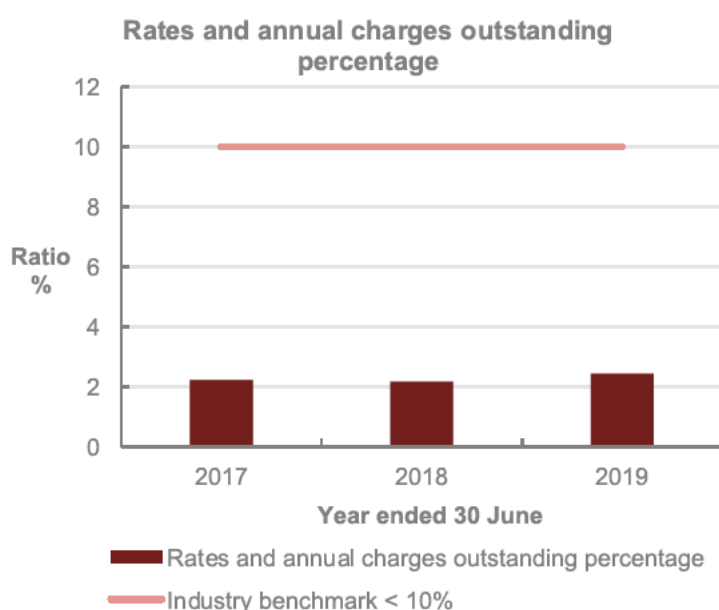
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's outstanding rates and charges ratio of 2.4 per cent was within the industry benchmark and remains relatively consistent year on year

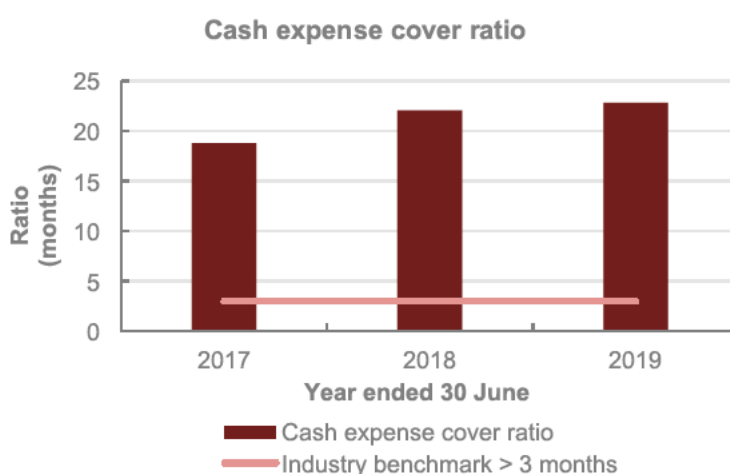
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council continues to exceed the benchmark and has cash and term deposits to meet 22.8 months of expenses.

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 the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$16.3 million compared to \$21.9 million in the previous year
- Renewals solely consisted of infrastructure assets and plant and equipment
- The level of asset renewals during the year (\$16.3 million) represented 58.2 per cent of the total depreciation expense (\$28.0 million) for the year.

OTHER MATTERS

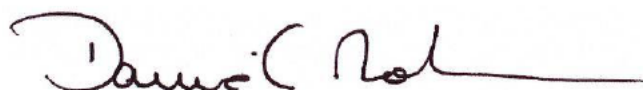
New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13(b).</p>

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 statements. The Council's:

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



David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Ann Prendergast, General Manager
Ms Jan Edwards, Chair of the Audit, Risk and Continuous Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Wingecarribee Shire Council

Special Purpose Financial Statements

For the year ended 30 June 2019



www.wsc.nsw.gov.au



Special Purpose Financial Statements

for the year ended 30 June 2019

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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).

Special Purpose Financial Statements

for the year ended 30 June 2019

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 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 11 September 2019.



Clr Duncan Gair
Mayor
28 October 2019



Clr Garry Turland
Councillor
28 October 2019



Ann Prendergast
General Manager
28 October 2019



Richard Mooney
Responsible Accounting Officer
28 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	3,606	3,491
User charges	9,892	10,360
Fees	546	598
Interest	1,599	1,326
Other income	662	705
Total income from continuing operations	16,305	16,480
Expenses from continuing operations		
Employee benefits and on-costs	2,792	2,362
Borrowing costs	80	114
Materials and contracts	836	1,140
Depreciation, amortisation and impairment	5,241	5,034
Water purchase charges	1,398	1,399
Loss on sale of assets	734	332
Calculated taxation equivalents	215	218
Debt guarantee fee (if applicable)	–	56
Other expenses	3,322	3,076
Total expenses from continuing operations	14,618	13,731
Surplus (deficit) from continuing operations before capital amounts	1,687	2,749
Grants and contributions provided for capital purposes	5,863	9,439
Surplus (deficit) from continuing operations after capital amounts	7,550	12,188
Surplus (deficit) from all operations before tax	7,550	12,188
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(464)	(756)
SURPLUS (DEFICIT) AFTER TAX	7,086	11,432
Plus accumulated surplus	86,162	73,700
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	215	218
– Debt guarantee fees	–	56
– Corporate taxation equivalent	464	756
Closing accumulated surplus	93,927	86,162
Return on capital %	0.8%	1.3%
Subsidy from Council	1,181	2,925
Calculation of dividend payable:		
Surplus (deficit) after tax	7,086	11,432
Less: capital grants and contributions (excluding developer contributions)	(5,863)	(2,268)
Surplus for dividend calculation purposes	1,223	9,164
Potential dividend calculated from surplus	612	4,582

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	16,412	15,498
User charges	1,152	1,340
Liquid trade waste charges	7	4
Fees	435	350
Interest	1,206	996
Other income	503	582
Total income from continuing operations	19,715	18,770
Expenses from continuing operations		
Employee benefits and on-costs	3,459	3,428
Borrowing costs	566	753
Materials and contracts	1,598	1,871
Depreciation, amortisation and impairment	5,598	5,312
Loss on sale of assets	1,282	772
Calculated taxation equivalents	237	238
Debt guarantee fee (if applicable)	172	438
Other expenses	3,160	3,080
Total expenses from continuing operations	16,072	15,892
Surplus (deficit) from continuing operations before capital amounts	3,643	2,878
Grants and contributions provided for capital purposes	7,976	13,939
Surplus (deficit) from continuing operations after capital amounts	11,619	16,817
Surplus (deficit) from all operations before tax	11,619	16,817
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,002)	(791)
SURPLUS (DEFICIT) AFTER TAX	10,617	16,026
Plus accumulated surplus	148,561	131,068
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	237	238
– Debt guarantee fees	172	438
– Corporate taxation equivalent	1,002	791
Closing accumulated surplus	160,589	148,561
Return on capital %	1.6%	1.4%
Subsidy from Council	–	3,315
Calculation of dividend payable:		
Surplus (deficit) after tax	10,617	16,026
Less: capital grants and contributions (excluding developer contributions)	(7,976)	(6,865)
Surplus for dividend calculation purposes	2,641	9,161
Potential dividend calculated from surplus	1,321	4,580

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,038	3,889
Investments	58,446	51,662
Receivables	3,616	3,429
Inventories	504	496
Total current assets	63,604	59,476
Non-current assets		
Infrastructure, property, plant and equipment	223,325	220,066
Total non-current assets	223,325	220,066
TOTAL ASSETS	286,929	279,542
LIABILITIES		
Current liabilities		
Payables	490	952
Income received in advance	364	310
Borrowings	–	280
Provisions	447	392
Total current liabilities	1,301	1,934
Non-current liabilities		
Borrowings	–	1,738
Provisions	31	26
Total non-current liabilities	31	1,764
TOTAL LIABILITIES	1,332	3,698
NET ASSETS	285,597	275,844
EQUITY		
Accumulated surplus	93,927	86,162
Revaluation reserves	191,670	189,682
<u>TOTAL EQUITY</u>	<u>285,597</u>	<u>275,844</u>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	807	2,795
Investments	45,407	37,129
Receivables	5,054	4,526
Inventories	46	48
Total current assets	51,314	44,498
Non-current assets		
Infrastructure, property, plant and equipment	269,885	264,093
Total non-current assets	269,885	264,093
TOTAL ASSETS	321,199	308,591
LIABILITIES		
Current liabilities		
Payables	545	860
Income received in advance	19	37
Borrowings	2,769	2,620
Provisions	890	805
Total current liabilities	4,223	4,322
Non-current liabilities		
Borrowings	10,180	13,067
Provisions	67	59
Total non-current liabilities	10,247	13,126
TOTAL LIABILITIES	14,470	17,448
NET ASSETS	306,729	291,143
EQUITY		
Accumulated surplus	160,589	148,561
Revaluation reserves	146,140	142,582
TOTAL EQUITY	306,729	291,143

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

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 2005*, 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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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)

a. Wingecarribee Shire Council Water Fund

Comprising the whole of the operations and assets of the water supply systems servicing the major towns of Moss Vale, Bowral, Mittagong, Robertson and Bundanoon and surrounding villages.

b. Wingecarribee Shire Council Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the major towns of Moss Vale, Bowral and Bundanoon, Robertson, and Mittagong and surrounding villages, and the village of Berrima

Category 2

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

Nil

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(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 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 – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

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

The payment of taxation equivalent charges, referred to in the DoI – 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 DoI – 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 27.5%.

Income tax is only applied where a gain 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 27.5% 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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(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 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 1.32% at 30/6/19.

(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 their water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Wingecarribee Shire Council

To the Councillors of the Wingecarribee Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wingecarribee Shire Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies 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 Activity
- Sewerage Business Activity.

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 2019, and its 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 – update number 27 (LG Code).

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 the 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 the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial 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 are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

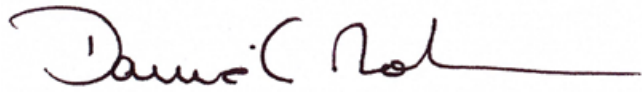
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/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
- 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 dark ink, appearing to read 'David Nolan', with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Wingecarribee Shire Council

Special Schedules

For the year ended 30 June 2019



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Special Schedules
for the year ended 30 June 2019

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Permissible income for general rates

for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	46,002	41,492
Plus or minus adjustments ²	b	878	470
Notional general income	$c = a + b$	46,880	41,962
Permissible income calculation			
Special variation percentage ³	d	12.15%	9.25%
Less expiring special variation amount	g	(1,426)	—
Plus special variation amount	$h = d \times (c + g)$	5,523	3,881
Sub-total	$k = (c + g + h + i + j)$	50,977	45,843
Plus (or minus) last year's carry forward total	l	1	81
Less valuation objections claimed in the previous year	m	(79)	—
Sub-total	$n = (l + m)$	(78)	81
Total permissible income	$o = k + n$	50,899	45,924
Less notional general income yield	p	50,857	46,002
Catch-up or (excess) result	$q = o - p$	42	(78)
Plus income lost due to valuation objections claimed ⁴	r	—	79
Less unused catch-up ⁵	s	(7)	—
Carry forward to next year ⁶	$t = q + r + s$	35	1

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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Wingecarribee Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), 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.

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 Schedule' 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 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 special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

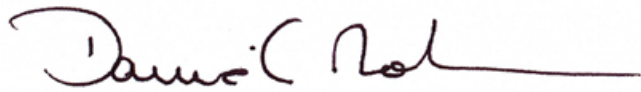
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Report on Infrastructure Assets as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	15	15	26	23	949	1,346	2.0%	21.0%	72.0%	5.0%	0.0%
	Buildings – specialised	995	995	2,407	2,277	83,301	121,004	39.0%	30.0%	27.0%	4.0%	0.0%
	Sub-total	1,010	1,010	2,433	2,300	84,250	122,350	38.6%	29.9%	27.5%	4.0%	0.0%
Other structures	Other structures	79	79	103	47	3,445	5,533	32.0%	27.0%	34.0%	7.0%	0.0%
	Sub-total	79	79	103	47	3,445	5,533	32.0%	27.0%	34.0%	7.0%	0.0%
Roads	Sealed roads	1,717	1,717	4,865	5,197	245,246	388,244	46.0%	48.0%	4.0%	1.0%	1.0%
	Unsealed roads	221	221	1,618	1,615	48,012	109,572	2.0%	60.0%	37.0%	1.0%	0.0%
	Bridges	510	510	30	32	11,040	20,832	86.0%	3.0%	1.0%	10.0%	0.0%
	Footpaths	251	251	352	358	21,302	38,499	51.0%	23.0%	24.0%	2.0%	0.0%
	Other road assets	200	200	838	876	33,161	68,961	28.0%	12.0%	59.0%	1.0%	0.0%
	Bulk earthworks	446	446	–	–	219,655	219,655	0.0%	17.0%	43.0%	40.0%	0.0%
	Sub-total	3,345	3,345	7,703	8,078	578,416	845,763	28.1%	36.3%	23.7%	11.4%	0.5%
Water supply network	Water supply network	2,856	2,856	1,907	1,375	207,867	371,421	67.0%	17.9%	12.9%	1.0%	1.2%
	Sub-total	2,856	2,856	1,907	1,375	207,867	371,421	67.0%	17.9%	12.9%	1.0%	1.2%
Sewerage network	Sewerage network	5,871	5,871	2,296	1,486	253,795	368,607	70.8%	21.2%	4.1%	1.1%	2.8%
	Sub-total	5,871	5,871	2,296	1,486	253,795	368,607	70.8%	21.2%	4.1%	1.1%	2.8%
Stormwater drainage	Stormwater drainage	5,640	5,640	666	694	105,118	141,075	33.0%	33.0%	30.0%	1.0%	3.0%
	Sub-total	5,640	5,640	666	694	105,118	141,075	33.0%	33.0%	30.0%	1.0%	3.0%
Open space / recreational assets	Swimming pools	22	22	645	699	14,893	18,047	77.0%	4.0%	18.0%	1.0%	0.0%
	Other	542	542	1,853	2,576	9,044	18,613	21.0%	34.0%	32.0%	12.0%	1.0%
	Sub-total	564	564	2,498	3,275	23,937	36,660	48.6%	19.2%	25.1%	6.6%	0.5%
TOTAL - ALL ASSETS		19,365	19,365	17,606	17,255	1,256,828	1,891,409	45.5%	28.7%	18.5%	6.0%	1.3%

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

Report on Infrastructure Assets - Values (continued)
as at 30 June 2019

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	10,734	42.19%	63.97%	60.94%	>=100.00%
Depreciation, amortisation and impairment	25,443				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	19,365	1.54%	1.62%	2.12%	<2.00%
Net carrying amount of infrastructure assets	1,256,828				
Asset maintenance ratio					
Actual asset maintenance	17,255	98.01%	85.65%	105.72%	>100.00%
Required asset maintenance	17,606				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	19,365	1.02%	1.08%	1.15%	
Gross replacement cost	1,891,409				

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

(1) Excludes Work In Progress (WIP)

(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.

Report on Infrastructure Assets (continued) as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Benchmark: — >= 100.00%

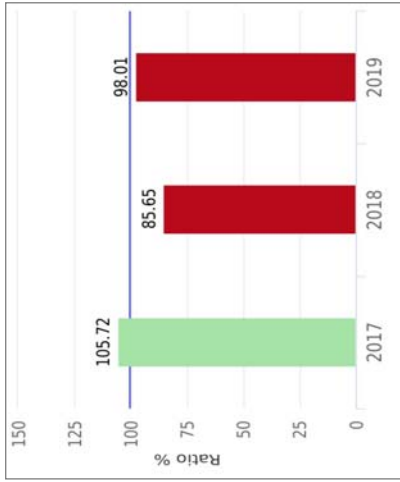
Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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

Commentary on result
The decrease is attributed to a number of renewal projects still being in progress. This ratio is expected to improve in the coming years with the completion of works in progress and the continued implementation of the Special Rate Variation.

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.



Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Commentary on result
The ratio has improved in conjunction with the implementation of the Special Rate Variation. The ratio was distorted in 2017 due to major repair works as a result of the June 2016 East Coast Low storm event.

Infrastructure backlog ratio ¹



Benchmark: — < 2.00%

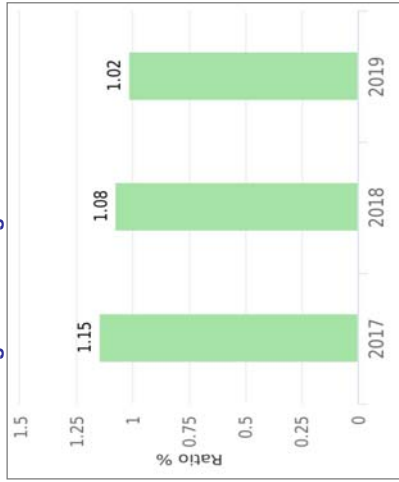
Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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

Commentary on result
The ratio has continued to improve with the completion of renewal projects aimed at clearing the backlog. Council expects that this ratio will continue to improve with the continued implementation of the Special Rate Variation.

Cost to bring assets to agreed service level



Benchmark: —

Ratio achieves benchmark

Cost to bring assets to agreed service level
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.

Commentary on result
This ratio has improved as a result of completing renewal projects. Council expects that this ratio will continue to improve with the continued implementation of the Special Rate Variation.

(1) Excludes Work In Progress (WIP)

Report on Infrastructure Assets (continued) as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	43.11%	82.06%	39.45%	47.07%	42.18%	27.11%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	1.34%	1.38%	1.37%	1.35%	2.31%	2.60%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	107.39%	90.59%	72.10%	68.95%	64.72%	68.29%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.92%	0.96%	0.77%	0.76%	1.59%	1.81%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

(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.



General Purpose Financial Statements

For the year ended 30 June 2020

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General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

68 Elizabeth Street
Moss Vale NSW 2577

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW 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 2020.

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 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.

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 09 September 2020.



Clr Duncan Gair

Mayor

28 October 2020



Clr Grahame Andrews

Councillor

28 October 2020



Barry Paull

Acting General Manager

28 October 2020



Richard Mooney

Responsible Accounting Officer

28 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
77,859	Rates and annual charges	3a	80,382	74,778
21,322	User charges and fees	3b	22,451	22,731
3,073	Other revenues	3c	4,365	5,259
9,103	Grants and contributions provided for operating purposes	3d,3e	10,700	9,219
12,262	Grants and contributions provided for capital purposes	3d,3e	29,852	41,744
4,037	Interest and investment revenue	4	3,644	4,603
627	Rental income	13e	766	—
128,283	Total income from continuing operations		152,160	158,334
Expenses from continuing operations				
39,951	Employee benefits and on-costs	5a	37,889	35,599
1,038	Borrowing costs	5b	902	1,227
24,635	Materials and contracts	5c	27,490	24,880
28,038	Depreciation and amortisation	5d	29,722	28,005
16,485	Other expenses	5e	17,704	19,799
—	Net losses from the disposal of assets	6	3,560	2,638
110,147	Total expenses from continuing operations		117,267	112,148
18,136	Operating result from continuing operations		34,893	46,186
18,136	Net operating result for the year		34,893	46,186
18,136	Net operating result attributable to council		34,893	46,186
5,874	Net operating result for the year before grants and contributions provided for capital purposes		5,041	4,442

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		34,893	46,186
Other comprehensive income:			
Amounts which will not be reclassified subsequent to operating result			
Gain / (loss) on revaluation of IPP&E	11	193,246	5,545
Gain / (loss) on revaluation of equity instruments		—	(32)
Total items which will not be reclassified subsequent to operating result		193,246	5,513
Total other comprehensive income for the year		193,246	5,513
Total comprehensive income for the year		228,139	51,699
Total comprehensive income attributable to Council		228,139	51,699

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	8,111	3,010
Investments	7(b)	175,500	168,500
Receivables	8	17,573	17,241
Inventories	9a	1,403	1,436
Contract assets	12a	4,197	—
Other	9b	524	577
Current assets classified as 'held for sale'	10	1,689	4,900
Total current assets		208,997	195,664
Non-current assets			
Investments	7(b)	—	56
Receivables	8	266	276
Infrastructure, property, plant and equipment	11	1,697,153	1,481,775
Right of use assets	13a	525	—
Total non-current assets		1,697,944	1,482,107
Total assets		1,906,941	1,677,771
LIABILITIES			
Current liabilities			
Payables	14	15,351	9,996
Income received in advance	14	—	839
Contract liabilities	12b	965	—
Lease liabilities	13b	213	—
Borrowings	14	3,608	4,427
Provisions	15	8,673	7,826
Total current liabilities		28,810	23,088
Non-current liabilities			
Payables	14	23	20
Contract liabilities	12b	5	—
Lease liabilities	13b	319	—
Borrowings	14	17,377	20,858
Provisions	15	4,040	4,012
Total non-current liabilities		21,764	24,890
Total liabilities		50,574	47,978
Net assets		1,856,367	1,629,793
EQUITY			
Accumulated surplus	16	754,329	720,945
Revaluation reserves	16	1,102,038	908,792
Other reserves	16	—	56
Council equity interest		1,856,367	1,629,793
Total equity		1,856,367	1,629,793

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		720,945	908,792	56	1,629,793	674,782	903,247	–	1,578,029
Adoption of new accounting standards – not retrospective	16b	–	–	–	–	(23)	–	88	65
Changes due to AASB 1058 and AASB 15 adoption	16	(1,565)	–	–	(1,565)	–	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–	–	–
Restated opening balance		719,380	908,792	56	1,628,228	674,759	903,247	88	1,578,094
Net operating result for the year		34,893	–	–	34,893	46,186	–	–	46,186
Restated net operating result for the period		34,893	–	–	34,893	46,186	–	–	46,186
Other comprehensive income									
– Gain / (loss) on revaluation of IPP&E	11	–	193,246	–	193,246	–	5,545	–	5,545
– Gain / (loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	–	–	–	–	(32)	(32)
Other comprehensive income		–	193,246	–	193,246	–	5,545	(32)	5,513
Total comprehensive income		34,893	193,246	–	228,139	46,186	5,545	(32)	51,699
Transfers between equity items		56	–	(56)	–	–	–	–	–
Equity – balance at end of the reporting period		754,329	1,102,038	–	1,856,367	720,945	908,792	56	1,629,793

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
77,816	Rates and annual charges		79,815	74,414
21,103	User charges and fees		21,761	22,205
3,958	Investment and interest revenue received		4,708	4,656
21,509	Grants and contributions		23,880	21,730
–	Bonds, deposits and retention amounts received		321	104
3,844	Other		11,247	9,627
Payments:				
(39,874)	Employee benefits and on-costs		(37,263)	(35,532)
(24,919)	Materials and contracts		(28,083)	(29,207)
(907)	Borrowing costs		(899)	(1,218)
(16,362)	Other		(20,501)	(17,754)
46,168	Net cash provided / (used in) operating activities	17b	54,986	49,025
Cash flows from investing activities				
Receipts:				
12,019	Sale of investment securities		261,286	186,500
–	Sale of real estate assets		216	410
1,163	Sale of infrastructure, property, plant and equipment		3,951	845
–	Deferred debtors receipts		18	74
Payments:				
(1,166)	Purchase of investment securities		(267,500)	(211,523)
(63,117)	Purchase of infrastructure, property, plant and equipment		(43,300)	(26,678)
–	Purchase of real estate assets		(5)	(337)
–	Deferred debtors and advances made		(3)	(69)
(51,101)	Net cash provided / (used in) investing activities		(45,337)	(50,778)
Cash flows from financing activities				
Receipts:				
9,624	Proceeds from borrowings and advances		–	–
Payments:				
(4,691)	Repayment of borrowings and advances		(4,319)	(6,370)
–	Lease liabilities (principal repayments)		(229)	–
4,933	Net cash flow provided / (used in) financing activities		(4,548)	(6,370)
–	Net increase/(decrease) in cash and cash equivalents		5,101	(8,123)
6,000	Plus: cash and cash equivalents – beginning of year	17a	3,010	11,133
6,000	Cash and cash equivalents – end of the year	17a	8,111	3,010
123,919	plus: Investments on hand – end of year	7(b)	175,500	168,556
129,919	Total cash, cash equivalents and investments		183,611	171,566

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

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

(a) Historical cost convention

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

(b) 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 infrastructure, property, plant and equipment – refer Note 11
- (ii) estimated tip remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15.

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 – refer Note 8.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and 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
- Water service
- Sewerage service
- Section 355 Committees of Council

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and 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.

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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

Volunteer services

Council receives volunteer services for a number of purposes such as; membership of advisory committees; s355 committee operation, bushcare activities, library book covering and interaction with animals at the Animal Shelter. The services provided by the volunteers unquestionably provide value to Council. However, the value of volunteer services has not been recognised within Council's financial statements. This is because the value of the services provided often cannot be reliably measured in order to meet the recognition requirements within Australian Accounting Standards. Where the volunteer services could be reliably measured, Council has assessed those services in accordance with the relevant Australian Accounting Standards and has determined that the services would not be purchased if they were not donated. As such, recognition in Council's financial statements is not required.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Leadership	60,604	54,421	40,051	34,518	20,553	19,903	6,647	5,197	279,774	278,002
People	4,202	4,834	8,869	9,168	(4,667)	(4,334)	1,640	1,275	40,109	39,697
Places	55,945	52,640	51,955	50,077	3,990	2,563	10,379	7,109	1,460,434	1,238,808
Environment	29,453	44,491	14,233	16,341	15,220	28,150	483	537	113,981	108,090
Economy	1,956	1,948	2,159	2,044	(203)	(96)	250	155	12,643	13,174
Total functions and activities	152,160	158,334	117,267	112,148	34,893	46,186	19,399	14,273	1,906,941	1,677,771

Notes to the Financial Statements

for the year ended 30 June 2020

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:

Leadership

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; corporate support and other support services.

People

Includes fire protection, emergency services, enforcement of regulations and animal control; social protection (welfare); aboriginal and other community services and administration; youth services; aged and disabled persons services; swimming pools; children's services, including family day care; child care; and other family and children's services.

Places

Includes urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes; public cemeteries; public conveniences; street lighting; town planning; public libraries; community centres and halls; sporting grounds and venues; parks; gardens and other sporting and recreational services; water supplies; sewerage services; drainage; stormwater management; quarries and pits.

Environment

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

Economy

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; and Southern Regional Livestock Exchange (SRLX).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	2020	2019
(a) Rates and annual charges		
Ordinary rates		
Residential	38,096	34,667
Farmland	5,202	4,860
Mining	82	75
Business	6,177	5,610
Less: pensioner rebates (mandatory)	(802)	(790)
Rates levied to ratepayers	48,755	44,422
Pensioner rate subsidies received	441	435
Total ordinary rates	49,196	44,857
Special rates		
Special environmental levy	1,290	1,247
Total special rates	1,290	1,247
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	8,513	8,242
Stormwater management services	523	515
Water supply services	3,829	3,751
Sewerage services	17,404	16,542
Less: pensioner rebates (mandatory)	(829)	(836)
Annual charges levied	29,440	28,214
Pensioner subsidies received:		
– Water	180	178
– Sewerage	161	159
– Domestic waste management	115	123
Total annual charges	29,896	28,674
TOTAL RATES AND ANNUAL CHARGES	80,382	74,778

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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.

In May 2016, the Independent Pricing and Regulatory Tribunal (IPART) approved a Special Rating Variation (SRV) under section 508A of the Local Government Act, 1993. The application was submitted to IPART to ensure financial sustainability of the Wingecarribee Shire by funding the identified asset maintenance and renewal funding gap and backlog to achieve the sustainability indicators set by the NSW State Government's 'Fit for the Future' Local Government Reform Program.

This enables Council to use the additional revenue from the special variation to fund operating and capital expenditure for:

- the continuation of the Wingecarribee Our Future Environment program;
- increased infrastructure maintenance for roads, buildings, drainage and parks;
- infrastructure renewals for roads, buildings, drainage and parks; and
- asset upgrades for roads and drainage.

The 2019/20 financial year is the fourth and final year of the Investing in Our Future Special rate variation.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	9,955	9,262
Sewerage services	1,222	1,140
Waste management services (non-domestic)	3,928	4,225
Total specific user charges	15,105	14,627
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	1,572	1,847
Inspection services	46	58
Planning and building regulation	1,782	1,820
Private works – section 67	530	304
Section 10.7 certificates (EP&A Act)	178	179
Section 603 certificates	161	136
Total fees and charges – statutory/regulatory	4,269	4,344
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	261	358
Leaseback fees – Council vehicles	440	441
Swimming centres	1,490	1,903
GIPA fees	3	4
Other waste management	1	8
Permits and licences	320	240
Pound fees and animal income	93	129
Sewer	179	253
Water connections	217	304
Other	73	120
Total fees and charges – other	3,077	3,760
TOTAL USER CHARGES AND FEES	22,451	22,731

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay upfront. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged, the fee is recognised on a straight-line basis over the period to which the payment relates.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(c) Other revenues		
Fines	103	84
Fines – parking	187	281
Legal fees recovery – rates and charges (extra charges)	223	585
Commissions and agency fees	118	97
Sales – general	123	165
Cemeteries	252	285
Hall and room rental	54	79
Lease rental	–	701
Library	1	2
Other waste income	77	86
Printing and photocopying	4	5
Quarries income	72	142
Other	24	133
Rebates and reimbursements	1,086	629
Recovery of lehman bros CDOs	3	19
Saleyards income	1,169	1,046
Swimming centres	111	136
Tourism income	306	355
Tulip time	444	398
Water supplies	8	31
<u>TOTAL OTHER REVENUE</u>	<u>4,365</u>	<u>5,259</u>

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,813	2,512	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,717	2,606	–	–
Total general purpose	5,530	5,118	–	–
Specific purpose				
Federal Government bushfire relief	1,225	–	–	–
Child care	–	1	–	–
Community care	38	38	–	–
Environmental programs	185	225	–	–
Heritage and cultural	21	20	–	–
LIRS subsidy	128	157	–	–
Noxious weeds	67	106	–	–
NSW rural fire services	490	391	95	–
Recreation and culture	219	202	1,890	809
Street lighting	112	110	–	–
Administration	–	8	–	–
Aged and disabled	17	46	–	–
Childrens services	645	633	–	–
Housing and community	123	131	–	–
Transport and communication	1,366	1,638	7,198	4,606
Youth services	50	4	–	–
Crown Land Plans of Management	–	30	–	–
Total specific purpose	4,686	3,740	9,183	5,415
Total grants	10,216	8,858	9,183	5,415
Grant revenue is attributable to:				
– Commonwealth funding	6,766	5,134	2,877	982
– State funding	3,450	3,717	6,306	4,433
– Other funding	–	7	–	–
	10,216	8,858	9,183	5,415

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	1,596	905
S 7.12 – fixed development consent levies		–	–	227	124
S 64 – water supply contributions		–	–	2,212	2,520
S 64 – sewerage service contributions		–	–	2,045	2,260
S 64 – stormwater contributions		–	–	447	216
Other developer contributions (VPA)		–	–	–	213
Total developer contributions – cash		–	–	6,527	6,238
Total developer contributions	25	–	–	6,527	6,238
Other contributions:					
Cash contributions					
Bushfire services		190	–	–	–
Community services		–	–	238	–
Drainage		–	–	62	–
Recreation and culture		–	–	300	–
Child care services		2	2	–	–
Management committees		234	154	–	–
Tree clearance		–	141	–	–
Apprenticeships		9	–	–	–
Other		49	64	60	148
Total other contributions – cash		484	361	660	148
Non-cash contributions					
Bushfire services		–	–	380	680
Dedications – subdivisions (other than by s7.11)		–	–	13,102	29,263
Total other contributions – non-cash		–	–	13,482	29,943
Total other contributions		484	361	14,142	30,091
Total contributions		484	361	20,669	36,329
TOTAL GRANTS AND CONTRIBUTIONS		10,700	9,219	29,852	41,744

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement but include events and the delivery of specific activities. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income

Assets arising from grants in the scope of AASB 1058 are recognised at the assets' fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy prior to 1 July 2019

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

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

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.

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating and Capital grants		
Unexpended at the close of the previous reporting period	1,462	926
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	1,141	891
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(479)	(355)
Less: operating grants received in a previous reporting period now spent and recognised as income	(677)	–
Less: grants received in a previous reporting period but not yet spent and now recognised as a contract liability	(72)	–
Unexpended and held as externally restricted assets (operating grants)	1,375	1,462
Contributions		
Unexpended at the close of the previous reporting period	54,175	51,661
Add: contributions recognised as income in the current period but not yet spent	–	–
Add: contributions received for the provision of goods and services in a future period	7,624	6,238
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(7,133)	(3,724)
Unexpended and held as externally restricted assets (contributions)	54,666	54,175

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB 15 2020	AASB 1058 2020
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(g) Disaggregation of material revenue streams

The following shows the revenue recognition pattern for the material revenue streams of Council.

Revenue recognition at a point in time

Rates and annual charges	–	80,382
User charges and fees	11,291	11,160
Grant revenue and non-developer contributions	13,510	12,108
Developer contributions	–	6,527
Rental income	766	–
Other	2,732	1,633
	<u>28,299</u>	<u>111,810</u>

Revenue recognised over time

Grant revenue	568	–
Grants to acquire or construct Council controlled assets	–	7,839
	<u>568</u>	<u>7,839</u>

Note 4. Interest and investment revenue

\$ '000	2020	2019
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Interest on financial assets measured at amortised cost

– Overdue rates and annual charges (incl. special purpose rates)	146	177
– Cash and investments	3,485	4,410

Amortisation of premiums and discounts

– Interest free (and interest reduced) loans provided	13	16
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Total Interest and investment income

<u>3,644</u>	<u>4,603</u>
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Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	99	116
General Council cash and investments	966	1,169

Restricted investments/funds – external:

Development contributions		
– Section 7.11	309	404
– Section 64 – Water	363	516
– Section 64 – Sewer	371	485
– Section 64 – Stormwater	56	95
Water fund operations	854	1,083
Sewerage fund operations	622	722
Unspent grants	4	13

Total interest and investment revenue

<u>3,644</u>	<u>4,603</u>
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Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	31,453	29,606
Travel expenses	40	50
Employee leave entitlements (ELE)	3,746	3,456
Superannuation	3,257	3,132
Workers' compensation insurance	1,422	995
Fringe benefit tax (FBT)	75	68
Payroll tax	294	286
Other	116	58
Total employee costs	40,403	37,651
Less: capitalised costs	(2,514)	(2,052)
TOTAL EMPLOYEE COSTS EXPENSED	37,889	35,599

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on leases	23	–
Interest on loans	853	1,161
Total interest bearing liability costs	876	1,161
Total interest bearing liability costs expensed	876	1,161
(ii) Other borrowing costs		
Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	7	30
Interest applicable on interest free (and favourable) loans to Council	19	36
Total other borrowing costs	26	66
TOTAL BORROWING COSTS EXPENSED	902	1,227

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed as incurred. No borrowing costs were capitalised during the year ended 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	16,639	15,117
Contractor and consultancy costs	50,407	32,612
Auditors remuneration ²	158	143
Legal expenses:		
– Legal expenses: planning and development	599	874
– Legal expenses: other	356	579
Expenses from short-term leases (2020 only)	21	–
Expenses from leases of low value assets (2020 only)	10	–
Expenses from Peppercorn leases (2020 only)	1	–
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	170
Other	86	7
Total materials and contracts	68,277	49,502
Less: capitalised costs	(40,787)	(24,622)
TOTAL MATERIALS AND CONTRACTS	27,490	24,880

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	–	170
	–	170

2. Auditor remuneration

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

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

Audit and review of financial statements	100	99
Total Auditor-General remuneration	100	99

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

Due diligence services	58	44
Total remuneration of non NSW Auditor-General audit firms	58	44

Total Auditor remuneration	158	143
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		2,291	2,227
Office equipment		112	150
Furniture and fittings		36	38
Infrastructure:	11		
– Buildings – non-specialised		26	36
– Buildings – specialised		1,939	1,939
– Other structures		156	123
– Roads		10,989	9,764
– Bridges		184	186
– Footpaths		756	753
– Stormwater drainage		1,310	1,262
– Water supply network		5,113	5,059
– Sewerage network		5,486	5,391
– Swimming pools		273	252
– Other open space/recreational assets		670	678
Right of use assets	13	236	–
Other assets:			
– Library books		144	146
– Other		1	1
Total gross depreciation and amortisation costs		29,722	28,005
Total depreciation and amortisation costs		29,722	28,005
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>29,722</u>	<u>28,005</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 11 for IPPE assets and Note 13 for right of use assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	300	429
Training costs (other than salaries and wages)	379	399
Bad and doubtful debts	121	3
Bank charges	311	265
Chemicals	743	704
Clothing	109	99
Computer hardware maintenance	98	32
Computer software charges	1,247	1,019
Contributions/levies to other levels of government	965	881
– Emergency services levy (includes FRNSW, SES, and RFS levies)	871	712
Councillor expenses – mayoral fee	44	44
Councillor expenses – councillors' fees	182	178
Donations, contributions and assistance to other organisations (Section 356)	799	755
Electricity and heating	2,128	2,097
Equipment and fittings M and R	289	450
EPA licence	44	50
Freight	30	46
Insurance	1,743	1,195
Landfill remediation/restoration expense	–	3,500
Licence – other	21	34
Postage	212	233
Printing and stationery	352	360
Promotions	42	44
Rent	25	15
Security services	12	28
Street lighting	699	892
Subscriptions and publications	315	269
Telephone and communications	428	337
Valuation fees	186	201
Waste disposal costs	3,120	2,594
Water purchases	1,429	1,398
Water determination	59	49
Other	401	487
Total other expenses	17,704	19,799
TOTAL OTHER EXPENSES	17,704	19,799

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Infrastructure Plant and equipment	11		
Proceeds from disposal – plant and equipment		846	845
Less: carrying amount of plant and equipment assets sold/written off		(5,282)	(3,807)
Net gain/(loss) on disposal		(4,436)	(2,962)
Real estate assets held for sale	9		
Proceeds from disposal – real estate assets		216	410
Less: carrying amount of real estate assets sold/written off		(82)	(86)
Net gain/(loss) on disposal		134	324
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		261,286	186,500
Less: carrying amount of investments sold/redeemed/matured		(260,556)	(186,500)
Net gain/(loss) on disposal		730	–
Non-current assets classified as ‘held for sale’	10		
Proceeds from disposal – non-current assets ‘held for sale’		3,105	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(3,093)	–
Net gain/(loss) on disposal		12	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,560)	(2,638)

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	1,092	611
Cash-equivalent assets		
– Deposits at call	7,019	2,399
Total cash and cash equivalents	8,111	3,010

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
Financial assets at amortised cost	175,500	–	168,500	–
Financial assets at fair value through other comprehensive income	–	–	–	56
Total Investments	175,500	–	168,500	56
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	183,611	–	171,510	56
Financial assets at amortised cost				
Long term deposits	175,500	–	168,500	–
Total	175,500	–	168,500	–
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	–	–	–	56
Total	–	–	–	56

Accounting policy for investments

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council held an investment in Southern Phone Company Limited over which it had neither significant influence nor control. Council made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they were not held for trading purposes.

These investments were carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). In December 2019, Council's investment in Southern Phone Company Limited was sold to AGL Energy Limited Group. On disposal any balance in the financial asset reserve was transferred to accumulated surplus and was not reclassified to profit or loss in accordance with AASB 9.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	183,611	–	171,510	56
attributable to:				
External restrictions	142,961	–	131,468	56
Internal restrictions	40,569	–	39,901	–
Unrestricted	81	–	141	–
	183,611	–	171,510	56

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)

External restrictions – included in liabilities

External restrictions – other

Developer contributions – general	16,209	14,816
Developer contributions – water fund	18,245	18,419
Developer contributions – sewer fund	18,117	18,001
Developer contributions – stormwater	2,051	2,939
Specific purpose unexpended grants (recognised as revenue) – general fund	1,375	1,462
Water supplies	44,895	41,065
Sewerage services	34,392	28,213
Domestic waste management	5,405	4,750
Stormwater management	189	150
Environment levy	637	570
Quarry royalties	1,131	1,083
Other	–	56
External restrictions – other	142,646	131,524
Total external restrictions	142,961	131,524

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
Internal restrictions		
Alexandra square	4	4
Animal Shelter	1	30
Animal Shelter Building	3,102	–
Bonds and deposits	3,008	2,687
Bong Bong Common	50	50
Bowral memorial hall	348	348
Bridges	192	826
Budget Equalisation	380	–
Business transformation	1,302	1,743
Capital projects	1,677	1,668
Carry-over works	2,177	4,307
Cemeteries	242	461
Civic Centre refurbishment	3,576	5,305
Computer	–	67
Contribution to Works	44	59
Effluent disposal	–	63
Election expenses	281	187
Emergency assistance	–	45
Employee leave entitlements	1,842	1,603
Family day care	450	310
Financial assistance grant	2,717	2,606
Investing in our future	5,245	2,684
Land rental charge	3,883	4,714
Management committees	330	313
Mayoral relief fund	30	–
Mittagong Pool	50	–
MVWMAC loan	172	39
Plant replacement	2,120	2,193
Property operations (PDR)	2,781	3,197
Regional Art Gallery	200	200
Renwick asset management	135	199
Revolving energy fund	299	252
Risk management	460	417
Roadside spoil management	112	112
Saleyards (capital improvement fund)	327	184
Saleyards (SRLX)	201	54
Southern Phone share sale and dividend	854	–
Tourism	252	113
Waste Facilities General Fund	1,539	2,230
Welby hockey field	186	631
Total internal restrictions	40,569	39,901
TOTAL RESTRICTIONS	183,530	171,425

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,154	–	1,559	–
Interest and extra charges	305	–	295	–
User charges and fees	9,599	–	8,478	–
Accrued revenues				
– Interest on investments	884	–	1,971	–
– Other income accruals	757	–	380	–
Loans to sporting clubs	19	266	18	276
Government grants and subsidies	172	–	1,515	–
Net GST receivable	1,536	–	995	–
Debtors – building services – other	4	–	17	–
Debtors – cemeteries	10	–	15	–
Debtors – hall and room rental	1	–	8	–
Debtors – other waste income	140	–	147	–
Debtors – saleyards	80	–	85	–
Debtors – swimming centres	19	–	98	–
Domestic waste management	484	–	260	–
Bond paid by Council	40	–	40	–
Other debtors	513	–	1,392	–
Total	17,717	266	17,273	276
Less: provision of impairment				
User charges and fees	(144)	–	(32)	–
Total provision for impairment – receivables	(144)	–	(32)	–
TOTAL NET RECEIVABLES	17,573	266	17,241	276

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	–	8
Amount restated through opening retained earnings on adoption of AASB 9	–	23
Opening impairment allowance calculated under AASB 9	32	–
+ new provisions recognised during the year	121	3
– amounts already provided for and written off this year	(9)	(2)
Balance at the end of the year	144	32

Accounting policy for receivables

Recognition and measurement

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	309	—	386	—
Stores and materials	415	—	396	—
Trading stock	42	—	85	—
Accountable items	637	—	569	—
<u>TOTAL INVENTORIES</u>	<u>1,403</u>	<u>—</u>	<u>1,436</u>	<u>—</u>

(b) Other assets

Prepayments	524	—	577	—
<u>TOTAL OTHER ASSETS</u>	<u>524</u>	<u>—</u>	<u>577</u>	<u>—</u>

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		309	—	386	—
Total real estate for resale		309	—	386	—
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		22	—	27	—
Development costs		287	—	359	—
Total real estate for resale		309	—	386	—
Movements:					
Real estate assets at beginning of the year		386	—	135	—
– Purchases and other costs		5	—	337	—
– WDV of sales (expense)	6	(82)	—	(86)	—
Total real estate for resale		309	—	386	—

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

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

\$ '000	2020	2019
Real estate for resale	—	—
	<u>—</u>	<u>—</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the 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.

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.

Note 10. Non-current assets classified as held for sale

Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

	2020 Assets 'held for sale'	2019 Assets 'held for sale'
\$ '000		
Opening balance	4,900	—
Less: carrying value of assets/operations sold	(3,093)	—
Balance still unsold after 12 months:	1,807	—
Less: assets no longer classified as 'held for sale'	(120)	—
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	2	4,900
Closing balance of 'held for sale' non-current assets and operations	1,689	4,900

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment

\$ '000	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	10,653	–	10,653	9,086	3,831	(217)	–	(3,035)	–	–	–	20,318	–	20,318
Plant and equipment	29,474	(14,115)	15,359	–	4,039	(924)	(2,291)	–	–	–	–	31,127	(14,944)	16,183
Office equipment	8,168	(7,802)	366	–	146	(31)	(112)	10	–	–	–	8,165	(7,786)	379
Furniture and fittings	1,495	(1,312)	183	–	101	–	(36)	–	–	–	–	1,596	(1,348)	248
Land:														
– Crown land	–	–	–	–	–	–	–	–	12,128	–	6,578	18,706	–	18,706
– Operational land	136,083	–	136,083	–	–	–	–	–	(1,462)	120	–	134,741	–	134,741
– Community land	61,856	–	61,856	–	–	–	–	–	(10,666)	–	9,025	60,215	–	60,215
Infrastructure:														
– Buildings – non-specialised	1,346	(397)	949	312	–	(743)	(26)	70	(12)	–	–	890	(340)	550
– Buildings – specialised	121,004	(37,703)	83,301	1,143	1,884	(519)	(1,939)	510	(16)	–	–	123,616	(39,252)	84,364
– Other structures	5,533	(2,088)	3,445	108	151	(13)	(156)	34	28	–	–	5,850	(2,253)	3,597
– Roads	566,777	(240,358)	326,419	6,897	4,202	(574)	(10,989)	1,066	–	–	121,597	626,612	(177,994)	448,618
– Bridges	20,832	(9,792)	11,040	2,392	–	(660)	(184)	177	–	–	20,061	39,832	(7,006)	32,826
– Footpaths	38,499	(17,197)	21,302	155	867	(4)	(756)	5	–	–	8,720	42,575	(12,286)	30,289
– Bulk ear hworks (non-depreciable)	219,655	–	219,655	119	847	(23)	–	17	–	–	22,748	243,363	–	243,363
– Stormwater drainage	141,075	(35,957)	105,118	1,708	4,737	(121)	(1,310)	738	–	–	–	148,057	(37,187)	110,870
– Water supply network	371,421	(163,554)	207,867	2,140	3,480	(659)	(5,113)	206	–	–	1,976	379,364	(169,467)	209,897
– Sewerage network	368,607	(114,812)	253,795	1,527	4,044	(685)	(5,486)	19	–	–	2,541	375,677	(119,922)	255,755
– Swimming pools	18,047	(3,154)	14,893	58	7	–	(273)	3	–	–	–	18,116	(3,428)	14,688
– Other open space/recreational assets	18,613	(9,569)	9,044	941	1,689	(109)	(670)	180	–	–	–	21,097	(10,022)	11,075
Other assets:														
– Library books	5,255	(4,811)	444	–	169	–	(144)	–	–	–	–	5,424	(4,955)	469
– Other	11	(8)	3	–	–	–	(1)	–	–	–	–	12	(10)	2
Total Infrastructure, property, plant and equipment	2,144,404	(662,629)	1,481,775	26,586	30,194	(5,282)	(29,486)	–	–	120	193,246	2,305,353	(608,200)	1,697,153

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	9,295	(7)	9,288	5,562	529	(141)	–	(4,585)	–	–	–	10,653	–	10,653
Plant and equipment	28,885	(13,220)	15,665	–	3,076	(1,155)	(2,227)	–	–	–	–	29,474	(14,115)	15,359
Office equipment	8,060	(7,666)	394	–	130	(8)	(150)	–	–	–	–	8,168	(7,802)	366
Furniture and fittings	1,480	(1,274)	206	–	15	–	(38)	–	–	–	–	1,495	(1,312)	183
Land:														
– Operational land	137,654	–	137,654	–	3,329	–	–	–	–	(4,900)	–	136,083	–	136,083
– Community land	61,293	–	61,293	–	563	–	–	–	–	–	–	61,856	–	61,856
Infrastructure:														
– Buildings – non-specialised	1,285	(313)	972	–	–	–	(36)	–	13	–	–	1,346	(397)	949
– Buildings – specialised	120,367	(35,750)	84,617	188	159	(21)	(1,939)	–	297	–	–	121,004	(37,703)	83,301
– Other structures	5,130	(2,014)	3,116	15	450	–	(123)	–	(13)	–	–	5,533	(2,088)	3,445
– Roads	552,761	(230,860)	321,901	3,608	9,144	(246)	(9,764)	1,776	–	–	–	566,777	(240,358)	326,419
– Bridges	20,832	(9,606)	11,226	–	–	–	(186)	–	–	–	–	20,832	(9,792)	11,040
– Footpaths	35,203	(16,533)	18,670	154	3,254	(23)	(753)	–	–	–	–	38,499	(17,197)	21,302
– Bulk earthworks (non-depreciable)	219,111	–	219,111	491	66	(13)	–	–	–	–	–	219,655	–	219,655
– Stormwater drainage	131,866	(34,812)	97,054	636	8,783	(93)	(1,262)	–	–	–	–	141,075	(35,957)	105,118
– Water supply network	363,089	(157,936)	205,153	1,996	4,109	(706)	(5,059)	386	–	–	1,988	371,421	(163,554)	207,867
– Sewerage network	356,909	(109,189)	247,720	2,274	5,798	(1,250)	(5,391)	1,087	–	–	3,557	368,607	(114,812)	253,795
– Swimming pools	15,194	(2,933)	12,261	1,166	389	(7)	(252)	1,336	–	–	–	18,047	(3,154)	14,893
– Other open space/recreational assets	18,528	(8,949)	9,579	206	378	(144)	(678)	–	(297)	–	–	18,613	(9,569)	9,044
Other assets:														
– Library books	5,102	(4,665)	437	–	153	–	(146)	–	–	–	–	5,255	(4,811)	444
– Other	4	–	4	–	–	–	(1)	–	–	–	–	11	(8)	3
Total Infrastructure, property, plant and equipment	2,092,048	(635,727)	1,456,321	16,296	40,325	(3,807)	(28,005)	–	–	(4,900)	5,545	2,144,404	(662,629)	1,481,775

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) - Water.

Increases in the carrying amounts arising on revaluation are credited to the 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.

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	20
Office furniture	10	Outdoor furniture	20 to 25
Computer equipment	5	Sports surfaces	10 to 80
Vehicles	10	Fences/gates	25 to 60
Heavy plant/road making equipment	10 to 15		
Other plant and equipment	5 to 15	Buildings	
		Structure	40 to 150
		Roof	40 to 80
		Internal finishes	10 to 40
		Building services	25 to 50
Water and sewer assets		Stormwater assets	
Dam structure	100	Drains (lined)	100
Reservoir roof and structure	40 and 100	Pipes	80 to 100
Reticulation pipes	30 to 100	Flood control structures	80 to 120
Reticulation valves and hydrants	40 to 60		
Pumps	20		
Water meters	25		
Sewer manholes	70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 25	Bulk earthworks	Infinite
Sealed roads: structure	60 to 100	Swimming pools	80
Unsealed roads	14	Other open space/recreational assets	10 to 150
Bridge: concrete	100	Other infrastructure	20 to 50
Bridge: timber	50		
Footpaths (concrete)	50	Other assets	
Culverts	100	Library books	5

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 13.

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Relating to Council controlled assets constructed or under construction		4,197	—
Total Contract assets		4,197	—
(b) Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	73	—
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	42	—
Total grants received in advance		115	—
User fees and charges received in advance:			
Upfront fees & charges - Statutory & Regulatory	(iii)	562	—
Other	(iv)	288	5
Total user fees and charges received in advance		850	5
Total contract liabilities		965	5

Notes

(i) Council has received funding to construct assets including open space and recreation assets and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Statutory & Regulatory fees are recognised as a contract liability on receipt and recognised as or when revenue as Council's performance obligation is satisfied.

(iv) Council invoices lessees for the current lease term in full. Payment of the invoice is recorded as a contract liability on receipt and recognised as revenue over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	649
Operating grants (received prior to performance obligation being satisfied)	29
User Fees and Charges received in advance:	
Upfront fees & charges – Statutory & regulatory	631
Other income	37
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	1,346

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to user charges & fees - statutory & regulatory where the fee has been paid in advance of Council fulfilling its performance obligation and grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Council has leases over a range of assets including land and buildings and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Land and Buildings

Council leases land and buildings for use for various operational purposes such as providing parks and open spaces and as a community hall. The lease agreements are generally between 20 and 100 years. All of the agreements have significantly below-market terms and conditions principally to enable Council to further its objectives.

Office and IT equipment

Leases for office and IT equipment are generally for computer equipment and photocopiers. The leases are for between three and five years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage. Council also leases some office and IT equipment for low value assets.

Extension options

At commencement date and each subsequent reporting date, Council assesses whether it is reasonably certain that extension options under any of its leases will be exercised.

\$ '000	Office and IT equipment	Total
(a) Right of use assets		
Opening balance at 30 June 2019	–	–
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	352	352
Additions to right-of-use assets	409	409
Depreciation charge	(236)	(236)
<u>RIGHT OF USE ASSETS</u>	<u>525</u>	<u>525</u>

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	213	319
<u>TOTAL LEASE LIABILITIES</u>	<u>213</u>	<u>319</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	229	331	–	560	532

\$ '000	2020
---------	------

(c) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Interest on lease liabilities	23
Depreciation of right of use assets	236
Expenses relating to short-term leases	21
Expenses relating to low-value leases	10
Expenses relating to Peppercorn leases	1
	<u>291</u>

(d) Statement of Cash Flows

Total cash outflow for leases	279
	<u>279</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- community land
- community halls
- land on which Council has sited buildings

The leases are generally between 2 and 99 years and require payments of a maximum amount of \$1,000 per year.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policy

Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included in IPP&E in the Statement of Financial Position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
(i) Operating lease income	
Lease income (excluding variable lease payments not dependent on an index or rate)	734
Lease income relating to variable lease payments not dependent on an index or a rate	32
Other lease income	
Total income relating to operating leases	766
(ii) Operating lease expenses	
Direct operating expenses that generated rental income	6
Other leased assets	
Total expenses relating to operating leases	6
(iii) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	556
1–2 years	443
2–3 years	410
3–4 years	417
4–5 years	396
> 5 years	3,721
Total undiscounted contractual lease income receivable	5,943

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	1,028	—	—	—
Goods and services – operating expenditure	9,928	23	5,980	20
Accrued expenses:				
– Borrowings	106	—	129	—
– Salaries and wages	1,251	—	1,200	—
Security bonds, deposits and retentions	3,008	—	2,687	—
Other	30	—	—	—
Total payables	15,351	23	9,996	20
Income received in advance (2019 only)				
Payments received in advance	—	—	839	—
Total income received in advance	—	—	839	—
Borrowings				
Loans – secured ¹	3,608	17,377	4,427	20,858
Total borrowings	3,608	17,377	4,427	20,858
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>18,959</u>	<u>17,400</u>	<u>15,262</u>	<u>20,878</u>

(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 21.

\$ '000	2020	2019
(a) Current payables and borrowings 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.		
Payables – security bonds, deposits and retentions	2,406	2,150
Other liabilities	30	—
Total payables and borrowings	2,436	2,150

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	25,285	(4,319)	–	–	–	19	20,985
Lease liabilities	–	(229)	–	–	352	409	532
TOTAL	25,285	(4,548)	–	–	352	428	21,517

\$ '000	as at 30/06/18		Non-cash changes				as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement		Closing balance
Loans – secured	31,619	(6,370)	–	–	36		25,285
TOTAL	31,619	(6,370)	–	–	36		25,285

\$ '000	2020	2019
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(c) Financing arrangements

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

Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	250	150
Total financing arrangements	550	450

Drawn facilities as at balance date:

– Credit cards/purchase cards	29	34
Total drawn financing arrangements	29	34

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
– Credit cards/purchase cards	221	116
Total undrawn financing arrangements	521	416

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	3,310	–	2,882	–
Long service leave	4,824	540	4,584	512
RDO and TIL	539	–	360	–
Sub-total – aggregate employee benefits	8,673	540	7,826	512
Asset remediation/restoration:				
Landfill remediation/restoration (future works)	–	3,500	–	3,500
Sub-total – asset remediation/restoration	–	3,500	–	3,500
TOTAL PROVISIONS	8,673	4,040	7,826	4,012

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	5,204	4,695
	5,204	4,695

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	3,500	3,500
Total other provisions at end of year	3,500	3,500
2019		
Other	3,500	3,500
Total other provisions at end of year	3,500	3,500

Accounting policy for provisions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Subsequent to commissioning a report to provide detailed estimates of the costs of remediation of the former landfill site at Welby, Council recognised a provision for landfill remediation/restoration (future works) during the year ended 30 June 2019.

The estimates have been reviewed and as at 30 June 2020, the original remedial cost estimate remains valid.

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve.

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Upfront fees – statutory & regulatory functions

Prior to adopting AASB 15, Council recognised income relating to certain user charges and fees for statutory and regulatory functions on receipt of the upfront payment. Under AASB 15, the payment is recognised as a contract liability in the first instance and subsequently recognised as income as/when Council has fulfilled its obligations under the contract.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Grants – operating**

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Other income

Prior to adoption of AASB 15, revenue was recognised at the time of receipt of payment for various revenue streams reported as Other revenues. Where it has been identified that those transactions constitute a contract with a customer in accordance with AASB 15, the payment received is recognised as a contract liability in the first instance and subsequently recognised as income as/when Council has fulfilled its obligations under the contract.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. Council has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

For example:

- Movement of balances between receivables and contract assets.
- Movement of balances between income received in advance and contract liabilities
- Movement of balances between income received in advance and payables
- Additional line items of contract assets, and contract liabilities have been created.

	Balance at 1 July 2019
\$ '000	

Opening contract balances at 1 July 2019**Contract liabilities**

– Under AASB 15	843
– Under AASB 1058	722
Total Contract liabilities	1,565

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Comparison of financial statement line items under AASB 15 and AASB 1058 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current assets					
Cash and cash equivalents	8,111	–	–	8,111	
Investments	175,500	–	–	175,500	
Receivables	17,573	4,197	–	21,770	(i)
Inventories	1,403	–	–	1,403	
Contract assets	4,197	(4,197)	–	–	(i)
Other	524	–	–	524	
Current assets classified as 'held for sale'	1,689	–	–	1,689	
Total current assets	208,997	–	–	208,997	
Current liabilities					
Payables	15,351	(1,028)	–	14,323	(ii)
Income received in advance	–	1,377	–	1,377	(ii), (iii)
Contract liabilities	965	(349)	(616)	–	(iii)
Lease liabilities	213	–	–	213	
Borrowings	3,608	–	–	3,608	
Provisions	8,673	–	–	8,673	
Total current liabilities	28,810	–	(616)	28,194	
Non-current assets					
Receivables	266	–	–	266	
Infrastructure, property, plant and equipment	1,697,153	–	–	1,697,153	
Right of use assets	525	–	–	525	
Total non-current assets	1,697,944	–	–	1,697,944	
Non-current liabilities					
Payables	23	–	–	23	
Contract liabilities	5	–	(5)	–	(iv)
Lease liabilities	319	–	–	319	
Borrowings	17,377	–	–	17,377	
Provisions	4,040	–	–	4,040	
Total Non-current liabilities	21,764	–	(5)	21,759	
Net assets	1,856,367	–	621	1,856,988	
Equity					
Accumulated surplus	754,329	–	621	754,950	
Revaluation reserves	1,102,038	–	–	1,102,038	
Total equity	1,856,367	–	621	1,856,988	

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(i) Transfer of contract asset to receivables.

(ii) Transfer from payables to income received in advance. The income received in advance classification is no longer available under the new accounting standards. As such, a financial liability is now recognised where income received in advance would have been recognised in the prior year.

(iii) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations.

(iv) Elimination of non-current contract liability which arises under AASB 15.

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	80,382	—	—	80,382	
User charges and fees	22,451	—	501	22,952	(i)
Other revenues	4,365	—	5	4,370	(i)
Grants and contributions provided for operating purposes	10,700	—	42	10,742	(i)
Grants and contributions provided for capital purposes	29,852	—	73	29,925	(i)
Interest and investment income	3,644	—	—	3,644	
Rental income	766	—	—	766	
Total Income from continuing operations	152,160	—	621	152,781	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	37,889	—	—	37,889	
Borrowing costs	902	—	—	902	
Materials and contracts	27,490	—	—	27,490	
Depreciation and amortisation	29,722	—	—	29,722	
Other expenses	17,704	—	—	17,704	
Net losses from the disposal of assets	3,560	—	—	3,560	
Total Expenses from continuing operations	117,267	—	—	117,267	
Total Operating result from continuing operations	34,893	—	621	35,514	
Net operating result for the year	34,893	—	621	35,514	
Total comprehensive income	228,139	—	621	228,760	

(i) Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under new standards.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Cash Flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not materially changed the Statement of Cash Flows for the year ended 30 June 2020.

Adjustments to the current year figures for the year ended 30 June 2020

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract liabilities	—	1,565	1,565
Total liabilities	—	1,565	1,565
Accumulated surplus	—	(1,565)	(1,565)
Total equity	—	(1,565)	(1,565)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability.
- A single discount rate was applied to all leases with similar characteristics.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$352k at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 4.6%.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	438
 Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	388
Less:	
Leases for low-value assets included in commitments note	(32)
Other	(4)
Lease liabilities recognised at 1 July 2019	352

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	8,111	3,010
Balance as per the Statement of Cash Flows		8,111	3,010

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	34,893	46,186
Adjust for non-cash items:		
Depreciation and amortisation	29,722	28,005
Net losses/(gains) on disposal of assets	3,560	2,638
Non-cash capital grants and contributions	(13,482)	(29,943)
Adoption of AASB 15/1058	(1,565)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Interest-free advances made by Council (deferred debtors)	7	30
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	(13)	(16)
– Interest exp. on interest-free loans received by Council (previously fair valued)	19	36
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(443)	(1,832)
Increase/(decrease) in provision for impairment of receivables	112	24
Decrease/(increase) in inventories	(44)	–
Decrease/(increase) in other current assets	53	(161)
Decrease/(increase) in contract assets	(4,197)	–
Increase/(decrease) in payables	3,951	(227)
Increase/(decrease) in accrued interest payable	(23)	(57)
Increase/(decrease) in other accrued expenses payable	51	90
Increase/(decrease) in other liabilities	540	76
Increase/(decrease) in contract liabilities	970	–
Increase/(decrease) in provision for employee benefits	875	676
Increase/(decrease) in other provisions	–	3,500
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	54,986	49,025

(c) Non-cash investing and financing activities

Bushfire grants	380	680
Other dedications	13,102	29,263
Total non-cash investing and financing activities	13,482	29,943

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

Council has an interest in the Canberra Region Joint Organisation, along with other member Councils, which is not considered material. The activities of this organisation are not controlled by any one Council.

The Canberra Region Joint Organisation provides a forum for Councils, State agencies and other stakeholders to work together at a regional level to identify shared priorities.

Note 19. Commitments

\$ '000	2020	2019
---------	------	------

(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	4,357	1,118
Plant and equipment	629	781
Infrastructure	1,905	255
Water system assets	3,433	730
Sewer system assets	8,493	1,243
Open Space	530	1,002
Total commitments	19,347	5,129

These expenditures are payable as follows:

Within the next year	19,347	5,129
Total payable	19,347	5,129

Sources for funding of capital commitments:

Unrestricted general funds	7,421	3,156
Externally restricted reserves	11,926	1,973
Total sources of funding	19,347	5,129

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	188
Later than one year and not later than 5 years	–	250
Total non-cancellable operating lease commitments	–	438

b. Non-cancellable operating leases include the following assets:

Council has entered into non-cancellable operating leases for various computer and printing equipment.

(i) No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

(ii) The lease agreement includes the option of renewing the lease for a period of up to 12 months.

Council must provide 30 days notice in writing if the lease is not to be extended.

Council also has in place a number of leases for operational land and buildings.

Conditions relating to finance and operating leases:

– All operating lease agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Refer to Note 13 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies

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.

CONTINGENT LIABILITIES

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

Division B	1.9 times members contributions for non-180 Point Member; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Member, employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$302,252.70. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA and covers the period ended 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$307,440.68.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

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

Investment return	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

CONTINGENT ASSETS

(i) 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with s625 of the Local Government Act 1993 and Ministerial investment Order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio make-up and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to Council.

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	18,359	18,359	(18,359)	(18,359)
Possible impact of a 1% movement in interest rates	1,836	1,836	(1,836)	(1,836)
2019				
Possible impact of a 10% movement in market values	17,151	17,151	(17,151)	(17,151)
Possible impact of a 1% movement in interest rates	1,715	1,715	(1,715)	(1,715)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(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.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	–	2,539	348	90	177	3,154
2019						
Gross carrying amount	–	1,142	182	121	114	1,559

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2020						
Gross carrying amount	11,907	64	8	1,288	1,562	14,829
Expected loss rate (%)	0.37%	2.19%	1.63%	1.63%	4.99%	0.97%
ECL provision	44	1	–	21	78	144
2019						
Gross carrying amount	14,250	20	525	72	1,123	15,990
Expected loss rate (%)	0.01%	3.27%	0.10%	2.15%	2.50%	0.20%
ECL provision	1	1	–	2	28	32

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2020							
Trade/other payables	0.00%	3,038	11,285	23	–	14,346	14,346
Loans and advances	3.37%	–	4,253	12,029	7,959	24,241	20,985
Total financial liabilities		3,038	15,538	12,052	7,959	38,587	35,331
2019							
Trade/other payables	0.00%	2,687	7,329	–	–	10,016	10,016
Loans and advances	3.81%	–	5,307	14,339	10,058	29,704	25,285
Total financial liabilities		2,687	12,636	14,339	10,058	39,720	35,301

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 12/06/2019 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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 variations between actuals versus budget that 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	77,859	80,382	2,523	3% F
No material budget variations				
User charges and fees	21,322	22,451	1,129	5% F
No material budget variations				
Other revenues	3,073	4,365	1,292	42% F
Other revenues have exceeded budget expectations. This is largely due to an increase in the following; insurance reimbursements \$875K, Saleyards income \$205K, Tulip Time income \$96K, Compliance and Development Fines \$96K, Other revenues \$82K, Quarry income \$72K, and Commissions and Agency Fees \$52K. There was also a decrease in Parking Fines \$100K, Legal Fees recovered \$53K, and Swimming Centre income \$47K.				
Operating grants and contributions	9,103	10,700	1,597	18% F
Operating grants and contributions have exceeded budget forecasts due to the following; Federal Bushfire Recovery Grant \$1.225M, Community Resilience and Economic Recovery Grant \$250K, and additional Children's Services Grants \$81K.				
Capital grants and contributions	12,262	29,852	17,590	143% F
Capital grants and contributions have exceeded budget forecasts due to the recognition of dedicated assets (non cash), higher than expected developer contributions, and additional grants. Council recognised dedicated assets valued at \$13.102M, and rural fire service assets valued at \$380K. Revenue from developer contributions was \$1.375M above budget predictions. Road and Transport Capital grants were \$1.856M more than the original budget. Also, other Capital Contributions were \$436K above budget, as were Recreation and Culture Capital Grants \$312K, and Emergency Services Capital Grants \$94K.				
Interest and investment revenue	4,037	3,644	(393)	(10)% U
No material budget variations.				
Rental income	627	766	139	22% F
Increased lease income \$93K in Water Fund for telecommunication tower agreements. Also, increased lease income \$46K on General Fund Council owned land.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	39,951	37,889	2,062	5% F
No material budget variations.				
Borrowing costs	1,038	902	136	13% F
Borrowing costs were less than the original budget due to the renegotiation of a number of loans \$96K, plus the early payout of the water fund loan \$87K, which was not factored into the original 19/20 Budget. Offsetting this was the cost (non cash) of Interest Free Loans \$25K, and Interest on Leases \$23K.				
Materials and contracts	24,635	27,490	(2,855)	(12)% U
Materials and Contracts expense is \$2.855M greater than originally forecast. This is primarily due to the engagement of additional tree contractors \$1.69M required for Bush Fires and Storm events, additional Development Services contractors \$808K, and Traffic Control contractors \$610K. Offsetting this was a reduction in Aquatic centre contractors of \$253K.				
Depreciation and amortisation	28,038	29,722	(1,684)	(6)% U
No material budget variations.				
Other expenses	16,485	17,704	(1,219)	(7)% U
No material budget variations.				
Net losses from disposal of assets	—	3,560	(3,560)	∞ U
Council does not estimate the net profit/loss from the disposal of assets as part of the annual budget, instead estimates are based on the expected sales proceeds.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	46,168	54,986	8,818	19% F
Net cash from operating activities has increased from the original budget primarily due to additional income received from rates and annual charges, grants and contributions, and other revenues. Also there has been a decrease in employment costs and materials and contracts, and an increase in other expenses.				
Cash flows from investing activities	(51,101)	(45,337)	5,764	(11)% F
Net cash from investing activities has varied from the original budget due to an increase in Council's total investment portfolio, and less than anticipated expenditure on capital works.				
Cash flows from financing activities	4,933	(4,548)	(9,481)	(192)% U
Net cash used in financing activities has varied from the original budget due to no new loans being taken up in the Financial Year.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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) Assets and liabilities that have been measured and recognised at fair values

	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2020					
Recurring fair value measurements					
Financial assets					
Investments					
– 'Financial assets at fair value through other comprehensive income'	30/06/20	–	–	–	–
– 'Held to Maturity'	30/06/20	–	175,500	–	175,500
Total financial assets		–	175,500	–	175,500
Infrastructure, property, plant and equipment					
WIP	30/06/20	–	–	20,318	20,318
Plant & Equipment	30/06/20	–	–	16,183	16,183
Office Equipment	30/06/20	–	–	379	379
Furniture & Fittings	30/06/20	–	–	248	248
Crown Land	30/06/20	–	–	18,706	18,706
Operational Land	30/06/20	–	–	134,741	134,741
Community Land	30/06/20	–	–	60,215	60,215
Buildings – Non Specialised	30/06/20	–	–	550	550
Buildings – Specialised	30/06/20	–	–	84,364	84,364
Other Structures	30/06/20	–	–	3,597	3,597
Roads	30/06/20	–	–	448,618	448,618
Bridges	30/06/20	–	–	32,826	32,826
Footpaths	30/06/20	–	–	30,289	30,289
Bulk Earthworks (non-depreciable)	30/06/20	–	–	243,363	243,363
Stormwater Drainage	30/06/20	–	–	110,870	110,870
Water Supply Network	30/06/20	–	–	209,897	209,897
Sewerage Network	30/06/20	–	–	255,755	255,755
Swimming Pools	30/06/20	–	–	14,688	14,688
Other Open Space/Recreational Assets	30/06/20	–	–	11,075	11,075
Library Books	30/06/20	–	–	469	469
Other	30/06/20	–	–	2	2
Total infrastructure, property, plant and equipment		–	–	1,697,153	1,697,153

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Non-current assets classified as ‘held for sale’					
Land	30/06/20	—	—	1,689	1,689
Total NCA’s classified as ‘held for sale’		—	—	1,689	1,689

2019	Date of latest valuation	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					
Financial assets					
Investments					
– ‘Financial assets at fair value through other comprehensive income’					
	30/06/19	–	56	–	56
– ‘Held to Maturity’					
	30/06/19	–	168,500	–	168,500
Total financial assets		–	168,556	–	168,556

Infrastructure, property, plant and equipment

WIP	30/06/19	—	—	10,653	10,653
Plant & Equipment	30/06/19	—	—	15,359	15,359
Office Equipment	30/06/19	—	—	366	366
Furniture & Fittings	30/06/19	—	—	183	183
Crown Land		—	—	—	—
Operational Land	30/06/19	—	—	136,083	136,083
Community Land	30/06/19	—	—	61,856	61,856
Buildings – Non Specialised	30/06/19	—	—	949	949
Buildings – Specialised	30/06/19	—	—	83,301	83,301
Other Structures	30/06/19	—	—	3,445	3,445
Roads	30/06/19	—	—	326,419	326,419
Bridges	30/06/19	—	—	11,040	11,040
Footpaths	30/06/19	—	—	21,302	21,302
Bulk Earthworks (non-depreciable)	30/06/19	—	—	219,655	219,655
Stormwater Drainage	30/06/19	—	—	105,118	105,118
Water Supply Network	30/06/19	—	—	207,867	207,867
Sewerage Network	30/06/19	—	—	253,795	253,795
Swimming Pools	30/06/19	—	—	14,893	14,893
Other Open Space/Recreational Assets	30/06/19	—	—	9,044	9,044
Library Books	30/06/19	—	—	444	444
Other	30/06/19	—	—	3	3
Total infrastructure, property, plant and equipment		—	—	1,481,775	1,481,775

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Non-current assets classified as ‘held for sale’					
Land	30/06/19	—	—	4,900	4,900
Total NCA’s classified as ‘held for sale’		—	—	4,900	4,900

Note that capital WIP is not included above since it is carried at cost.

(2) 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:

Financial assets**Financial assets at fair value through other comprehensive income**

Council obtains its fair values for fair value through other comprehensive income from an independent valuation of ordinary shares on behalf of Southern Phone Company Limited shareholders. In December 2019, Council's investment in Southern Phone Company Limited was sold.

Investments – Held to Maturity

Council obtains its fair values for held to maturity investments from audit confirmations provided by Approved Deposit Taking Institutions (ADIs).

Infrastructure, property, plant and equipment (IPP&E)**Property, Plant & Equipment, Furniture & Fittings**

Council's Plant & Equipment, Furniture & Fittings incorporates:

- Major plant Truck, tractors, street sweepers
- Fleet vehicles Cars, vans, utes etc.
- Minor plant Chainsaws, brush cutters, mowers, concrete mixers
- Furniture & fittings Desks, chairs, display systems
- Office equipment Computers, monitors, PABX, projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2018) using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal.

The unobservable Level 3 inputs used include:

- Rate per square metre
- Description of land

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period.

Community and Crown Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it

In relation to community land the Office of Local Government has reviewed its position on the use of the NSW Valuer General's valuations of community land and in association with the Local Government Accounting Advisory Group; the Office has determined that community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under Clause 31 of AASB 116

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the NSW Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the NSW Valuer General did not provide a UCV.

The 'Market Approach' is used to value community land. There has been no change to the valuation process during the reporting period.

Property – Buildings (Specialised & Non-Specialised)

Council buildings comprise:

- Libraries
- Public amenities
- Sporting club houses
- Kiosks and amenities
- Depot buildings and workshops
- Community centres
- Rural Fire Service buildings

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected and unit rates, although based on square metres could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been no change to the valuation process during the reporting period.

Other Structures

Council's other structures incorporates the following classes of assets:

- Significant single assets such as playgrounds, floodlighting system irrigation systems, tennis courts, tennis shelters, artificial turf playing surfaces etc. and;
- Aggregated lower value assets such as recreational/park infrastructures (picnic tables, seats, bollards, fences, BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are undertaken by Council staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Residual value
- Asset condition
- Residual value

The "Cost Approach" is used to value other structures. There has been no change to the valuation process during the reporting period

Roads, Bridges & Footpaths

This asset class comprises:

- Road carriageways
- Bus shelters
- Car parks
- Guardrails
- Kerb and guttering
- Bridges
- Footpaths
- Traffic facilities
- Road drainage

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's Asset Management System (Conquest) contains detailed dimensions and specifications for all Council road assets.

Council applies fair values to road infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life of carriageway
- Gross replacement cost

The 'Cost Approach' is used to value road assets. There were no changes in valuation technique from prior year.

Stormwater Drainage

Council's drainage assets comprise:

- Pits
- Pipes
- Culverts
- Open channels
- Headwalls
- Various types of water quality device used to collect, store and remove stormwater

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council drainage assets.

Council applies fair values to drainage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value drainage by componentising the assets into significant parts and then rolling up these component values to provide an overall drainage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Water Supply Network

Council's water supply network comprises:

- Treatment Works
- Dams
- Reservoirs
- Pumping stations
- Water reticulation (pipes, valves, hydrants, meters, service lines)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council water assets.

Council applies fair values to water infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value water assets by componentising the assets into significant parts and then rolling up these component values to provide an overall water valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

- Remaining life
- Gross replacement cost

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

Sewerage Supply Network

Assets within this class comprise:

- Treatment works
- Pumping stations
- Sewerage reticulation (pipes, manholes, valves, vents)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council sewerage assets.

Council applies fair values to sewerage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value sewer assets by componentising the assets into significant parts and then rolling up these component values to provide an overall sewerage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Other Assets

Council's other assets comprise:

- Library books
- Reference materials
- CD's & DVD's
- Art collections

Council fair values other assets using Level 3 inputs.

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Office Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Furniture & Fittings	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Operational Land	Level 3	Price per square metre
Community and Crown Land	Level 3	Average unit rate based on unimproved capital value per square metre
Buildings – non-specialised	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Buildings – specialised	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Other Structures	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Roads	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bridges	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Footpaths	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bulk Earthworks (non-depreciable)	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Stormwater Drainage	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Water Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Sewerage Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Swimming Pools	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Other Open Space/Recreational Assets	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Library Books	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition
Other	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures

(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:

\$ '000	2020	2019
Compensation:		
Short-term benefits	2,590	1,995
Post-employment benefits	267	222
Other long-term benefits	10	37
Termination benefits ¹	–	228
Total	2,867	2,482

(1) Termination benefits relate to the payment of outstanding entitlements in accordance with the Local Government (State) Award 2017.

(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	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
Payment of rates and water charges to Council	1	157	19		–	–
Payment by Council for the provision of services	2	88	–		–	–
Employment of a related party during the year ended 30 June 2020	3					
2019						
Payment of rates and water charges to Council	1	134	1		–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000	Ref					
Payment by Council for the provision of services	2	89	—		—	—
Employment of a related party during the year ended 30 June 2020						

- 1 As per Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed relates to rates and water account payments by six (four in 2019) of Council's key management personnel (including their related parties). Outstanding balances are secured against property.
- 2 During the year various departments of Council engaged the services of a not-for-profit organisation of which one of Council's KMP is a committee member. Amounts were billed, and were due and payable, in accordance with the organisation's standard terms.
- 3 During the year ended 30 June 2020 a related party of one of Council's Key Management Personnel (KMP) was employed by Council. The related party does not report directly to their related KMP and the KMP was not involved in the recruitment process. The related party employed during the year is paid a salary in accordance with the relevant grade of the Local Government (State) Award 2017 and is not a member of the KMP of Council.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20				
		Contributions received during the year						
\$ '000	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads	4,198	761	–	94	(2)	–	5,051	–
Community facilities	408	36	–	8	–	–	452	–
Open Space & Community Facilities	5,868	515	–	122	(7)	–	6,498	–
Administration	533	103	–	12	–	–	648	–
Resource Recovery Centre	1	46	–	1	(47)	–	1	–
CF Library Loan	484	90	–	11	–	–	585	–
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	106	42	–	2	–	–	150	–
Land Acquisition (MVEC)	4	3	–	–	–	–	7	–
S7.11 contributions – under a plan	11,603	1,596	–	250	(56)	–	13,393	–
S7.12 levies – under a plan	406	227	–	8	(62)	–	579	–
Total S7.11 and S7.12 revenue under plans	12,009	1,823	–	258	(118)	–	13,972	–
S7.11 not under plans (VPA)	3,468	–	–	67	–	–	3,535	–
s7.11 not under plans Parking	1,401	–	–	25	(621)	–	805	–
S64 Contributions Water	17,583	2,212	–	346	(2,749)	–	17,392	–
S64 Contributions Sewer	16,775	2,045	–	347	(2,300)	–	16,867	–
S64 Stormwater	2,939	447	–	56	(1,391)	–	2,051	–
Total contributions	54,175	6,527	–	1,099	(7,179)	–	54,622	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

	as at 30/06/19		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000									
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN 1									
Roads	4,198		761	–	94	(2)	–	5,051	–
Community facilities	408		36	–	8	–	–	452	–
Open Space & Community Facilities	5,868		515	–	122	(7)	–	6,498	–
Administration	533		103	–	12	–	–	648	–
Resource Recovery Centre	1		46	–	1	(47)	–	1	–
CF Library Loan	484		90	–	11	–	–	585	–
Total	11,492		1,551	–	248	(56)	–	13,235	–
S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)									
Administration (MVEC)	1		–	–	–	–	–	1	–
Future Works (MVEC)	106		42	–	2	–	–	150	–
Land Acquisition (MVEC)	4		3	–	–	–	–	7	–
Total	111		45	–	2	–	–	158	–
S7.12 Levies – under a plan									
S94A Plan									
S94A	406		227	–	8	(62)	–	579	–
Total	406		227	–	8	(62)	–	579	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – not under a plan								
S94 not under Plans (VPA)								
Drainage	20	–	–	–	–	–	20	–
Roads	491	–	–	9	–	–	500	–
Open space	1	–	–	–	–	–	1	–
Community facilities	308	–	–	5	–	–	313	–
Sewer	1,226	–	–	24	–	–	1,250	–
Water	836	–	–	17	–	–	853	–
RRC	87	–	–	2	–	–	89	–
ASH	11	–	–	–	–	–	11	–
Administration	449	–	–	9	–	–	458	–
Management Contribution	39	–	–	1	–	–	40	–
Total	3,468	–	–	67	–	–	3,535	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	59,428	3,682	17,272
User charges and fees	9,646	11,148	1,657
Interest and investment revenue	1,434	1,217	993
Other revenues	3,289	629	447
Grants and contributions provided for operating purposes	10,700	–	–
Grants and contributions provided for capital purposes	20,338	3,910	5,604
Rental income	766	–	–
Total income from continuing operations	105,601	20,586	25,973
Expenses from continuing operations			
Employee benefits and on-costs	31,220	3,063	3,606
Borrowing costs	496	–	406
Materials and contracts	24,767	1,180	1,543
Depreciation and amortisation	18,757	5,300	5,665
Other expenses	9,221	5,103	3,380
Net losses from the disposal of assets	1,810	940	810
Total expenses from continuing operations	86,271	15,586	15,410
Operating result from continuing operations	19,330	5,000	10,563
Net operating result for the year	19,330	5,000	10,563
Net operating result attributable to each council fund	19,330	5,000	10,563
Net operating result for the year before grants and contributions provided for capital purposes	(1,008)	1,090	4,959

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	3,024	2,777	2,310
Investments	64,938	60,363	50,199
Receivables	7,771	4,010	5,792
Inventories	858	491	54
Contract assets	4,197	–	–
Other	524	–	–
Non-current assets classified as 'held for sale'	1,689	–	–
Total current assets	83,001	67,641	58,355
Non-current assets			
Receivables	266	–	–
Infrastructure, property, plant and equipment	1,197,494	227,084	272,575
Right of use assets	525	–	–
Total non-current assets	1,198,285	227,084	272,575
TOTAL ASSETS	1,281,286	294,725	330,930
LIABILITIES			
Current liabilities			
Payables	12,779	1,501	1,071
Contract liabilities	766	147	52
Lease liabilities	213	–	–
Borrowings	1,453	–	2,155
Provisions	7,264	473	936
Total current liabilities	22,475	2,121	4,214
Non-current liabilities			
Payables	23	–	–
Contract liabilities	5	–	–
Lease liabilities	319	–	–
Borrowings	9,235	–	8,142
Provisions	3,942	31	67
Total non-current liabilities	13,524	31	8,209
TOTAL LIABILITIES	35,999	2,152	12,423
Net assets	1,245,287	292,573	318,507
EQUITY			
Accumulated surplus	484,279	98,927	171,123
Revaluation reserves	761,008	193,646	147,384
Council equity interest	1,245,287	292,573	318,507
Total equity	1,245,287	292,573	318,507

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	8,601	7.03%	6.07%	6.07%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	122,308				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	111,608	73.35%	67.81%	63.46%	>60.00%
Total continuing operating revenue ¹	152,160				
3. Unrestricted current ratio					
Current assets less all external restrictions	55,205	5.72x	5.39x	4.53x	>1.50x
Current liabilities less specific purpose liabilities	9,657				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	39,225	7.20x	4.78x	6.18x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	5,450				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,459	4.19%	2.41%	2.17%	<10.00%
Rates, annual and extra charges collectible	82,605				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	183,611	24.13 mths	22.85 mths	22.07 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	7,608				

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	0.94%	(1.10)%	12.17%	16.17%	28.32%	27.06%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	70.61%	65.78%	81.01%	73.55%	78.42%	71.20%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.12x	5.08x	28.36x	43.74x	11.61x	8.61x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	9.07x	7.59x	∞	3.69x	3.63x	3.47x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.62%	3.26%	10.14%	5.90%	5.33%	2.88%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.90	11.93	73.66	63.85	50.40	43.68	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

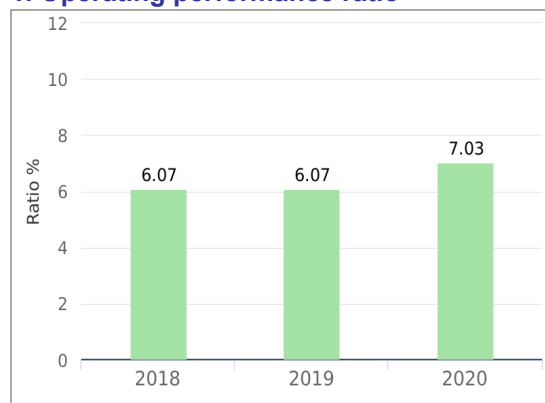
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.03%

Council's operating performance continues to be supported by an increase in rate income through the fourth (and final) year of the Investing in Our Future Special rate variation.

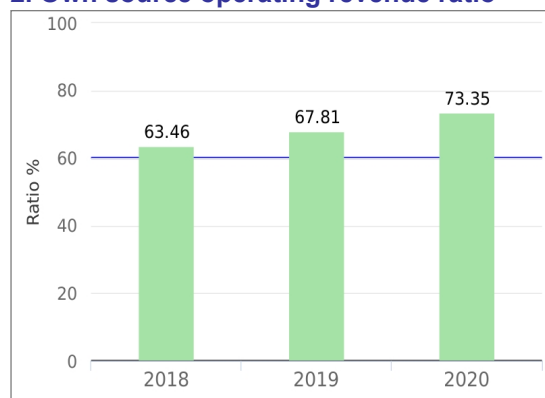
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



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.

Commentary on 2019/20 result

2019/20 ratio 73.35%

Council continues to exceed this industry benchmark with 73% of revenue generated through rates, charges and user fees.

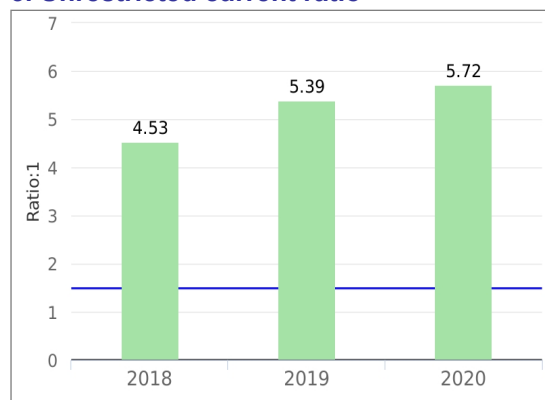
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



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.

Commentary on 2019/20 result

2019/20 ratio 5.72x

Council continues to maintain a strong liquidity position with a healthy unrestricted current ratio. This means that Council can easily pay its financial obligations as they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

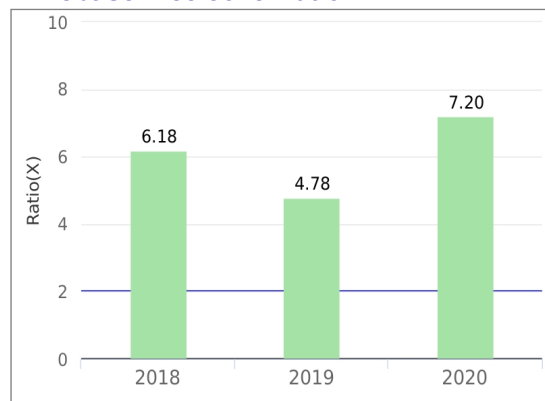
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.20x

Council continues to exceed this benchmark which is a result of adequate operating revenues to cover its loan repayments. Council did not take out any new loan borrowings during the year.

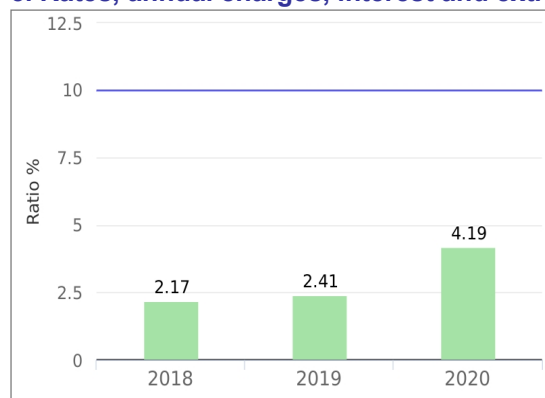
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2019/20 result

2019/20 ratio 4.19%

This ratio has increased due to outstanding rates and annual charges receivables increasing from the previous year. This is primarily attributable to Council's COVID - 19 relief package for community and business. Residents and businesses of the Wingecarribee LGA impacted by COVID - 19 were able to defer rates for six months from 1 April 2020.

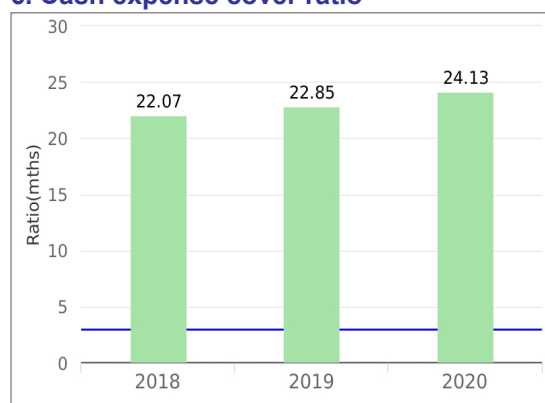
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



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.

Commentary on 2019/20 result

2019/20 ratio 24.13 mths

This ratio is significantly higher than benchmark which reflects Council's strong liquidity position.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying financial statements of Wingecarribee Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2020, 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 (including Independence Standards)' (APES 110).

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial 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 are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities 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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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.



Michael Kharzoo
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2020
SYDNEY



Mr Duncan Gair
Mayor
Wingecarribee Shire Council
PO Box 141
MOSS VALE NSW 2577

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: D2024508/1809

29 October 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Wingecarribee Shire Council**





I have audited the general purpose financial statements (GPFS) of the Wingecarribee Shire Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	80.4	74.8	 7.5
Grants and contributions revenue	40.6	51.0	 20.4
Operating result from continuing operations	34.9	46.2	 24.5
Net operating result before capital grants and contributions	5.0	4.4	 13.5

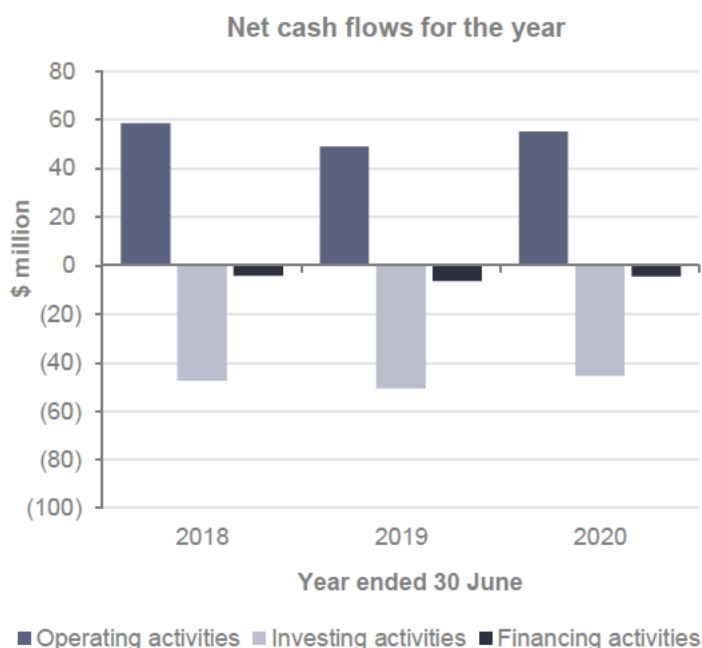
The Council's operating result from continuing operations was \$34.9 million, which was \$11.3 million lower than the 2018–19 result. This was mainly due to a decrease in grants and contributions provided for capital purposes of \$11.9 million.

Rates and annual charges revenue increased by \$5.6 million (7.5 per cent), mainly due to the Council's approved Special Rate Variation. The increase is partially offset by the absence of an increase in domestic waste management, stormwater management service charge, and water fund access charges.

Grants and contributions revenue decreased by \$10.4 million (20.4 per cent) in 2019–20. This was mainly due to a decrease in dedications of subdivisions (\$16.1 million) received during the year.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$8.1 million (\$3 million for the year ended 30 June 2019). There was a net increase in cash and cash equivalents of \$5.1 million at 30 June 2020.
- Net cash provided by operating activities has increased by \$6 million. This is mainly due to the increase in cash receipts from rates and annual charges.
- Net cash used in investing activities decreased by \$5.4 million. This is mainly due to the increase in the sale of investment securities of \$74.8 million. This was offset by the increase in the purchase of investment securities of \$56 million and the increase of purchase of infrastructure, property, plant and equipment of \$16.6 million.
- Net cash used in financing activities decreased by \$1.8 million. This is mainly due to a decrease in repayment of borrowings and advances.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	143.0	131.5	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$11.5 million primarily due to: <ul style="list-style-type: none"> – sewerage services (\$6.2 million) – water supplies (\$3.8 million) • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The balance has remained steady from the previous year • Unrestricted cash and investments was \$0.1 million, which is available to provide liquidity for day-to-day operations of the Council. Unrestricted cash has remained steady.
Internal restrictions	40.6	39.9	
Unrestricted	0.1	0.2	
Cash and investments	183.6	171.6	

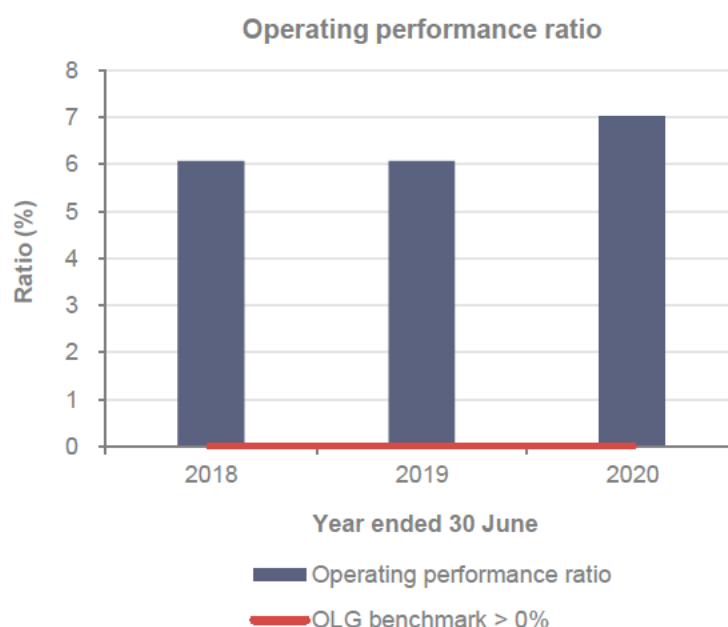
PERFORMANCE

Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

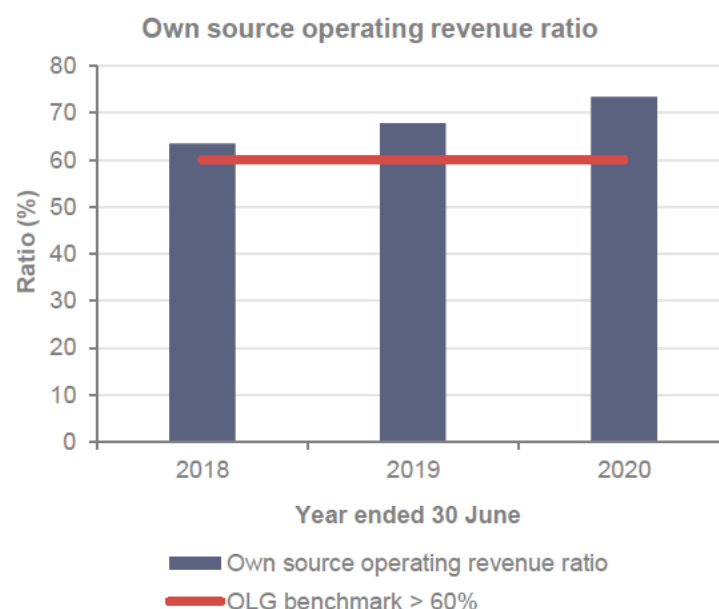
Operating performance ratio

- 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 former Office of Local Government (OLG) is greater than zero per cent.
- Council's operating performance ratio of 7.03 per cent was above the OLG benchmark.
- The operating performance ratio has increased to 7 per cent (2019: 6.1 per cent) due to the increase in rates and annual charges revenue.



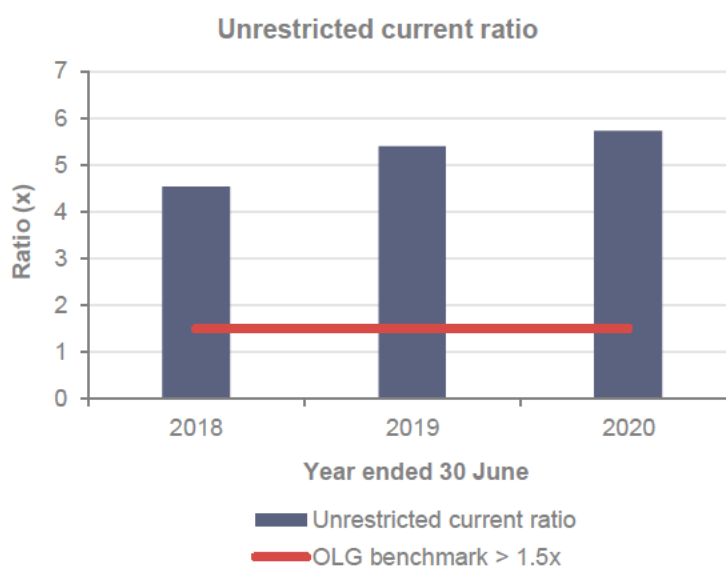
Own source operating revenue ratio

- 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 the former OLG is greater than 60 per cent.
- Council's own source operating revenue ratio of 73.35 per cent was above the industry benchmark.
- The 'own source operating revenue ratio' has increased to 73.3 per cent (2019: 67.8 per cent) due to a decrease in grants and contributions provided for capital purposes.



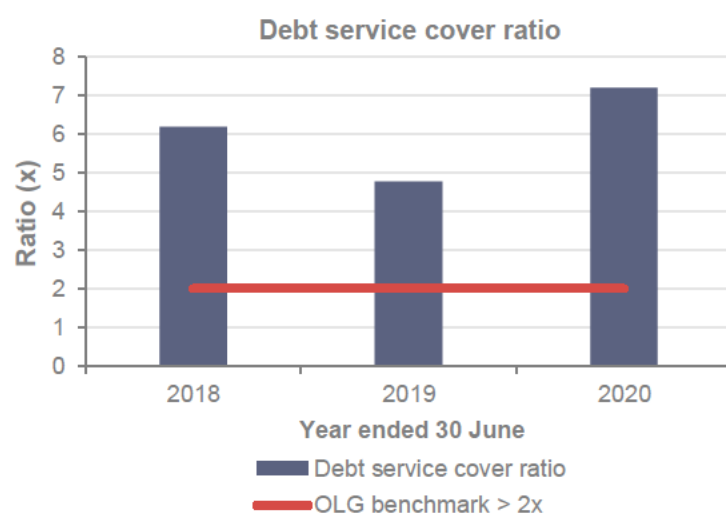
Unrestricted current ratio

- 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 the former OLG is greater than 1.5 times.
- The Council's unrestricted current ratio of 5.7 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained relatively steady in comparison to the prior year.



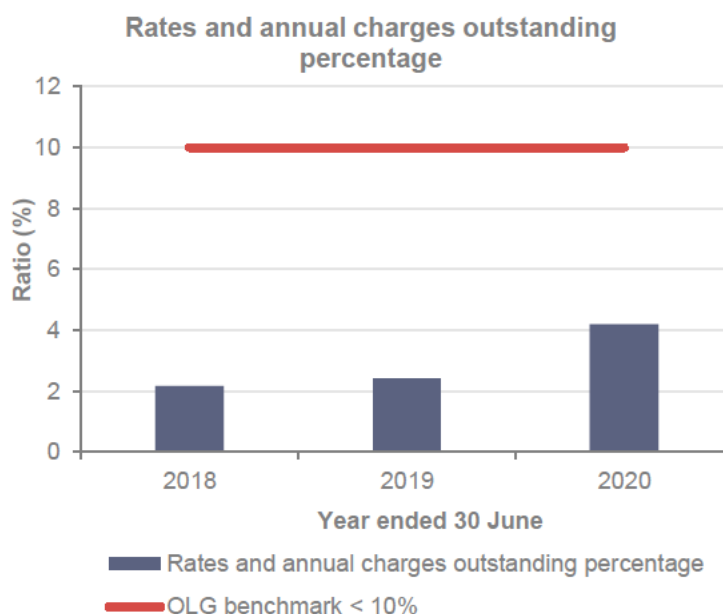
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The debt service cover ratio of 7.2 times exceeded the industry benchmark.
- The Council's 'debt service cover ratio' has increased to 7.2 times (2019: 4.8 times) and this is mainly due to a decrease in repayments of borrowings and advances.



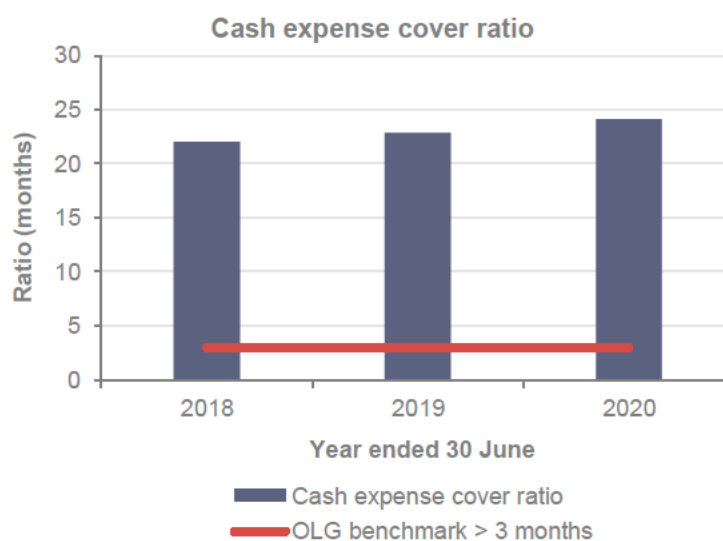
Rates and annual charges outstanding per centage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- Council's outstanding rates and charges ratio of 4.2 per cent was within the industry benchmark
- The 'rates and annual charges outstanding per centage' has increased from the prior year as the debt recovery was suspended due to the current COVID-19 pandemic.



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 the former OLG is greater than three months.
- The Council's cash expense cover ratio was 24.1 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 24.1 months of operating cash expenditure without additional cash inflows as at 30 June 2020.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$26.6 million of assets in the 2019–20 financial year, compared to \$16.3 million of assets in the prior year. The increase is primarily due to renewals of roads, bridges and capital works.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$1.6 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.


The Council recognised right-of-use assets of \$0.4 million and lease liabilities of \$0.4 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

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 statements. The Council's:

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



Michael Kharzoo
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Barry Paull, Acting General Manager
Ms Jan Edwards, Chair of the Audit, Risk and Continuous Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment



Special Purpose Financial Statements

For the year ended 30 June 2020

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Special Purpose Financial Statements

for the year ended 30 June 2020

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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).

Special Purpose Financial Statements for the year ended 30 June 2020

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 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 09 September 2020.



Clr Duncan Gair
Mayor
28 October 2020



Clr Grahame Andrews
Councillor
28 October 2020



Barry Paull
Acting General Manager
28 October 2020



Richard Mooney
Responsible Accounting Officer
28 October 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	3,682	3,606
User charges	10,530	9,892
Fees	618	546
Interest	1,217	1,599
Other income	629	662
Total income from continuing operations	16,676	16,305
Expenses from continuing operations		
Employee benefits and on-costs	3,063	2,792
Borrowing costs	–	80
Materials and contracts	1,180	836
Depreciation, amortisation and impairment	5,300	5,241
Water purchase charges	1,429	1,398
Loss on sale of assets	940	734
Calculated taxation equivalents	214	215
Other expenses	3,674	3,322
Total expenses from continuing operations	15,800	14,618
Surplus (deficit) from continuing operations before capital amounts	876	1,687
Grants and contributions provided for capital purposes	3,910	5,863
Surplus (deficit) from continuing operations after capital amounts	4,786	7,550
Surplus (deficit) from all operations before tax	4,786	7,550
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(241)	(464)
SURPLUS (DEFICIT) AFTER TAX	4,545	7,086
Plus accumulated surplus	93,927	86,162
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	214	215
– Corporate taxation equivalent	241	464
Closing accumulated surplus	98,927	93,927
Return on capital %	0.4%	0.8%
Subsidy from Council	1,122	1,181
Calculation of dividend payable:		
Surplus (deficit) after tax	4,545	7,086
Less: capital grants and contributions (excluding developer contributions)	–	(5,863)
Surplus for dividend calculation purposes	4,545	1,223
Potential dividend calculated from surplus	2,273	612

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	17,272	16,412
User charges	1,226	1,152
Liquid trade waste charges	1	7
Fees	430	435
Interest	993	1,206
Other income	447	503
Total income from continuing operations	20,369	19,715
Expenses from continuing operations		
Employee benefits and on-costs	3,606	3,459
Borrowing costs	406	566
Materials and contracts	1,543	1,598
Depreciation, amortisation and impairment	5,665	5,598
Loss on sale of assets	810	1,282
Calculated taxation equivalents	209	237
Debt guarantee fee (if applicable)	91	172
Other expenses	3,380	3,160
Total expenses from continuing operations	15,710	16,072
Surplus (deficit) from continuing operations before capital amounts	4,659	3,643
Grants and contributions provided for capital purposes	5,604	7,976
Surplus (deficit) from continuing operations after capital amounts	10,263	11,619
Surplus (deficit) from all operations before tax	10,263	11,619
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,281)	(1,002)
SURPLUS (DEFICIT) AFTER TAX	8,982	10,617
Plus accumulated surplus	160,589	148,561
Plus/less: opening balance adjustment arising from adoption of new accounting standards	(29)	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	209	237
– Debt guarantee fees	91	172
– Corporate taxation equivalent	1,281	1,002
Closing accumulated surplus	171,123	160,589
Return on capital %	1.9%	1.6%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	8,982	10,617
Less: capital grants and contributions (excluding developer contributions)	–	(7,976)
Surplus for dividend calculation purposes	8,982	2,641
Potential dividend calculated from surplus	4,491	1,321

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,777	1,038
Investments	60,363	58,446
Receivables	4,010	3,616
Inventories	491	504
Total current assets	67,641	63,604
Non-current assets		
Infrastructure, property, plant and equipment	227,084	223,325
Total non-current assets	227,084	223,325
TOTAL ASSETS	294,725	286,929
LIABILITIES		
Current liabilities		
Contract liabilities	147	–
Payables	1,501	490
Income received in advance	–	364
Provisions	473	447
Total current liabilities	2,121	1,301
Non-current liabilities		
Provisions	31	31
Total non-current liabilities	31	31
TOTAL LIABILITIES	2,152	1,332
NET ASSETS	292,573	285,597
EQUITY		
Accumulated surplus	98,927	93,927
Revaluation reserves	193,646	191,670
TOTAL EQUITY	292,573	285,597

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,310	807
Investments	50,199	45,407
Receivables	5,792	5,054
Inventories	54	46
Total current assets	58,355	51,314
Non-current assets		
Infrastructure, property, plant and equipment	272,575	269,885
Total non-current assets	272,575	269,885
TOTAL ASSETS	330,930	321,199
LIABILITIES		
Current liabilities		
Contract liabilities	52	–
Payables	1,071	545
Income received in advance	–	19
Borrowings	2,155	2,769
Provisions	936	890
Total current liabilities	4,214	4,223
Non-current liabilities		
Borrowings	8,142	10,180
Provisions	67	67
Total non-current liabilities	8,209	10,247
TOTAL LIABILITIES	12,423	14,470
NET ASSETS	318,507	306,729
EQUITY		
Accumulated surplus	171,123	160,589
Revaluation reserves	147,384	146,140
TOTAL EQUITY	318,507	306,729

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

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 2093 (NSW), the *Local Government (General) Regulation 2005*, 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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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)

a. Wingecarribee Shire Council Water Fund

Comprising the whole of the operations and assets of the water supply systems servicing the major towns of Moss Vale, Bowral, Mittagong, Robertson and Bundanoon and surrounding villages.

b. Wingecarribee Shire Council Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the major towns of Moss Vale, Bowral and Bundanoon, Robertson, and Mittagong and surrounding villages, and the village of Berrima

Category 2

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

Nil

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

(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 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 – **27.5%**

Land tax – the first \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer 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 DoI – 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 27.5%.

Income tax is only applied where a gain 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 27.5% 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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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 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 0.88% at 30/6/20.

(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 their water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wingecarribee Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity

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 2020, 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 – update number 28 (LG Code).

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 (including Independence Standards)' (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 the 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 the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial 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 are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

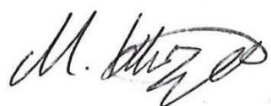
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 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 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2020
SYDNEY



Special Schedules

For the year ended 30 June 2020

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Wingecarribee
SHIRE COUNCIL

Special Schedules
for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	50,857	46,002
Plus or minus adjustments ²	b	391	878
Notional general income	$c = a + b$	51,248	46,880
Permissible income calculation			
Special variation percentage ³	d	0.00%	12.15%
Or crown land adjustment (incl. rate peg percentage)	f	2.76%	0.00%
Less expiring special variation amount	g	—	(1,426)
Plus special variation amount	$h = d \times (c + g)$	—	5,523
Or plus Crown land adjustment and rate peg amount	$j = f \times (c + g)$	1,414	—
Sub-total	$k = (c + g + h + i + j)$	52,662	50,977
Plus (or minus) last year's carry forward total	l	40	1
Less valuation objections claimed in the previous year	m	—	(79)
Sub-total	$n = (l + m)$	40	(78)
Total permissible income	$o = k + n$	52,702	50,899
Less notional general income yield	p	52,621	50,857
Catch-up or (excess) result	$q = o - p$	81	42
Less unused catch-up ⁵	s	—	(2)
Carry forward to next year ⁶	$t = q + r + s$	81	40

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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Wingecarribee Shire Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), 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.

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 Schedule' 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 (including Independence Standards)' (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 special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets' as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	26	22	550	890	3.7%	34.6%	61.4%	0.3%	0.0%
	Buildings – specialised	950	950	2,420	2,088	84,364	123,616	40.2%	29.8%	26.6%	3.2%	0.2%
	Sub-total	950	950	2,446	2,110	84,914	124,506	39.9%	29.8%	26.8%	3.2%	0.2%
Other structures	Other structures	76	76	112	43	3,597	5,850	35.7%	25.4%	32.5%	6.4%	0.0%
	Sub-total	76	76	112	43	3,597	5,850	35.7%	25.4%	32.5%	6.4%	0.0%
Roads	Sealed roads	6,449	6,449	5,198	5,588	303,949	452,879	13.0%	70.0%	14.0%	2.0%	1.0%
	Unsealed roads	80	80	1,418	2,501	75,410	79,502	61.0%	38.0%	1.0%	0.0%	0.0%
	Bridges	22	22	30	15	32,826	39,832	68.0%	27.0%	5.0%	0.0%	0.0%
	Footpaths	778	778	477	477	30,289	42,575	32.0%	37.0%	21.0%	9.0%	1.0%
	Other road assets	2,171	2,171	1,056	906	69,259	94,231	25.0%	61.0%	7.0%	7.0%	0.0%
	Bulk earthworks	–	–	–	–	243,363	243,363	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	9,500	9,500	8,179	9,487	755,096	952,382	18.0%	70.8%	8.6%	2.0%	0.5%
Water supply network	Other	2,887	2,887	2,126	1,574	209,897	379,364	67.3%	17.7%	12.8%	1.1%	1.1%
	Sub-total	2,887	2,887	2,126	1,574	209,897	379,364	67.3%	17.7%	12.8%	1.1%	1.1%
Sewerage network	Other	5,575	5,575	2,464	1,531	255,755	375,677	71.4%	21.0%	4.0%	1.0%	2.6%
	Sub-total	5,575	5,575	2,464	1,531	255,755	375,677	71.4%	21.0%	4.0%	1.0%	2.6%
Stormwater drainage	Other	5,640	5,640	723	717	110,870	148,057	35.0%	33.0%	29.0%	1.0%	2.0%
	Sub-total	5,640	5,640	723	717	110,870	148,057	35.0%	33.0%	29.0%	1.0%	2.0%
Open space / recreational assets	Swimming pools	22	22	722	781	14,688	18,116	78.0%	4.0%	17.0%	1.0%	0.0%
	Other	513	513	1,861	2,890	11,075	21,097	31.0%	30.0%	28.0%	10.0%	1.0%
	Sub-total	535	535	2,583	3,671	25,763	39,213	52.7%	18.0%	22.9%	5.8%	0.5%
TOTAL - ALL ASSETS		25,163	25,163	18,633	19,133	1,445,892	2,025,049	40.5%	45.2%	11.5%	1.8%	1.1%

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

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	17,500	65.05%	42.19%	63.97%	>=100.00%
Depreciation, amortisation and impairment	26,902				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	25,163	1.74%	1.54%	1.62%	<2.00%
Net carrying amount of infrastructure assets	1,445,892				
Asset maintenance ratio					
Actual asset maintenance	19,133	102.68%	98.01%	85.65%	>100.00%
Required asset maintenance	18,633				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	25,163	1.24%	1.02%	1.08%	
Gross replacement cost	2,025,049				

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

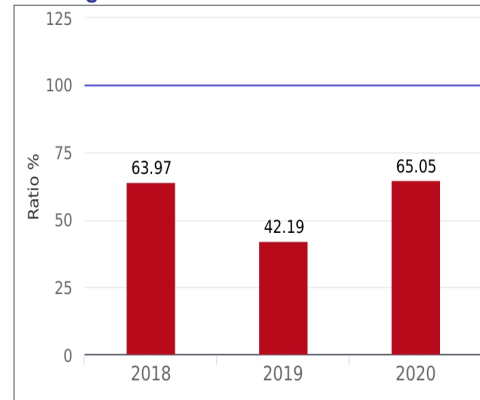
(1) Excludes Work In Progress (WIP)

(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.

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 65.05%

This ratio has increased as a result of completing large renewal projects funded by the Special Rate Variation.

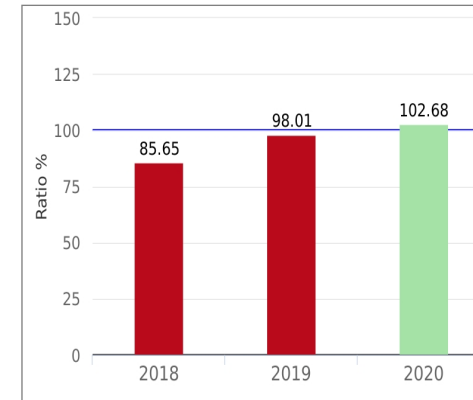
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Asset maintenance ratio



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.

Commentary on result

19/20 ratio 102.68%

The ratio has remained relatively steady using funds from the Special Rate Variation. Maintenance spend was higher due to emergency repairs caused by bush fires and floods.

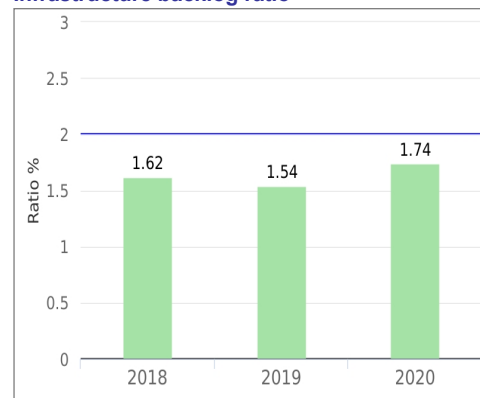
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 1.74%

The ratio has increased as a result of the recent road condition assessment. Projects aimed at reducing the backlog are being funded by grants and the Special Rate Variation.

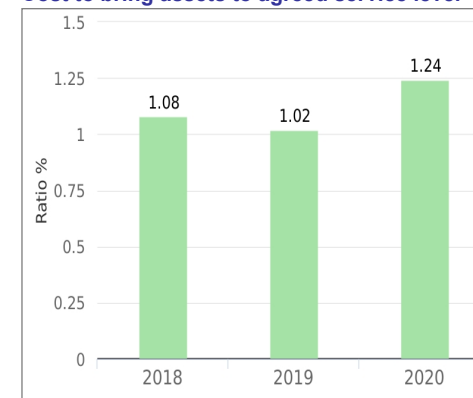
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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.

Commentary on result

19/20 ratio 1.24%

The ratio has increased as a result of the recent road condition assessment. Council expects this ratio to improve with the completion of programmed renewal projects.

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	84.85%	43.11%	41.85%	39.45%	27.83%	42.18%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	1.70%	1.34%	1.38%	1.37%	2.18%	2.31%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	114.14%	107.39%	74.04%	72.10%	62.13%	64.72%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.32%	0.92%	0.76%	0.77%	1.48%	1.59%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

(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.



General Purpose Financial Statements

For the year ended 30 June 2021

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Wingecarribee Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

68 Elizabeth Street
Moss Vale NSW 2577

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

- 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 B1-2.

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

Wingecarribee Shire Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

The attached general purpose financial statements have been prepared in accordance with:

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

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

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

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

Signed in accordance with a resolution of Council made on 13 October 2021.



Viv May PSM
Interim Administrator
27 October 2021



Lisa Miscamble
General Manager
27 October 2021



Damien Jenkins
Responsible Accounting Officer
27 October 2021

Wingecarribee Shire Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
	Income from continuing operations			
82,153	Rates and annual charges	B2-1	83,429	80,382
22,380	User charges and fees	B2-2	22,607	24,243
2,101	Other revenue	B2-3	1,950	2,573
8,318	Grants and contributions provided for operating purposes	B2-4	10,828	10,700
15,389	Grants and contributions provided for capital purposes	B2-4	34,347	29,852
2,400	Interest and investment revenue	B2-5	1,882	3,644
669	Other income	B2-6	726	766
133,410	Total income from continuing operations		155,769	152,160
	Expenses from continuing operations			
40,784	Employee benefits and on-costs	B3-1	39,900	37,889
41,364	Materials and services	B3-2	42,465	42,327
833	Borrowing costs	B3-3	758	902
29,276	Depreciation, amortisation and impairment for non-financial assets	B3-4	31,048	29,722
2,821	Other expenses	B3-5	3,656	2,867
–	Net losses from the disposal of assets	B4-1	4,302	3,560
115,078	Total expenses from continuing operations		122,129	117,267
18,332	Operating result from continuing operations		33,640	34,893
18,332	Net operating result for the year attributable to Council		33,640	34,893
2,943	Net operating result for the year before grants and contributions provided for capital purposes		(707)	5,041

The above Income Statement should be read in conjunction with the accompanying notes.

Wingecarribee Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		33,640	34,893
Other comprehensive income:			
Amounts which will not be reclassified subsequent to operating result			
Gain / (loss) on revaluation of Infrastructure, property, plant and equipment	C1-8	14,429	193,246
Total other comprehensive income for the year		14,429	193,246
Total comprehensive income for the year attributable to Council		48,069	228,139

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Wingecarribee Shire Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	15,456	8,111
Investments	C1-2	177,000	175,500
Receivables	C1-4	19,870	17,573
Inventories	C1-5	1,166	1,403
Contract assets and contract cost assets	C1-6	4,547	4,197
Non-current assets classified as held for sale	C1-7	421	1,689
Other	C1-10	562	524
Total current assets		219,022	208,997
Non-current assets			
Receivables	C1-4	618	266
Infrastructure, property, plant and equipment	C1-8	1,737,752	1,697,153
Intangible assets	C1-9	422	—
Right of use assets	C2-1	723	525
Total non-current assets		1,739,515	1,697,944
Total assets		1,958,537	1,906,941
LIABILITIES			
Current liabilities			
Payables	C3-1	12,554	15,009
Contract liabilities	C3-2	4,448	965
Lease liabilities	C2-1	264	213
Borrowings	C3-3	3,269	3,608
Employee benefit provisions	C3-4	8,551	9,015
Total current liabilities		29,086	28,810
Non-current liabilities			
Contract liabilities	C3-2	—	5
Lease liabilities	C2-1	469	319
Borrowings	C3-3	20,417	17,377
Employee benefit provisions	C3-4	541	563
Provisions	C3-5	3,588	3,500
Total non-current liabilities		25,015	21,764
Total liabilities		54,101	50,574
Net assets		1,904,436	1,856,367
EQUITY			
Accumulated surplus		787,969	754,329
IPPE revaluation reserve	C4-1	1,116,467	1,102,038
Total equity		1,904,436	1,856,367

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Wingecarribee Shire Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance at 1 July		754,329	1,102,038	–	1,856,367	720,945	908,792	56	1,629,793
Changes due to AASB 15 and AASB 1058 adoption		–	–	–	–	(1,565)	–	–	(1,565)
Restated opening balance		754,329	1,102,038	–	1,856,367	719,380	908,792	56	1,628,228
Net operating result for the year		33,640	–	–	33,640	34,893	–	–	34,893
Other comprehensive income									
– Gain/(loss) on revaluation of infrastructure, property, plant and equipment	C1-8	–	14,429	–	14,429	–	193,246	–	193,246
Total comprehensive income		33,640	14,429	–	48,069	34,893	193,246	–	228,139
Transfers between equity items		–	–	–	–	56	–	(56)	–
Closing balance at 30 June		787,969	1,116,467	–	1,904,436	754,329	1,102,038	–	1,856,367

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Wingecarribee Shire Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
82,089	Rates and annual charges		82,397	79,815
21,163	User charges and fees		23,596	21,761
2,443	interest received		2,147	4,708
23,528	Grants and contributions		29,149	23,880
–	Bonds, deposits and retentions received		213	321
3,742	Other		10,978	11,247
Payments:				
(40,755)	Payments to employees		(40,405)	(37,263)
(26,079)	Payments for materials and services		(54,811)	(28,083)
(739)	Borrowing costs		(728)	(899)
(18,465)	Other		(3,240)	(20,501)
46,927	Net cash flows from operating activities	G1-1a	49,296	54,986
Cash flows from investing activities				
Receipts:				
–	Redemption of term deposits		205,500	260,500
12,344	Sale of investment securities		–	786
4,317	Sale of infrastructure, property, plant and equipment	B4-1	1,366	846
–	Sale of non current assets classified as held for sale	B4-1	2,095	3,105
–	Sale of real estate assets	B4-1	865	216
–	Deferred debtors receipts		25	18
Payments:				
–	Acquisition of term deposits		(207,000)	(267,500)
(68,090)	Purchase of infrastructure, property, plant and equipment		(46,509)	(43,300)
–	Purchase of intangible assets	C1-9	(273)	–
–	Purchase of real estate assets	C1-5	(20)	(5)
–	Deferred debtors advances made		(446)	(3)
(51,429)	Net cash flows from investing activities		(44,397)	(45,337)
Cash flows from financing activities				
Receipts:				
8,260	Proceeds from borrowings		6,310	–
Payments:				
(3,758)	Repayment of borrowings		(3,608)	(4,319)
–	Principal component of lease payments		(256)	(229)
4,502	Net cash flows from financing activities		2,446	(4,548)
–	Net change in cash and cash equivalents		7,345	5,101
6,000	Cash and cash equivalents at beginning of year		8,111	3,010
6,000	Cash and cash equivalents at end of year	C1-1	15,456	8,111
144,206	plus: Financial investments at end of year	C1-2	177,000	175,500
150,206	Total cash, cash equivalents and investments		192,456	183,611

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Wingecarribee Shire Council

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Wingecarribee Shire Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 27 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Office of Local Government (OLG) directs Council to amend the financial statements.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting 2020/21.

Council is a not for-profit entity.

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

Historical cost convention

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

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. fair values of infrastructure, property, plant and equipment – refer Note C1-8,
- ii. employee benefit provisions – refer Note C3-4,
- iii. tip asset remediation provisions – refer Note C3-5.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and/or AASB 1058 *Income of Not-for-Profit Entities* – refer Notes B2-2 to B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer Note C2-1.

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of Council. Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water supply service
- Sewerage service
- Section 355 Committees of Council.

A1-1 Basis of preparation (continued)

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993*, a separate and distinct Trust Fund is maintained to account for all money and property received by 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.

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 that are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Volunteer services

Council receives volunteer services for a number of purposes, such as membership of advisory committees, s.355 Committees operation, bushcare activities, library book covering and interaction with animals at the Animal Shelter. The services provided by the volunteers unquestionably provide value to Council. However, the value of volunteer services has not been recognised within Council's financial statements. This is because the value of the services provided often cannot be reliably measured in order to meet the recognition requirements within Australian Accounting Standards. Where the volunteer services could be reliably measured, Council has assessed those services in accordance with the relevant Australian Accounting Standards and has determined that the services would not be purchased if they were not donated. As such, recognition in Council's financial statements is not required.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

Council has elected not to apply any of the pronouncements in these financial statements before their operative dates in the annual reporting period beginning 1 July 2020.

As at the date of authorisation of these financial statements, Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021. None of these standards had a significant impact on reported position or performance.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Leadership	60,850	60,604	39,949	40,051	20,901	20,553	6,026	6,666	291,584	279,774
People	4,507	4,202	10,253	8,869	(5,746)	(4,667)	1,988	2,021	38,175	40,109
Places	55,054	55,945	57,120	51,955	(2,066)	3,990	16,320	15,696	1,498,585	1,460,434
Environment	34,355	29,453	12,943	14,233	21,412	15,220	20,711	15,919	117,706	113,981
Economy	1,003	1,956	1,864	2,159	(861)	(203)	130	250	12,487	12,643
Total functions and activities	155,769	152,160	122,129	117,267	33,640	34,893	45,175	40,552	1,958,537	1,906,941

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Leadership

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; corporate support and other support services.

People

Includes fire protection, emergency services, enforcement of regulations and animal control; social protection (welfare); aboriginal and other community services and administration; youth services; aged and disabled persons services; swimming pools; children's services, including family day care; child care; and other family and children's services.

Places

Includes urban local and urban regional sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes; public cemeteries; public conveniences; street lighting; town planning; public libraries; community centres and halls; sporting grounds and venues; parks; gardens and other sporting and recreational services; water supplies; sewerage services; drainage; stormwater management; quarries and pits.

Environment

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

Economy

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; and Southern Regional Livestock Exchange (SRLX).

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	Notes	2021	2020
Ordinary rates			
Residential		39,981	38,096
Farmland		4,771	5,202
Business		6,089	6,177
Mining		353	82
Less: pensioner rebates (mandatory)		(800)	(802)
Rates levied to ratepayers		50,394	48,755
Pensioner rate subsidies received		440	441
Total ordinary rates		50,834	49,196
Special rates			
Special environmental levy		1,394	1,290
Total special rates		1,394	1,290
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		9,024	8,513
Water supply services		3,953	3,829
Sewerage services		18,068	17,404
Stormwater management services		534	523
Less: pensioner rebates (mandatory)		(838)	(829)
Annual charges levied		30,741	29,440
Pensioner subsidies received:			
– Domestic waste management services		114	115
– Water supply services		182	180
– Sewerage services		164	161
Total annual charges		31,201	29,896
Total rates and annual charges		83,429	80,382

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at the the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period. Refer Note C3-1.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	Notes	2021	2020
Specific user charges (per s.502 specific user charges)			
Water supply services		8,197	9,955
Sewerage services		1,191	1,222
Waste management services (non-domestic)		3,703	3,630
Total specific user charges		13,091	14,807
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – Section 67		710	530
Building services – other		1,914	1,572
Planning and building regulation		1,738	1,836
Inspection services		51	46
Section 10.7 certificates (EP&A Act)		246	178
Section 603 certificates		271	161
Total fees and charges – statutory/regulatory		4,930	4,323
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries		245	252
Child care		338	265
Halls and parks rental		82	54
Permits and licences		304	320
Pound fees and animal income		141	93
Quarry revenues		206	72
Sewer		233	179
Swimming centres		1,942	1,601
Saleyards		723	1,169
Tourism		102	306
Tulip time		–	444
Water connections		167	225
Other		103	133
Total fees and charges – other		4,586	5,113
Total user charges and fees		22,607	24,243
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time		–	–
User charges and fees recognised at a point in time		22,607	24,243
Total user charges and fees		22,607	24,243

Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases the customer is required to pay in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged, the fee is recognised on a straight-line basis over the period to which the payment relates.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenue

\$ '000	Notes	2021	2020
Parking fines		141	187
Other fines		55	112
Commissions and agency fees		47	118
Diesel rebate		96	102
Insurance claims recoveries		489	826
Legal fees recovery – rates and charges (extra charges)		176	223
Other Rebates and reimbursements		22	158
Recovery of Lehman Brothers CDOs		2	3
Recycling and sundry sales		426	389
Vehicle leaseback fees		433	440
Other		63	15
Total other revenue		1,950	2,573

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	1,950	2,573
Total other revenue	1,950	2,573

Accounting policy

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

B2-4 Grants and contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
Financial assistance grant (untied)					
- Relating to current year		2,517	2,563	–	–
- Prepayment received in advance for subsequent year		2,696	2,717	–	–
Amount recognised as income during the year		5,213	5,280	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Water supplies		48	–	–	–
Sewerage services		–	–	168	–
Federal Government bushfire relief		–	1,225	–	–
Community care		264	288	–	–
Environmental programs		174	185	–	–
Heritage and cultural		8	21	–	–
LIRS subsidy		90	128	–	–
Noxious weeds		53	67	–	–
NSW rural fire services		687	490	35	95
Recreation and culture		244	219	608	1,890
Administration		1	–	–	–
Aged and disabled		6	17	–	–
Childrens services		540	645	–	–
Housing and community		274	123	–	–
Street lighting		112	112	–	–
Tourism		130	–	–	–
Transport and communication		2,639	1,366	7,457	7,198
Youth services		3	50	–	–
Previously contributions:					
Bushfire services		132	190	–	–
Community services		–	–	–	238
Drainage		–	–	11	62
Recreation and culture		7	–	445	300
Roads and bridges		88	–	–	–
Other contributions		15	49	7	60
Child care services		1	2	–	–
Management committees		79	234	–	–
Apprenticeships		20	9	–	–
Total special purpose grants and non-developer contributions – cash		5,615	5,420	8,731	9,843
Non-cash contributions					
Bushfire services		–	–	500	380
Dedications–subdivisions (other than by Section 7.11)		–	–	17,101	13,102
Total other contributions – non-cash	G1-1	–	–	17,601	13,482
Total special purpose grants and non-developer contributions (tied)		5,615	5,420	26,332	23,325
Total grants and non-developer contributions		10,828	10,700	26,332	23,325
Comprising:					
– Commonwealth funding		5,869	6,775	2,401	2,877
– State funding		4,798	3,640	5,867	6,306
– Other funding		161	285	18,064	14,142
		10,828	10,700	26,332	23,325

B2-4 Grants and contributions (continued)

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	2,444	1,596
S 7.12 – fixed development consent levies		–	–	44	227
S 64 – water supply contributions		–	–	2,399	2,212
S 64 – sewerage service contributions		–	–	2,420	2,045
S 64 – stormwater contributions		–	–	708	447
Total developer contributions	G3-1	–	–	8,015	6,527
Total grants and contributions		10,828	10,700	34,347	29,852
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		1,962	567	6,914	7,839
Grants and contributions recognised at a point in time		8,866	10,133	27,433	22,013
Total grants and contributions		10,828	10,700	34,347	29,852

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Operating and Capital grants					
Unspent funds at 1 July		4,061	3,288	146	780
Add: Grants recognised as revenue in the reporting year but not yet spent in accordance with the conditions		3,174	3,808	20	52
Add: Grants received and not recognised as revenue in the current year		20	42	3,221	—
Less: Grants recognised as revenue in previous years that have been spent during the reporting year		(3,294)	(3,048)	(73)	(37)
Less: Grants received in prior year but revenue recognised and funds spent in current year	C3-2	(42)	(29)	(73)	(649)
Unspent funds at 30 June		3,919	4,061	3,241	146
Contributions					
Unspent funds at 1 July		10	29	54,656	54,204
Add: Contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions		60	10	8,468	7,585
Add: Contributions received and not recognised as revenue in the current year		4	—	—	—
Less: Contributions recognised as revenue in previous years that have been spent during the reporting year		—	(29)	(7,976)	(7,133)
Less: Contributions received in prior year but revenue recognised and funds spent in current year		—	—	—	—
Unspent contributions at 30 June		74	10	55,148	54,656

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligation is transferred.

The performance obligations vary according to the agreement but include the events and the delivery of specific activities. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

B2-4 Grants and contributions (continued)

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by Council.

Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment revenue

\$ '000	Notes	2021	2020
Interest on financial assets measured at amortised cost			
– Overdue rates and annual charges (incl. special purpose rates)		106	146
– Cash and investments		1,759	3,485
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided	G1-1	17	13
Total interest and investment income		1,882	3,644
Interest and investment income is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		70	99
General Council cash and investments		489	966
Restricted investments/funds – external:			
Development contributions	G3-1		
- Section 7.11 contributions - under plan		164	309
- Section 64 contributions – water supply		182	363
- Section 64 contributions – Sewer service		172	371
- Section 64 contributions – Stormwater		22	56
Water fund operations		432	854
Sewerage fund operations		350	622
Unspent grants		1	4
Total interest and investment income		1,882	3,644

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Other lease income			
Lease income	C2-2	726	766
Total other income		726	766

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	Notes	2021	2020
Salaries and wages		33,271	31,453
Employee leave entitlements (ELE)		3,255	3,746
Superannuation		3,363	3,257
Workers' compensation insurance		1,914	1,422
Fringe benefit tax (FBT)		51	75
Payroll tax		302	294
Other		127	156
Total employee costs		42,283	40,403
Less: capitalised costs		(2,383)	(2,514)
Total employee costs expensed		39,900	37,889

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable. Refer Note E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		15,170	14,371
Contractor costs		50,437	47,563
Consultancy costs		3,606	2,930
Audit Fees	F2-1	157	158
Previously other expenses:			
Advertising		166	300
Bank charges		333	311
Chemicals		741	743
Clothing and personal safety equipment		109	109
Computer hardware maintenance		257	98
Computer software charges		1,411	1,247
Councillor and Mayoral fees and associated expenses	F1-2	180	226
Electricity and heating		2,268	2,128
Insurance		1,516	1,743
Licence and registration		117	73
Postage and courier delivery		245	242
Printing and stationery		275	352
Promotions		21	42
Property rental and equipment hires		124	62
Repairs and maintenance		975	1,284
Street lighting		678	699
Subscriptions and publications		346	315
Telephone and communications		430	428
Training, conference and education		518	379
Valuation fees		189	186
Waste management services costs		4,239	4,551
Water determination		63	59
Water purchases		1,274	1,429
Other expenses		96	131
Legal expenses:			
– Legal expenses: planning and development		685	599
– Legal expenses: other		289	356
Total materials and services		86,915	83,114
Less: capitalised costs		(44,450)	(40,787)
Total materials and services		42,465	42,327

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		691	853
Interest on leases	C2-1	20	23
Total interest bearing liability costs expensed		711	876
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Interest free (or favourable) advances made by Council	G1-1	47	7
Interest applicable on interest free (and favourable) loans to Council	G1-1	–	19
Total other borrowing costs		47	26
Total borrowing costs expensed		758	902

Accounting policy

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 the fair value adjustments on the recognition of the interest free advance to the sports entities made by Council, discount to present value using the effective interest rate method.

No borrowing costs were capitalised for the year ended 30 June 2021.

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment	C1-8	2,339	2,291
Office equipment	C1-8	118	112
Furniture and fittings	C1-8	36	36
Infrastructure:			
– Buildings	C1-8	2,105	1,965
– Other structures		168	156
– Roads		11,389	10,989
– Bridges		406	184
– Footpaths		899	756
– Stormwater drainage		1,370	1,310
– Water supply network		5,209	5,113
– Sewerage network		5,608	5,486
– Swimming pools		270	273
– Other open space/recreational assets		718	670
Other assets:			
– Library books	C1-8	153	144
– Other		1	1
Right of use assets	C2-1	259	236
Total depreciation and amortisation costs	G1-1	31,048	29,722
Total depreciation, amortisation and impairment for non-financial assets		31,048	29,722

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost/fair value, net of their residual values, over their estimated useful lives.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above 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).

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Bad and doubtful debts		–	121
Total impairment of receivables	C1-4	–	121
Other			
Donations, contributions and assistance to other organisations (Section 356)		1,205	799
Contributions/levies to other levels of government			
– Waste levy		1,050	965
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,190	871
Landfill remediation and restoration	C3-5,G1-1	88	–
Other		123	111
Total other		3,656	2,746
Total other expenses		3,656	2,867

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of Infrastructure, plant and equipment			
Proceeds from disposal		1,366	846
Less: carrying value of infrastructure, plant and equipment assets sold/written off	C1-8	(6,610)	(5,282)
Gain (or loss) on disposal		(5,244)	(4,436)
Gain (or loss) on disposal of non-current assets classified as held for sale			
Proceeds from disposal		2,095	3,105
Less: carrying value of non current assets held for sale	C1-7	(1,689)	(3,093)
Gain (or loss) on disposal		406	12
Gain (or loss) on disposal of real estate assets			
Proceeds from disposal		865	216
Less: carrying value of real estate assets	C1-5	(329)	(82)
Gain (or loss) on disposal		536	134
Gain (or loss) on disposal of investments			
Proceeds from disposal/redemption/maturities		205,500	261,286
Less: carrying value of investments	C1-2	(205,500)	(260,556)
Gain (or loss) on disposal		–	730
Net gain (or loss) on disposal of assets		(4,302)	(3,560)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 08/07/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges No material budget variations.	82,153	83,429	1,276	2% F
User charges and fees No material budget variations.	22,380	22,607	227	1% F
Other revenues No material budget variations	2,101	1,950	(151)	(7)% U
Operating grants and contributions Operating Grants and Contributions have exceeded budget due to the following not being in the original budget; Five Storm Flood events \$1,326K, Emergency Services Levy Grant \$347K, Bushfire Community Recovery and Resilience Funding Stream 1 \$250K, Waste Grants \$154K, Bushfire Recovery Support Staff Contribution \$131K, Regional Tourism Bushfire Recovery Grant \$105K, Wingecarribee River Flood Study Grant \$70K, Maintenance contribution to Hill Top Shooting Range Rd \$59K, New Planning Portal Grant \$50K, and Southern Highlands Produce Hub Feasibility Study Grant \$23K.	8,318	10,828	2,510	30% F
Capital grants and contributions Capital grants and contributions have exceeded budget forecasts due to the recognition of dedicated assets (non cash), higher than expected developer contributions, and additional grants. Council recognised dedicated assets valued at \$17.101M, and rural fire assets valued at \$500K. Revenue from developer contributions was \$2.759M above budget predictions. Road and Transport Capital grants were \$2.408M less than the original budget. Also, Recreation and Culture Capital grants were \$608K above budget, as were Other contributions \$196K, and Sewer Capital grants \$167K	15,389	34,347	18,958	123% F
Interest and investment revenue Investment revenue is less than budget expectations due to the declining interest rate environment	2,400	1,882	(518)	(22)% U
Other income No material budget variations	669	726	57	9% F
EXPENSES				
Employee benefits and on-costs No material budget variations.	40,784	39,900	884	2% F
Materials and services	41,364	42,465	(1,101)	(3)% U
Borrowing costs No material budget variations.	833	758	75	9% F

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
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Depreciation, amortisation and impairment of non-financial assets

29,276

31,048

(1,772)

(6)%

U

No material budget variations.

Other expenses

2,821

3,656

(835)

(30)%

U

Other expenses exceeded the original budget due to increases in the Emergency Levy \$321K, Other donations, contributions and subsidies \$277K, Other expenses \$135K, and the State Waste Levy \$101K

Net losses from disposal of assets

-

4,302

(4,302)

∞

U

Council does not estimate the net profit/loss from the disposal of assets as part of the annual budget, instead estimates are based on the expected sales proceeds

STATEMENT OF CASH FLOWS**Cash flows from operating activities**

46,927

49,296

2,369

5%

F

No material budget variations.

Cash flows from investing activities

(51,429)

(44,397)

7,032

(14)%

F

Net cash from investing activities has varied from the original budget due to an increase in Council's total investment portfolio, and less than anticipated expenditure on capital works

Cash flows from financing activities

4,502

2,446

(2,056)

(46)%

U

Net cash used in financing activities has varied from the original budget due to less new loans being taken up in the financial year

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	4,267	1,092
Cash-equivalent assets		
– Deposits at call	11,189	7,019
Total cash and cash equivalents	15,456	8,111

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	15,456	8,111
Balance as per Statement of Cash Flows	15,456	8,111

Accounting policy

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

C1-2 Financial Investments

\$ '000	2021 Current	2020 Current
Debt securities at amortised cost		
Term deposits	177,000	175,500
Total financial investments	177,000	175,500
Total cash assets, cash equivalents and investments	192,456	183,611

Accounting policy

Financial instruments are recognised initially on the date that Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories - those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income - equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

C1-2 Financial Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than three months are classified as investments rather than cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Council does not have any investments in financial assets classified as FVOCI or FVTPL as at 30 June 2021.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2020
Total cash, cash equivalents and investments	192,456	183,611
attributable to:		
External restrictions	152,826	142,961
Internal restrictions	39,541	40,569
Unrestricted	89	81
	192,456	183,611

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	C3-2	3,246	315
External restrictions – included in liabilities		3,246	315

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	G3-1	18,149	16,209
Developer contributions – water fund	G3-1	18,677	18,245
Developer contributions – sewer fund	G3-1	16,161	18,117
Developer contributions – stormwater	G3-1	2,161	2,051
Specific purpose unexpended grants (recognised as revenue)		1,222	1,375
Water fund		46,898	44,895
Sewer fund		38,032	34,392
Domestic waste management		5,876	5,405
Stormwater management		284	189
Environment levy		810	637
Quarry royalties		1,310	1,131
External restrictions – other		149,580	142,646
Total external restrictions		152,826	142,961

C1-3 Restricted cash, cash equivalents and investments (continued)

\$ '000	Notes	2021	2020
Internal restrictions			
Council has internally restricted cash, cash equivalents and investments as follows:			
Alexandra square		–	4
Animal Shelter		–	1
Animal Shelter Building		3,780	3,102
Bonds and deposits		3,221	3,008
Bong Bong Common		50	50
Bowral memorial hall		53	348
Bridges		133	192
Budget Equalisation		428	380
Business transformation		720	1,302
Capital projects		968	1,677
Carry-over works		2,638	2,177
Cemeteries		160	242
Civic Centre refurbishment		1,244	3,576
Contribution to Works		69	44
Election expenses		375	281
Emergency assistance		5	–
Employee leave entitlements		1,570	1,842
Family day care		524	450
Financial assistance grant		2,696	2,717
Investing in our future		5,951	5,245
Land rental charge		3,439	3,883
Management committees		327	330
Mayoral relief fund		43	30
Mittagong Pool		49	50
MVWMAC		78	172
Plant replacement		2,481	2,120
Property operations (PDR)		3,362	2,781
Regional Art Gallery		100	200
Renwick asset management		172	135
Revolving energy fund		337	299
Risk management		284	460
Roadside spoil management		–	112
Saleyards (capital improvement fund)		416	327
Saleyards (SRLX)		159	201
Southern Phone share sale and dividend		811	854
Tourism		94	252
Waste Facilities General Fund		2,804	1,539
Welby hockey field		–	186
Total internal restrictions		39,541	40,569
Total restrictions		192,367	183,530

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Rates and annual charges	4,906	–	3,638	–
Interest and extra charges	279	–	305	–
User charges and fees	10,375	–	9,853	–
Accrued revenues				
– Other income accruals	236	–	264	–
– Interest on investments	645	–	884	–
Government grants and subsidies	1,931	–	665	–
Advance to organisations and entities	58	618	19	266
Security deposits paid by Council	84	–	40	–
Net GST receivable	1,233	–	1,536	–
Other debtors	233	–	513	–
Total	19,980	618	17,717	266
Less: provision of impairment				
User charges and fees	(110)	–	(144)	–
Total	(110)	–	(144)	–
Total net receivables	19,870	618	17,573	266

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Opening impairment allowance calculated under AASB 9	144	32
Movement through provision	(32)	121
Less: amounts already provided for and written off this year	(2)	(9)
Balance at the end of the year	110	144

Accounting policy

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

Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

When considering the ECL for rates and annual charges debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Credit losses are measured at the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

C1-5 Inventories

\$ '000	2021 Current	2020 Current
Stores and materials	453	415
Trading stock	36	42
Accountable items	677	637
Real estate assets for resale	–	309
Total inventories	1,166	1,403

\$ '000	Notes	2021 Current	2020 Current
Details for real estate development			
Residential		–	309
Total real estate assets for resale		–	309

(Valued at the lower of cost and net realisable value)

Movements:

Real estate assets at beginning of the year		309	386
– Purchases and other costs		20	5
– Carrying value of assets sold	B4-1	(329)	(82)
Total real estate assets for resale		–	309

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the 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.

Real estate assets for resale

Real estate assets (land property) 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.

C1-6 Contract assets and Contract cost assets

Contract assets

\$ '000	2021 Current	2020 Current
Work relating to infrastructure grants	4,547	4,197
Total contract assets	4,547	4,197

Significant changes in contract assets

Contract assets are the capital project works relating to Council controlled assets constructed or under construction.

Accounting policy

Contract assets

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

Contract cost asset – costs to fulfil a contract

Where costs are incurred to fulfil a contract and these costs are outside the scope of another accounting standard, they are capitalised as contract cost assets if the following criteria are met:

- the costs relate directly to a contract
- the costs generate or enhance resources of Council that will be used to satisfy performance obligations in the future and
- the costs are expected to be recovered.

The capitalised costs are recognised in the Income statement on a systematic basis consistent with the timing of revenue recognition.

Refer to B3-4 for the accounting policy for impairment of contract cost assets.

C1-7 Non-current assets classified as held for sale

\$ '000	2021 Current	2020 Current
Land	421	1,689
Total non-current assets classified as held for sale	421	1,689

Reconciliation of non-current assets held for sale

\$ '000	Notes	2021	2020
Opening balance		1,689	4,900
Less: carrying value of assets sold	B4-1	(1,689)	(3,093)
Balance still unsold after 12 months:		–	1,807
Less: assets no longer classified as held for sale		–	(120)
Add: new transfer in assets held for sale	C1-8	421	–
Add: additional costs capitalised		–	2
Closing balance of held for sale non-current assets and operations		421	1,689

Accounting policy

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

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.

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	20,318	—	20,318	18,281	5,469	(1,805)	—	(6,583)	(149)	—	—	35,531	—	35,531
Plant and equipment	31,127	(14,944)	16,183	—	3,350	(1,540)	(2,339)	29	—	—	—	31,075	(15,392)	15,683
Office equipment	8,165	(7,786)	379	—	167	(1)	(118)	—	—	—	—	8,201	(7,774)	427
Furniture and fittings	1,596	(1,348)	248	—	110	(19)	(36)	—	—	—	—	1,629	(1,326)	303
Land:														
– Crown land	18,706	—	18,706	—	—	—	—	—	—	—	—	18,706	—	18,706
– Operational land	134,741	—	134,741	—	1,434	—	—	650	—	(421)	—	136,404	—	136,404
– Community land	60,215	—	60,215	—	1,351	—	—	—	—	—	—	61,566	—	61,566
Infrastructure:														
– Buildings	124,506	(39,592)	84,914	352	3,980	(11)	(2,105)	252	9,169	—	—	140,015	(43,464)	96,551
– Other structures	5,850	(2,253)	3,597	—	1,231	(10)	(168)	—	(280)	—	2,239	9,172	(2,563)	6,609
– Roads	626,612	(177,994)	448,618	6,699	3,990	(444)	(11,389)	3,150	—	—	—	639,665	(189,041)	450,624
– Bridges	39,832	(7,006)	32,826	—	—	—	(406)	—	—	—	—	39,833	(7,413)	32,420
– Footpaths	42,575	(12,286)	30,289	228	1,885	(68)	(899)	—	—	—	—	44,579	(13,144)	31,435
– Bulk ear hworks	243,363	—	243,363	20	904	(70)	—	—	—	—	—	244,217	—	244,217
– Stormwater drainage	148,057	(37,187)	110,870	1,183	2,938	(209)	(1,370)	—	—	—	—	151,862	(38,450)	113,412
– Water supply network	379,364	(169,467)	209,897	2,144	2,170	(987)	(5,209)	1,610	—	—	1,371	384,760	(173,764)	210,996
– Sewerage network	375,677	(119,922)	255,755	2,375	2,026	(956)	(5,608)	892	—	—	3,317	382,416	(124,615)	257,801
– Swimming pools	18,116	(3,428)	14,688	—	52	(4)	(270)	—	(14,466)	—	—	—	—	—
– Open space/recreational assets	21,097	(10,022)	11,075	8	1,641	(486)	(718)	—	3,591	—	7,502	38,614	(16,001)	22,613
– Artworks and monuments	—	—	—	—	—	—	—	—	1,986	—	—	2,449	(463)	1,986
Other assets:														
– Library books	5,424	(4,955)	469	—	151	—	(153)	—	—	—	—	5,575	(5,108)	467
– Other	12	(10)	2	—	—	—	(1)	—	—	—	—	10	(9)	1
Total infrastructure, property, plant and equipment	2,305,353	(608,200)	1,697,153	31,290	32,849	(6,610)	(30,789)	—	(149)	(421)	14,429	2,376,279	(638,527)	1,737,752

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

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	10,653	–	10,653	9,086	3,831	(217)	–	(3,035)	–	–	–	20,318	–	20,318
Plant and equipment	29,474	(14,115)	15,359	–	4,039	(924)	(2,291)	–	–	–	–	31,127	(14,944)	16,183
Office equipment	8,168	(7,802)	366	–	146	(31)	(112)	10	–	–	–	8,165	(7,786)	379
Furniture and fittings	1,495	(1,312)	183	–	101	–	(36)	–	–	–	–	1,596	(1,348)	248
Land:														
– Operational land	136,083	–	136,083	–	–	–	–	–	(1,462)	120	–	134,741	–	134,741
– Community land	61,856	–	61,856	–	–	–	–	–	(10,666)	–	9,025	60,215	–	60,215
– Crown land	–	–	–	–	–	–	–	–	12,128	–	6,578	18,706	–	18,706
Infrastructure:														
– Buildings	122,350	(38,100)	84,250	1,455	1,884	(1,262)	(1,965)	580	(28)	–	–	124,506	(39,592)	84,914
– Other structures	5,533	(2,088)	3,445	108	151	(13)	(156)	34	28	–	–	5,850	(2,253)	3,597
– Roads	566,777	(240,358)	326,419	6,897	4,202	(574)	(10,989)	1,066	–	–	121,597	626,612	(177,994)	448,618
– Bridges	20,832	(9,792)	11,040	2,392	–	(660)	(184)	177	–	–	20,061	39,832	(7,006)	32,826
– Footpaths	38,499	(17,197)	21,302	155	867	(4)	(756)	5	–	–	8,720	42,575	(12,286)	30,289
– Bulk ear hworks	219,655	–	219,655	119	847	(23)	–	17	–	–	22,748	243,363	–	243,363
– Stormwater drainage	141,075	(35,957)	105,118	1,708	4,737	(121)	(1,310)	738	–	–	–	148,057	(37,187)	110,870
– Water supply network	371,421	(163,554)	207,867	2,140	3,480	(659)	(5,113)	206	–	–	1,976	379,364	(169,467)	209,897
– Sewerage network	368,607	(114,812)	253,795	1,527	4,044	(685)	(5,486)	19	–	–	2,541	375,677	(119,922)	255,755
– Swimming pools	18,047	(3,154)	14,893	58	7	–	(273)	3	–	–	–	18,116	(3,428)	14,688
– Open space/recreational assets	18,613	(9,569)	9,044	941	1,689	(109)	(670)	180	–	–	–	21,097	(10,022)	11,075
Other assets:														
– Library books	5,255	(4,811)	444	–	169	–	(144)	–	–	–	–	5,424	(4,955)	469
– Other	11	(8)	3	–	–	–	(1)	–	–	–	–	12	(10)	2
Total infrastructure, property, plant and equipment	2,144,404	(662,629)	1,481,775	26,586	30,194	(5,282)	(29,486)	–	–	120	193,246	2,305,353	(608,200)	1,697,153

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

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

Useful lives of IPPE

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	20
Office furniture	10	Outdoor furniture	20 to 25
Computer equipment	5	Sports surfaces	10 to 80
Vehicles	10	Fences/gates	25 to 60
Heavy plant/road making equipment	10 to 15		
Other plant and equipment	5 to 15	Buildings	
		Structure	40 to 150
		Roof	40 to 80
		Internal finishes	10 to 40
		Building services	25 to 50
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains (lined)	100
Reservoir roof and structure	40 to 100	Pipes	80 to 100
Reticulation pipes	30 to 100	Flood control structure	80 to 120
Reticulation valves and hydrants	40 to 60		
Pumps	20		
Water meters	25		
Sewer manholes	70		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 25	Bulk earthworks	infinite
Sealed roads: structure	60 to 100	Swimming pools	80
Unsealed roads	14	Other open space/recreational assets	10 to 150
Bridge: concrete	100	Other infrastructure	20 to 50
Bridge: timber	50		
Road pavements (concrete)	50	Other assets	
Culverts	100	Library books	5

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

Revaluation model

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

C1-8 Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note C2-1.

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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".

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

C1-9 Intangible assets

\$ '000	Notes	Non-current 2021	Non-current 2020
Software			
Opening values at 1 July			
Gross book value		—	—
Accumulated amortisation		—	—
Net book value – opening balance		—	—
Movements for the year			
Development costs		273	—
Other movements	C1-8	149	—
Amortisation charges	B3-4	—	—
Closing values at 30 June			
Gross book value		422	—
Accumulated amortisation		—	—
Total software – net book value		422	—
Total intangible assets – net book value		422	—

Accounting policy

IT development and software

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where the Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

C1-10 Other Assets

\$ '000	Notes	2021 Current	2020 Current
Prepayments		562	524
Total other assets		562	524

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over a range of assets including land and buildings and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Land and Buildings

Council leases land and buildings for use for various operational purposes such as providing parks and open spaces and as a community hall. The lease agreements are generally between 20 and 100 years. All of the agreements have significantly below-market terms and conditions principally to enable Council to further its objectives.

Office and IT equipment

Leases for office and IT equipment are generally for computer equipment and photocopiers. The leases are for between three and five years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage. Council also leases some office and IT equipment for low value assets.

Extension options

At commencement date and each subsequent reporting date, Council assesses whether it is reasonably certain that extension options under any of its leases will be exercised.

(a) Right of use assets

\$ '000	Notes	Office and IT equipment	Non-current Total
2021			
Opening balance at 1 July		525	525
Additions to right-of-use assets		457	457
Depreciation charge	B3-4	(259)	(259)
Balance at 30 June		723	723
2020			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition		352	352
Additions to right-of-use assets		409	409
Depreciation charge	B3-4	(236)	(236)
Balance at 30 June		525	525

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	264	469	213	319
Total lease liabilities	264	469	213	319

C2-1 Council as a lessee (continued)

(c) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	283	453	–	736	733
2020					
Cash flows	229	331	–	560	532

(d) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

\$ '000	Notes	2021	2020
Interest expense on lease liabilities	B3-3	20	23
Depreciation of right of use assets	B3-4	259	236
Expenses relating to short-term leases		34	21
Expenses relating to low-value leases		21	10
Expenses relating to Peppercorn leases		1	1
		335	291

(e) Statement of Cash Flows

Total cash outflow for leases	339	279
	339	279

(f) Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- community land
- community halls
- land on which Council has sited buildings

The leases are generally between 2 and 99 years and require payments of a maximum amount of \$1,000 per year.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

C2-1 Council as a lessee (continued)

Accounting policy

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

(i) infrastructure, property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer Note C1-8).

\$ '000	Notes	2021	2020
(i) Assets held as infrastructure, property, plant and equipment (IPPE)			
Council provides operating leases on Council buildings for the purpose of supporting community, business and economic activities. The table below relates to operating leases on assets disclosed in C1-8.			
Lease income (excluding variable lease payments not dependent on an index or rate)		689	734
Lease income relating to variable lease payments not dependent on an index or a rate		37	32
Total income relating to operating leases for Council assets	B2-6	726	766

C2-2 Council as a lessor (continued)

\$ '000	2021	2020
(ii) Maturity analysis of contractual lease income		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	609	556
1–2 years	509	443
2–3 years	521	410
3–4 years	430	417
4–5 years	359	396
> 5 years	3,380	3,721
Total undiscounted lease payments to be received	5,808	5,943

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Goods and services	6,412	–	9,586	–
Accrued expenses:				
– Salaries and wages	1,430	–	1,251	–
– Borrowings	136	–	106	–
Government departments and agencies	60	–	–	–
Prepaid rates	1,264	–	1,028	–
Security bonds, deposits and retentions	3,221	–	3,008	–
Other	31	–	30	–
Total payables	12,554	–	15,009	–

Current payables not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
- Security bonds, deposits and retentions	2,577	2,406
- Other liabilities	43	30
Total payables	2,620	2,436

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	3,221	–	73	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	25	–	42	–
Total grants received in advance	C1-3	3,246	–	115	–
User fees and charges received in advance:					
Statutory and Regulatory	(iii)	892	–	562	–
Prepaid lease	(iv)	297	–	288	–
Other		13	–	–	5
Total user fees and charges received in advance		1,202	–	850	5
Total contract liabilities		4,448	–	965	5

Notes

(i) Council has received funding to construct assets including open space and recreation assets and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

(iii) Statutory and Regulatory fees are recognised as a contract liability on receipt and recognised as revenue when Council's performance obligation is satisfied.

(iv) Council invoices lessees for the current lease term in full. Payment of the invoice is recorded as a contract liability on receipt and recognised as revenue over the lease term.

Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	Notes	2021	2020
Grants and contributions received in advance:			
Capital grants (to construct Council controlled assets)	B2-4	73	649
Operating grants (received prior to performance obligation being satisfied)	B2-4	42	29
User fees and charges received in advance:			
Upfront fees & charges - Statutory & Regulatory		416	631
Other income		288	37
Total revenue recognised that was included in the contract liability balance at the beginning of the period		819	1,346

Significant changes in contract liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058 from the reporting year ended 30 June 2020. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to user charges & fees - statutory & regulatory where the fee has been paid in advance of Council fulfilling its performance obligation and grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured ¹	3,269	20,417	3,608	17,377
Total borrowings	3,269	20,417	3,608	17,377

(1) Loans are secured over the general rating income of Council.

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements			2021
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	20,985	2,701	–	–	–	23,686
Lease liability (Note C2-1b)	532	(256)	–	–	457	733
Total liabilities from financing activities	21,517	2,445	–	–	457	24,419

\$ '000	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	25,285	(4,319)	–	–	–	19	20,985
Lease liability (Note C2-1b)	–	(229)	–	–	352	409	532
Total liabilities from financing activities	25,285	(4,548)	–	–	352	428	21,517

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	250	250
Total financing arrangements	550	550
Drawn facilities		
– Credit cards/purchase cards	32	29
Total drawn financing arrangements	32	29
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	218	221
Total undrawn financing arrangements	518	521

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

C3-3 Borrowings (continued)

Accounting policy

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate 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.

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 borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	3,206	–	3,310	–
Long service leave	4,776	534	4,824	540
RDO and TIL	409	–	539	–
ELE on-costs	160	7	342	23
Total employee benefit provisions	8,551	541	9,015	563

Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,130	5,204
	5,130	5,204

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Asset remediation/restoration:				
Landfill remediation/restoration (future works)	–	3,588	–	3,500
Sub-total – asset remediation/restoration	–	3,588	–	3,500
Total provisions	–	3,588	–	3,500

Description of and movements in provisions

\$ '000	Landfill remediation	Net carrying amount
2021		
At beginning of year	3,500	3,500
Additional provisions	88	88
Total other provisions at end of year	3,588	3,588
2020		
At beginning of year	3,500	3,500
Total other provisions at end of year	3,500	3,500

Nature and purpose of provisions

Asset remediation - Landfill

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the former landfill site as a result of past operations.

Accounting policy

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 a borrowing cost.

Asset remediation – landfill

Subsequent to commissioning a report to provide detailed estimates of the costs of remediation of the former landfill site at Welby, Council recognised a provision for landfill remediation/restoration (future works) during the year ended 30 June 2019. The estimates have been reviewed and updated as at 30 June 2021.

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

C3-5 Provisions (continued)

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	61,692	3,803	17,934
User charges and fees	11,437	9,400	1,770
Interest and investment revenue	746	614	522
Other revenues	999	424	527
Grants and contributions provided for operating purposes	10,776	48	4
Grants and contributions provided for capital purposes	25,690	4,148	4,509
Net gains from disposal of assets	—	—	—
Other income	530	196	—
Total income from continuing operations	111,870	18,633	25,266
Expenses from continuing operations			
Employee benefits and on-costs	32,986	3,054	3,860
Materials and services	34,616	4,266	3,583
Borrowing costs	474	—	284
Depreciation, amortisation and impairment of non-financial assets	19,869	5,401	5,778
Other expenses	158	1,304	2,194
Net losses from the disposal of assets	2,381	962	959
Total expenses from continuing operations	90,484	14,987	16,658
Operating result from continuing operations	21,386	3,646	8,608
Net operating result for the year	21,386	3,646	8,608
Net operating result attributable to each council fund	21,386	3,646	8,608
Net operating result for the year before grants and contributions provided for capital purposes	(4,304)	(502)	4,099

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	5,875	5,246	4,335
Investments	66,813	60,329	49,858
Receivables	9,438	4,144	6,288
Inventories	603	505	58
Contract assets and contract cost assets	4,547	—	—
Other	562	—	—
Non-current assets classified as held for sale	421	—	—
Total current assets	88,259	70,224	60,539
Non-current assets			
Receivables	618	—	—
Infrastructure, property, plant and equipment	1,227,693	229,509	280,550
Intangible assets	422	—	—
Right of use assets	723	—	—
Total non-current assets	1,229,456	229,509	280,550
TOTAL ASSETS	1,317,715	299,733	341,089
LIABILITIES			
Current liabilities			
Payables	10,145	1,242	1,167
Contract liabilities	4,175	182	91
Lease liabilities	264	—	—
Borrowings	1,635	—	1,634
Employee benefit provision	7,011	511	1,029
Total current liabilities	23,230	1,935	3,921
Non-current liabilities			
Lease liabilities	469	—	—
Borrowings	13,910	—	6,507
Employee benefit provision	435	33	73
Provisions	3,588	—	—
Total non-current liabilities	18,402	33	6,580
TOTAL LIABILITIES	41,632	1,968	10,501
Net assets	1,276,083	297,765	330,588
EQUITY			
Accumulated surplus	505,665	102,573	179,731
Revaluation reserves	770,418	195,192	150,857
Council equity interest	1,276,083	297,765	330,588
Total equity	1,276,083	297,765	330,588

D2 Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

Council has an interest in the Canberra Region Joint Organisation, along with other member Councils, which is not considered material. The activities of this organisation are not controlled by any one Council.

The Canberra Region Joint Organisation provides a forum for Councils, State agencies and other stakeholders to work together at a regional level to identify shared priorities.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio. Council has an investment policy which complies with the Section 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	1,925	1,836
Impact of a 10% movement in price of investments		
– Equity / Income Statement	19,246	18,359

(b) Credit risk

Council's major receivables comprise rates, annual charges, user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk other than Council has significant credit risk exposures in its local area given the nature of Council activities.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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

E1-1 Risks relating to financial instruments held (continued)

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet due	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	3,704	908	112	182	4,906
2020						
Gross carrying amount	–	2,966	389	98	185	3,638

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses (ECL), which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet due	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	12,569	12	24	1,341	1,746	15,692
Expected loss rate (%)	0.04%	24.57%	6.07%	1.29%	4.79%	0.70%
ECL provision	5	3	1	17	84	110
2020						
Gross carrying amount	11,423	64	8	1,288	1,562	14,345
Expected loss rate (%)	0.38%	2.19%	1.63%	1.63%	4.99%	1.00%
ECL provision	44	1	–	21	78	144

E1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, 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 by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

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

The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table of the maturity analysis and interest rate exposure are the undiscounted contracted cash flows for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Payables	0.00%	3,264	8,026	–	–	11,290	11,290
Borrowings	3.23%	–	3,980	11,075	13,173	28,228	23,686
Total financial liabilities		3,264	12,006	11,075	13,173	39,518	34,976
2020							
Payables	0.00%	3,038	10,943	–	–	13,981	13,981
Borrowings	3.37%	–	4,253	12,029	7,959	24,241	20,985
Total financial liabilities		3,038	15,196	12,029	7,959	38,222	34,966

E2-1 Fair value measurement

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

- Infrastructure, property, plant and equipment (Note C1-8)
- Financial assets, measured at FVTPL, at FVOCI, or at amortised cost (Note C1-2).

During the reporting period, Council has also measured the following assets on a non-recurring basis, to ensure the carrying amount of the assets at fair value:

- Non-current assets classified as ‘held for sale’.

Fair value hierarchy

All assets and liabilities measured at fair value are 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: Unobservable inputs for the asset or liability

The table below shows the assigned level for each asset and liability held at fair value by Council:

		Fair value measurement hierarchy					
\$ '000	Notes	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Recurring fair value measurements							
Financial assets							
Financial investments	C1-2						
At amortised cost		177,000	175,500	–	–	177,000	175,500
Total financial assets		177,000	175,500	–	–	177,000	175,500
Infrastructure, property, plant and equipment							
	C1-8						
WIP		–	–	35,531	20,318	35,531	20,318
Plant & Equipment		–	–	15,683	16,183	15,683	16,183
Office Equipment		–	–	427	379	427	379
Furniture & Fittings		–	–	303	248	303	248
Crown Land		–	–	18,706	18,706	18,706	18,706
Operational Land		–	–	136,404	134,741	136,404	134,741
Community Land		–	–	61,566	60,215	61,566	60,215
Buildings		–	–	96,551	84,914	96,551	84,914
Other Structures		–	–	6,609	3,597	6,609	3,597
Roads		–	–	450,624	448,618	450,624	448,618
Bridges		–	–	32,420	32,826	32,420	32,826
Footpaths		–	–	31,435	30,289	31,435	30,289
Bulk Earthworks		–	–	244,217	243,363	244,217	243,363
Stormwater Drainage		–	–	113,412	110,870	113,412	110,870
Water Supply Network		–	–	210,996	209,897	210,996	209,897
Sewerage Network		–	–	257,801	255,755	257,801	255,755
Swimming Pools		–	–	–	14,688	–	14,688
Open Space/Recreational Assets		–	–	22,613	11,075	22,613	11,075
Artworks and monuments		–	–	1,986	–	1,986	–
Library Books		–	–	467	469	467	469
Other		–	–	1	2	1	2
Total infrastructure, property, plant and equipment		–	–	1,737,752	1,697,153	1,737,752	1,697,153

E2-1 Fair value measurement (continued)

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
Non-current assets classified as held for sale	C1-7						
Land		—	—	421	1,689	421	1,689
Total NCA's classified as held for sale		—	—	421	1,689	421	1,689

Valuation techniques

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:

Financial assets

Council obtains its fair values for fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) from an independent valuation.

Council has not invested in FVTPL and FVOCI assets for the year ended 30 June 2021.

Council obtains its fair values for held to maturity investments measured at amortised cost from audit confirmations provided by Approved Deposit Taking Institutions (ADIs).

Infrastructure, property, plant and equipment (IPPE)

Property, Plant and Equipment, Furniture and Fittings

Council's Plant & Equipment, Furniture & Fittings incorporates:

- Major plant Truck, tractors, street sweepers
- Fleet vehicles Cars, vans, utes etc.
- Minor plant Chainsaws, brush cutters, mowers, concrete mixers
- Furniture & fittings Desks, chairs, display systems
- Office equipment Computers, monitors, PABX, projectors etc.

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items as shown above.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any piece of land.

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 2018) using Level 3 inputs.

Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset and cash flows from the future use and disposal.

The unobservable Level 3 inputs used include:

- Rate per square metre
- Description of land

E2-1 Fair value measurement (continued)

The 'Market Approach' is used to value Operational Land. There has been no change to the valuation process during the reporting period.

Community and Crown Land

Council's "Community" land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under Section 7.11 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and;
- Must have a plan of management for it

In relation to community land the Office of Local Government has reviewed its position on the use of the NSW Valuer General's valuations of community land and in association with the Local Government Accounting Advisory Group; the Office has determined that community land may be valued as follows:

- The NSW Valuer General's valuations may be used under the revaluation model to represent fair value for the revaluation of community land under Clause 31 of AASB 116

Council fair values community land using unobservable Level 3 inputs based on inputs on either the UCV (Unimproved Capital Value) provided by the NSW Valuer General or an average unit rate based on the UCV and allocated by Council against those properties where the NSW Valuer General did not provide a UCV.

The 'Market Approach' is used to value community land. There has been no change to the valuation process during the reporting period.

Property – Buildings (Specialised & Non-Specialised)

Council buildings comprise:

- Libraries
- Public amenities
- Sporting club houses
- Kiosks and amenities
- Depot buildings and workshops
- Community centres
- Rural Fire Service buildings

Council carries fair values building using level 3 inputs. Valuations are generally carried out by an external valuer using the cost approach. This approach estimates the replacement cost for each building by componentising the building (for complex structures) into significant parts with different useful life and taking in to account a range of factors. Buildings are physically inspected and unit rates, although based on square metres could be supported from the market evidence, extensive professional judgement, and condition and consumption rates etc. impact significantly on the final determination of fair value.

As such these assets are classified as having being valued using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset

The 'Cost Approach' is used to value specialised buildings. There has been no change to the valuation process during the reporting period.

Other Structures

Council's other structures incorporates the following classes of assets:

- Significant single assets such as playgrounds, floodlighting system irrigation systems, tennis courts, tennis shelters, artificial turf playing surfaces etc. and;
- Aggregated lower value assets such as recreational/park infrastructures (picnic tables, seats, bollards, fences, BBQs etc.)

Council carries fair value of other structures assets (non-componentised) using Level 3 inputs. Such valuations are undertaken by Council staff or by an external valuer depending on the structure.

The unobservable Level 3 inputs used include:

- Pattern of consumption

E2-1 Fair value measurement (continued)

- Residual value
- Asset condition
- Residual value

The 'Cost Approach' is used to value other structures. There has been no change to the valuation process during the reporting period.

Roads, Bridges & Footpaths

This asset class comprises:

- Road carriageways
- Bus shelters
- Car parks
- Guardrails
- Kerb and guttering
- Bridges
- Footpaths
- Traffic facilities
- Road drainage

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter, and would include any paved markers parking places along roadside.

Council's Asset Management System (Conquest) contains detailed dimensions and specifications for all Council road assets.

Council applies fair values to road infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life of carriageway
- Gross replacement cost

The 'Cost Approach' is used to value road assets. There were no changes in valuation technique from prior year.

Stormwater Drainage

Council's drainage assets comprise:

- Pits
- Pipes
- Culverts
- Open channels
- Headwalls
- Various types of water quality device used to collect, store and remove stormwater

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council drainage assets. Council applies fair values to drainage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value drainage by componentising the assets into significant parts and then rolling up these component values to provide an overall drainage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Water Supply Network

Council's water supply network comprises:

- Treatment Works
- Dams
- Reservoirs

E2-1 Fair value measurement (continued)

- Pumping stations
- Water reticulation (pipes, valves, hydrants, meters, service lines)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council water assets. Council applies fair values to water infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value water assets by componentising the assets into significant parts and then rolling up these component values to provide an overall water valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Sewerage Supply Network

Assets within this class comprise:

- Treatment works
- Pumping stations
- Sewerage reticulation (pipes, manholes, valves, vents)

Council's Asset Management System (Conquest) contains detailed dimensions and specification for all Council sewerage assets. Council applies fair values to sewerage infrastructure assets using Level 3 inputs at a component level.

The 'Cost Approach' is used to value sewer assets by componentising the assets into significant parts and then rolling up these component values to provide an overall sewerage valuation within Council's asset system.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Remaining life
- Gross replacement cost

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

Other Assets

Council's other assets comprise:

- Library books
- Reference materials
- CD's & DVD's
- Art collections

Council fair values other assets using Level 3 inputs.

Council library books are disclosed at fair value in the notes. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

The unobservable Level 3 inputs used include:

- Pattern of consumption
- Useful life
- Asset condition
- Residual value
- Gross replacement cost

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

Fair value measurements using significant unobservable inputs (level 3)

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.

E2-1 Fair value measurement (continued)

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Office Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Furniture & Fittings	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Operational Land	Level 3	Price per square metre
Community and Crown Land	Level 3	Average unit rate based on unimproved capital value per square metre
Buildings	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Other Structures	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Roads	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bridges	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Footpaths	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bulk Earthworks (non-depreciable)	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Stormwater Drainage	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Water Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Sewerage Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Swimming Pools	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Other Open Space/Recreational Assets	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Library Books	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition
Other	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition

Highest and best use

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

E3-1 Contingencies

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.

CONTINGENT LIABILITIES

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Scheme.

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ended 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities as at 30 June 2021.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

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

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

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

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

The total amount of Council contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ended 30 June 2021 was \$290,445.74 (2020: \$302,252.70). The last valuation

continued on next page ...

E3-1 Contingencies (continued)

of the Scheme was performed by the Scheme Actuary, Richard Boyfield FIAA as at 30 June 2020, and covers the period ended 30 June 2021.

According to the Scheme Trustee, Council has attributed 0.44% to the \$40 million accrued liabilities for the year ended 30 June 2021. The amount of additional contributions included in the total employer contribution advised above is \$176,900 (2020: \$176,900). Council's expected contribution to the Scheme for the next annual reporting period is \$288,140.88 (2020: \$307,440).

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

Council's share of that employer reserves 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 (if any) has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency (if any).

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

Investment return	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review, which will be a triennial actuarial investigation will be completed by December 2021.

(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 the year ended 30 June 2021 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 the 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.

2. Other liabilities

E3-1 Contingencies (continued)

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

CONTINGENT ASSETS

(i) 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 as at 30 June 2021.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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:

\$ '000	2021	2020
Compensation:		
Short-term benefits	2,754	2,590
Short-term benefits - contractual basis	4	—
Post-employment benefits	296	267
Termination benefits	1,656	—
Other long-term benefits	—	10
Total	4,710	2,867

F1-1 Key management personnel (KMP) (continued)

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool) will not be disclosed.

Nature of the transaction			Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000	Ref	Transactions during the year				
2021						
Payment of rates and water charges to Council	1	178	28		—	—
Payment by Council for the provision of services	2	86	—		—	—
Development application fees and/or developer contributions paid to Council	3	25	—		—	—
Employment of a related party	4	—	—		—	—
Licence permitting use	5	—	—		—	—
2020						
Payment of rates and water charges to Council	1	157	19		—	—
Payment by Council for the provision of services	2	88	—		—	—
Employment of a related party	4	—	—		—	—
Licence permitting use	5	—	—		—	—

- 1 As per Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed relates to rates and water account payments by seven (six in 2020) of Council's key management personnel (including their related parties). Outstanding balances are secured against property.
- 2 During the year various departments of Council engaged the services of a not-for-profit organisation of which one of Council's KMP is a committee member. Amounts were billed, and were due and payable, in accordance with the organisation's standard terms.
- 3 A related party of one of Council's KMP made payments to Council during the year ended 30 June 2021 in relation to a secondary dwelling.
- 4 During the year ended 30 June 2020 a related party of one of Council's KMP was employed by Council. Their employment is ongoing and they are paid a salary in accordance with the relevant grade of the Local Government (State) Award 2020. They are not a member of the KMP of Council.
- 5 In accordance with a resolution of Council of 8 May 2019, a licence is in place between Council and a not-for-profit organisation of which one of Council's KMP is a committee member. The licence permits use of land for the purpose of a community garden.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	Notes	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:			
Mayoral fee		42	44
Councillors' fees		138	182
Total		180	226

F2 Other relationships

F2-1 Audit fees

\$ '000	Notes	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms			
Auditors of the Council - NSW Auditor-General:			
(i) Audit and other assurance services			
Audit and review of financial statements		101	100
Total Auditor-General remuneration		101	100
Non NSW Auditor-General audit firms			
(i) Audit and other assurance services			
Due diligence services		56	58
Total remuneration of non NSW Auditor-General audit firms		56	58
Total audit fees		157	158

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of net operating result to cash provided from operating activities

\$ '000	Notes	2021	2020
Net operating result from Income Statement		33,640	34,893
Adjust for non-cash items:			
Depreciation and amortisation	B3-4	31,048	29,722
Landfill remediation and restoration	B3-5	88	–
Net losses/(gains) on disposal of assets	B4-1	4,302	3,560
Non-cash capital grants and contributions	B2-4	(17,601)	(13,482)
Adoption of AASB 15/1058		–	(1,565)
Losses/(gains) recognised on fair value re-measurements through P&L:			
– Interest-free advances made by Council (deferred debtors)	B3-3	47	7
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council	B2-5	(17)	(13)
– Interest exp. on interest-free loans received by Council (previously fair valued)	B3-3	–	19
Movements in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,254)	(443)
Increase/(decrease) in provision for impairment of receivables		(34)	112
Decrease/(increase) in inventories		(72)	(44)
Decrease/(increase) in other current assets		(38)	53
Decrease/(increase) in contract assets		(350)	(4,197)
Increase/(decrease) in payables		(3,174)	3,951
Increase/(decrease) in accrued interest payable		30	(23)
Increase/(decrease) in other accrued expenses payable		179	51
Increase/(decrease) in other liabilities		510	540
Increase/(decrease) in contract liabilities		3,478	970
Increase/(decrease) in provision for employee benefits		(486)	875
Net cash flows from operating activities of Statement of Cash Flows		49,296	54,986

(b) Non-cash investing and financing activities

Bushfire grants		500	380
Other dedications		17,101	13,102
Total non-cash investing and financing activities	B2-4	17,601	13,482

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
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Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Infrastructure, property, plant and equipment

Buildings	10,696	4,357
Plant and equipment	948	629
Infrastructure	1,813	1,905
Water system assets	7,335	3,433
Sewer system assets	4,983	8,493
Open Space	188	530
Total commitments	25,963	19,347

These expenditures are payable as follows:

Within the next year	25,963	19,347
Total payable	25,963	19,347

Sources for funding of capital commitments:

Unrestricted general funds	13,645	7,421
Externally restricted reserves (water and sewer)	12,318	11,926
Total sources of funding	25,963	19,347

G3 Statement of developer contributions as at 30 June 2021

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	5,051	1,194	–	54	(92)	–	6,207	–
Community facilities	452	64	–	5	–	–	521	–
Open Space & Community Facilities	6,498	782	–	66	(7)	–	7,339	–
Administration	648	159	–	7	–	–	814	–
Resource Recovery Centre	1	81	–	–	(82)	–	–	–
CF Library Loan	585	140	–	6	–	–	731	–
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	150	23	–	2	–	–	175	–
Land Acquisition (MVEC)	7	2	–	–	(12)	–	(3)	–
S7.11 contributions – under a plan	13,393	2,445	–	140	(193)	–	15,785	–
S7.12 levies – under a plan	579	43	–	5	–	–	627	–
Total S7.11 and S7.12 revenue under plans	13,972	2,488	–	145	(193)	–	16,412	–
S7.11 not under plans (VPA)	3,535	–	–	34	–	–	3,569	–
s7.11 not under plans Parking	805	–	–	5	(499)	–	311	–
S64 Contributions Water	17,392	2,399	–	174	(2,149)	–	17,816	–
S64 Contributions Sewer	16,867	2,420	–	160	(4,548)	–	14,899	–
S64 Stormwater	2,051	708	–	22	(640)	–	2,141	–
Total contributions	54,622	8,015	–	540	(8,029)	–	55,148	–

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN 1								
Roads	5,051	1,194	–	54	(92)	–	6,207	–
Community facilities	452	64	–	5	–	–	521	–
Open Space & Community Facilities	6,498	782	–	66	(7)	–	7,339	–
Administration	648	159	–	7	–	–	814	–
Resource Recovery Centre	1	81	–	–	(82)	–	–	–
CF Library Loan	585	140	–	6	–	–	731	–
Total	13,235	2,420	–	138	(181)	–	15,612	–
S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)								
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	150	23	–	2	–	–	175	–
Land Acquisition (MVEC)	7	2	–	–	(12)	–	(3)	–
Total	158	25	–	2	(12)	–	173	–
S7.12 Levies – under a plan								
S94A Plan								
S94A	579	43	–	5	–	–	627	–
Total	579	43	–	5	–	–	627	–

G3-3 Contributions not under plans

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
S94 not under Plans (VPA)								
Drainage	20	—	—	—	—	—	20	—
Roads	500	—	—	5	—	—	505	—
Open space	1	—	—	—	—	—	1	—
Community facilities	313	—	—	4	—	—	317	—
Sewer	1,250	—	—	12	—	—	1,262	—
Water	853	—	—	8	—	—	861	—
RRC	89	—	—	1	—	—	90	—
ASH	11	—	—	—	—	—	11	—
Administration	458	—	—	4	—	—	462	—
Management Contribution	40	—	—	—	—	—	40	—
Total	3,535	—	—	34	—	—	3,569	—

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 20202019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,595	2.96%	7.13%	6.07%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	121,422				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	110,594	71.00%	73.35%	67.81%	> 60.00%
Total continuing operating revenue ¹	155,769				
3. Unrestricted current ratio					
Current assets less all external restrictions	54,490	5.15x	5.72x	5.38x	> 1.50x
Current liabilities less specific purpose liabilities	10,587				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	35,401	7.66x	7.22x	4.78x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	4,622				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	5,185	5.92%	4.77%	2.40%	< 10.00%
Rates and annual charges collectable	87,654				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	192,456	22.41	24.13	22.84	> 3.00
Monthly payments from cash flow of operating and financing activities	8,587	mths	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

G4-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(2.23)%	1.08%	3.18%	12.17%	24.37%	28.32%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	67.40%	70.61%	77.48%	81.01%	82.14%	78.42%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.67x	5.12x	32.67x	28.36x	13.86x	11.61x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8.69x	9.12x	∞	∞	4.42x	3.63x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.87%	6.40%	12.23%	10.14%	8.27%	5.33%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.88	11.90	82.10	73.66	48.84	50.40	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

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



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wingecarribee Shire Council

To the Administrator of the Wingecarribee Shire Council

Opinion

I have audited the accompanying financial statements of Wingecarribee Shire Council (the Council), which comprise the Statement by the Administrator and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2021, 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 (including Independence Standards)' (APES 110).

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Administrator is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Financial Statements

The Administrator is 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 Administrator determines 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 Administrator is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities 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.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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.



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY



Mr Viv May PSM
The Administrator
Wingecarribee Shire Council
P O Box 141
MOSS VALE NSW 2577

Contact: Michael Kharzoo
Phone no: 02 9275 7188
Our ref: D2123000/1809

28 October 2021

Dear Administrator

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Wingecarribee Shire Council**

I have audited the general purpose financial statements (GPFS) of the Wingecarribee Shire Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	83.4	80.4	↑ 3.7
Grants and contributions revenue	45.2	40.6	↑ 11.3
Operating result from continuing operations	33.6	34.9	↓ 3.7
Net operating result before capital grants and contributions	(0.7)	5.0	↓ 114

The Council's operating result from continuing operations was \$33.6 million, which was \$1.3 million lower than the 2019-20 results.

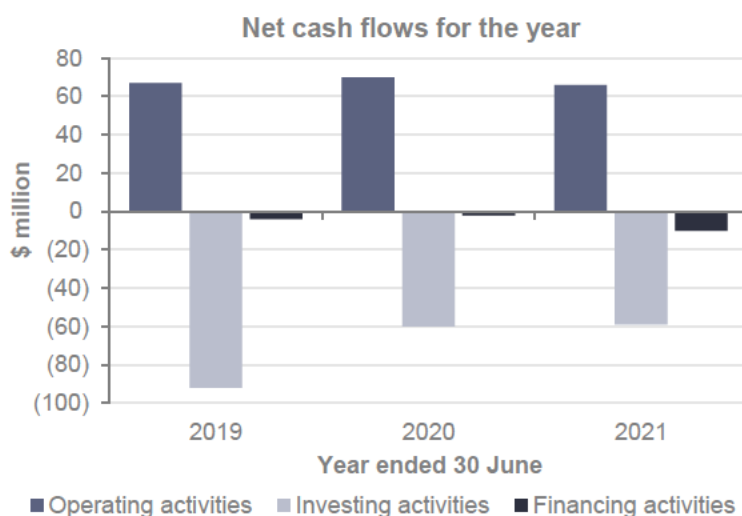
Rates and annual charges revenue increased by \$3.0 million (3.7 per cent), mainly due to the rate peg increase and increases in annual charges for domestic waste management, water access charges, and sewer access charges.

Grants and contributions revenue increased by \$4.6 million (11.3 per cent) in 2020–21. This was mainly due to increase in dedications of subdivisions (\$4.0 million) received during the year.

The Net operating result before capital grants and contributions decreased by \$5.7 million (114 per cent), mainly due to increase in operating expenses and decrease in interest and investment revenue.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$15.5 million (\$8.1 million for the year ended 30 June 2020). There was a net increase in cash and cash equivalents of \$7.4 million at 30 June 2021.
- Net cash from operating activities has decreased by \$5.7 million. This is mainly due to the increase in payments for materials and services of \$26.7 million and partially offset by the decrease in other payments of \$17.3 million.
- Net cash used in investing activities remained stable from the previous year.
- Net cash from financing activities increased by \$7.0 million. This is mainly due to proceeds from borrowing of \$6.3 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	192.4	183.6	
Restricted cash and investments:			
• External restrictions	152.8	142.9	• Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$9.9 million primarily due to: <ul style="list-style-type: none"> – sewerage services (\$3.6 million) – water supplies (\$2.0 million)
• Internal restrictions	39.5	40.6	
• Unrestricted	0.1	0.1	• Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The balance has remained steady from the previous year <ul style="list-style-type: none"> • Unrestricted cash and investments was \$0.1 million, which is available to provide liquidity for day-to-day operations of the Council. Unrestricted cash has remained steady.

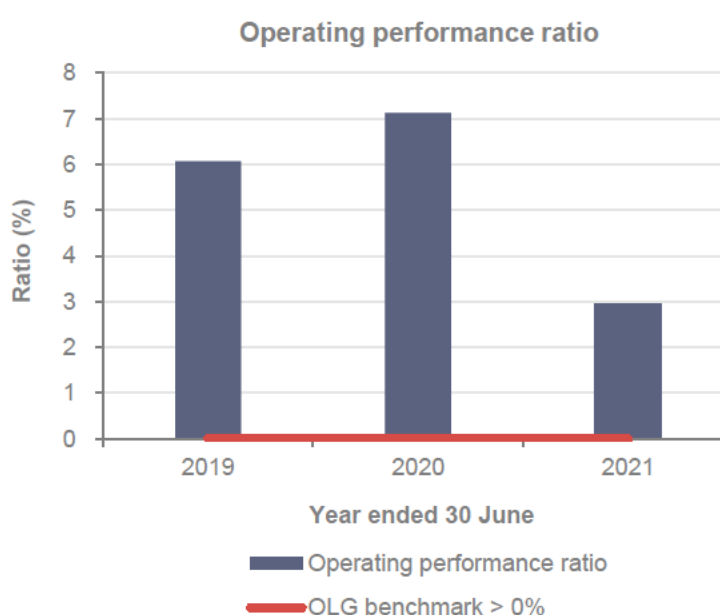
PERFORMANCE

Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

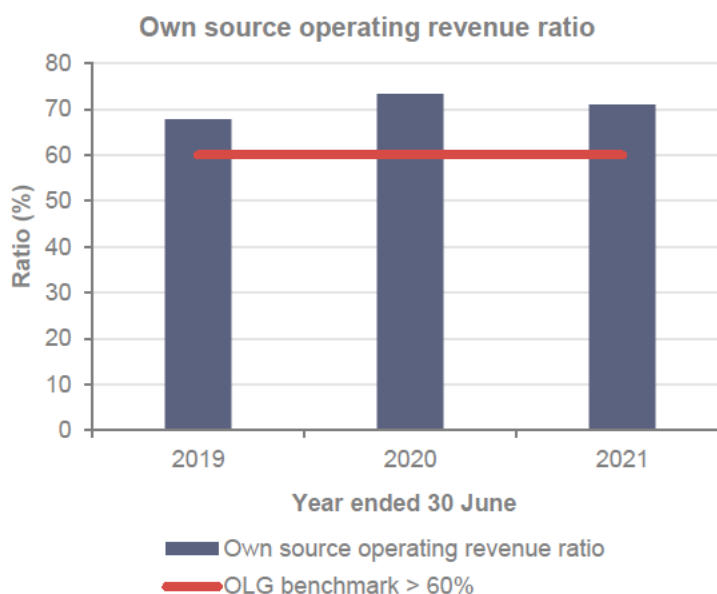
Operating performance ratio

- 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 OLG is greater than zero per cent.
- Council's operating performance ratio of 3.0 per cent was above the OLG benchmark.
- The operating performance ratio has reduced to 3.0 per cent (2020: 7.1 per cent) due to the increase in operating expenses.



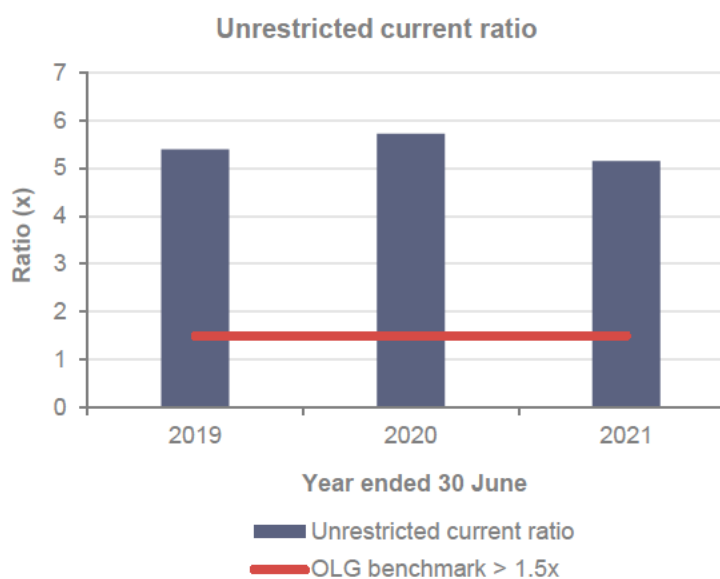
Own source operating revenue ratio

- 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 of 71 per cent was above the industry benchmark.



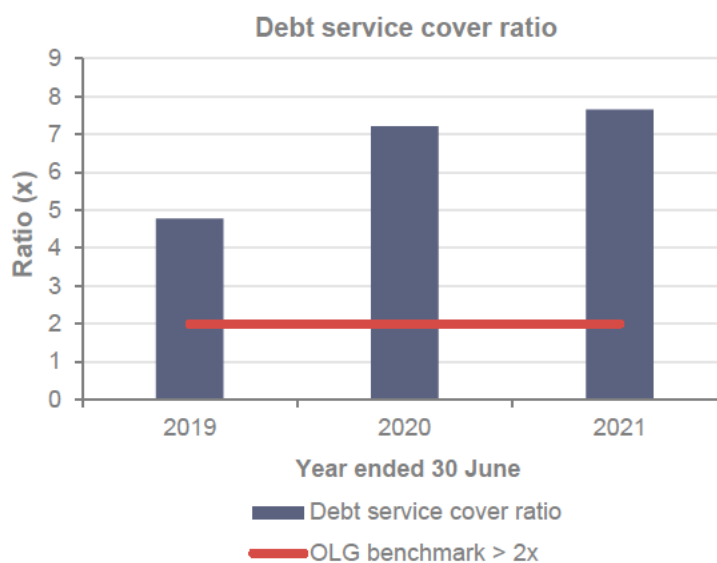
Unrestricted current ratio

- 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.
- The Council's unrestricted current ratio of 5.1 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained relatively steady in comparison to the prior year.



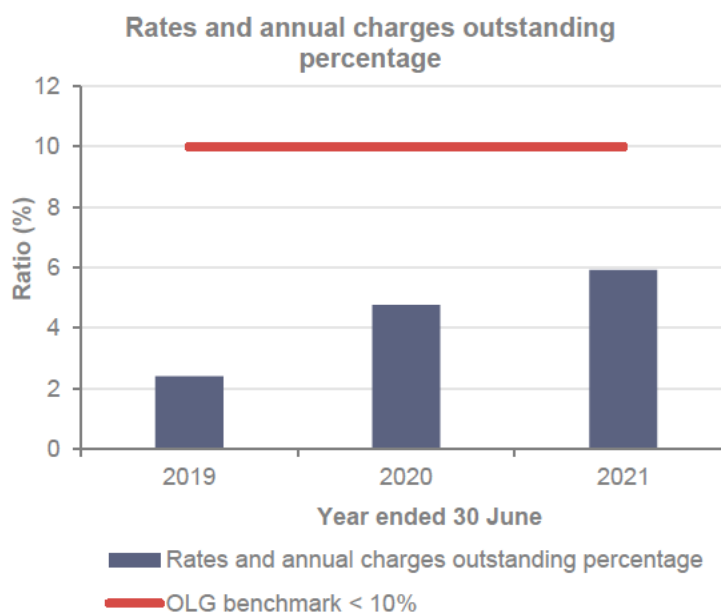
Debt service cover ratio

- 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 of 7.7 times exceeded the industry benchmark.
- The Council's 'debt service cover ratio' has remained relatively steady in comparison to the prior year



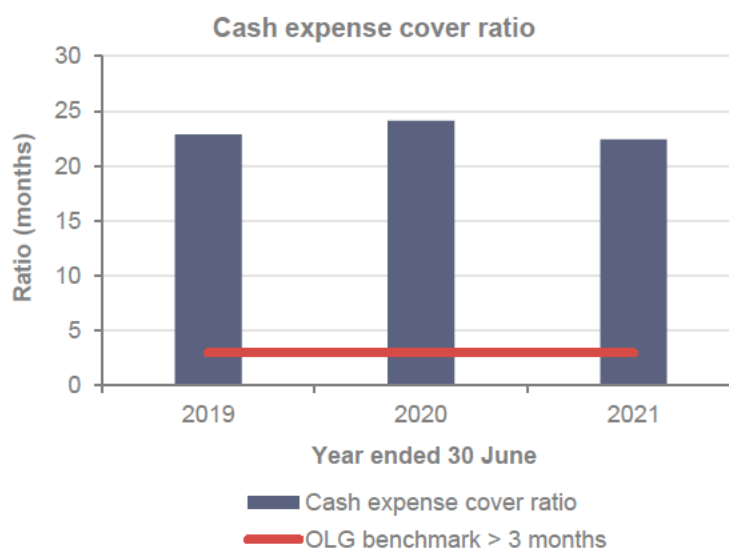
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- Council's outstanding rates and charges ratio of 5.9 per cent was within the industry benchmark
- The 'rates and annual charges outstanding percentage' has increased from the prior year as the debt recovery was suspended due to the current COVID-19 pandemic.



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.
- The Council's cash expense cover ratio was 22.4 months, which is above the industry benchmark of greater than three months. This indicates that Council had the capacity to cover 22.4 months of operating cash expenditure without additional cash inflows as at 30 June 2021.
- The Council's cash expense cover ratio' has remained relatively steady in comparison to the prior year.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$31.3 million of assets in the 2020–21 financial year, compared to \$26.6 million of assets in the prior year. The increase is primarily due to renewals of capital works, roads, water supply and sewerage network.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

The Council assessed that there is nil impact of AASB 1059 in 2020-21.

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 statements. The Council's:

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



Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Lisa Miscamble, General Manager
Mr Stephen Horne, Chair of Audit, Risk and Improvement Committee
Ms Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment



Bundanoon Reservoirs

Special Purpose Financial Statements

For the year ended 30 June 2021

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Wingecarribee
SHIRE COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2021

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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).

Wingecarribee Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Administrator 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 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 13 October 2021.



Viv May PSM
Interim Administrator
27 October 2021



Lisa Miscamble
General Manager
27 October 2021



Damien Jenkins
Responsible Accounting Officer
27 October 2021

Wingecarribee Shire Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	3,803	3,682
User charges	8,776	10,530
Fees	624	618
Interest	614	1,217
Grants and contributions provided for non-capital purposes	48	–
Other income	620	629
Total income from continuing operations	14,485	16,676
Expenses from continuing operations		
Employee benefits and on-costs	3,054	3,063
Materials and services	4,266	3,361
Depreciation, amortisation and impairment	5,401	5,300
Water purchase charges	1,274	1,429
Loss on sale of assets	962	940
Calculated taxation equivalents	213	214
Other expenses	30	1,493
Total expenses from continuing operations	15,200	15,800
Surplus (deficit) from continuing operations before capital amounts	(715)	876
Grants and contributions provided for capital purposes	4,148	3,910
Surplus (deficit) from continuing operations after capital amounts	3,433	4,786
Surplus (deficit) from all operations before tax	3,433	4,786
Less: corporate taxation equivalent (26%) [based on result before capital]	–	(241)
Surplus (deficit) after tax	3,433	4,545
Plus opening accumulated surplus	98,927	93,927
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	213	214
– Corporate taxation equivalent	–	241
Closing accumulated surplus	102,573	98,927
Return on capital %	(0.3)%	0.4%
Subsidy from Council	4,135	1,122
Calculation of dividend payable:		
Surplus (deficit) after tax	3,433	4,545
Surplus for dividend calculation purposes	3,433	4,545
Potential dividend calculated from surplus	1,717	2,273

Wingecarribee Shire Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	17,934	17,272
User charges	1,193	1,226
Liquid trade waste charges	2	1
Fees	575	430
Interest	522	993
Grants and contributions provided for non-capital purposes	4	—
Other income	527	447
Total income from continuing operations	20,757	20,369
Expenses from continuing operations		
Employee benefits and on-costs	3,860	3,606
Borrowing costs	284	406
Materials and services	3,583	3,737
Depreciation, amortisation and impairment	5,778	5,665
Loss on sale of assets	959	810
Calculated taxation equivalents	209	209
Debt guarantee fee (if applicable)	121	91
Other expenses	2,194	1,186
Total expenses from continuing operations	16,988	15,710
Surplus (deficit) from continuing operations before capital amounts	3,769	4,659
Grants and contributions provided for capital purposes	4,509	5,604
Surplus (deficit) from continuing operations after capital amounts	8,278	10,263
Surplus (deficit) from all operations before tax	8,278	10,263
Less: corporate taxation equivalent (26%) [based on result before capital]	(980)	(1,281)
Surplus (deficit) after tax	7,298	8,982
Plus opening accumulated surplus	171,123	160,589
Plus/less: opening balance adjustment arising from adoption of new accounting standards	—	(29)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	209	209
– Debt guarantee fees	121	91
– Corporate taxation equivalent	980	1,281
Closing accumulated surplus	179,731	171,123
Return on capital %	1.4%	1.9%
Subsidy from Council	127	—
Calculation of dividend payable:		
Surplus (deficit) after tax	7,298	8,982
Less: capital grants and contributions (excluding developer contributions)	(168)	—
Surplus for dividend calculation purposes	7,130	8,982
Potential dividend calculated from surplus	3,565	4,491

Wingecarribee Shire Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	5,246	2,777
Investments	60,329	60,363
Receivables	4,144	4,010
Inventories	505	491
Total current assets	70,224	67,641
Non-current assets		
Infrastructure, property, plant and equipment	229,509	227,084
Total non-current assets	229,509	227,084
Total assets	299,733	294,725
LIABILITIES		
Current liabilities		
Contract liabilities	182	147
Payables	1,242	1,501
Employee benefit provisions	511	473
Total current liabilities	1,935	2,121
Non-current liabilities		
Employee benefit provisions	33	31
Total non-current liabilities	33	31
Total liabilities	1,968	2,152
Net assets	297,765	292,573
EQUITY		
Accumulated surplus	102,573	98,927
Revaluation reserves	195,192	193,646
Total equity	297,765	292,573

Wingecarribee Shire Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	4,335	2,310
Investments	49,858	50,199
Receivables	6,288	5,792
Inventories	58	54
Total current assets	60,539	58,355
Non-current assets		
Infrastructure, property, plant and equipment	280,550	272,575
Total non-current assets	280,550	272,575
Total assets	341,089	330,930
LIABILITIES		
Current liabilities		
Contract liabilities	91	52
Payables	1,167	1,071
Borrowings	1,634	2,155
Employee benefit provisions	1,029	936
Total current liabilities	3,921	4,214
Non-current liabilities		
Borrowings	6,507	8,142
Employee benefit provisions	73	67
Total non-current liabilities	6,580	8,209
Total liabilities	10,501	12,423
Net assets	330,588	318,507
EQUITY		
Accumulated surplus	179,731	171,123
Revaluation reserves	150,857	147,384
Total equity	330,588	318,507

Note – 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* (Act), the *Local Government (General) Regulation 2005* (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, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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, and returns 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)

a. Wingecarribee Shire Council Water Fund

Comprising the whole of the operations and assets of the water supply systems servicing the major towns of Moss Vale, Bowral, Mittagong, Robertson and Bundanoon and surrounding villages.

b. Wingecarribee Shire Council Sewerage Fund

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system servicing the major towns of Moss Vale, Bowral and Bundanoon, Robertson, and Mittagong and surrounding villages, and the village of Berrima

Category 2

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

Nil

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 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):

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – **26.0%** (2020: 27.5%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

In accordance with the Department of Planning, Industry & Environment – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer 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 DoI – 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 26.0% (2020: 27.5%).

Income tax is only applied where a gain 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 26.0% 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 for all Category 1 businesses has been applied to all 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.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Note – Significant Accounting Policies (continued)

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

(iii) 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 their water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Planning, Industry & Environment – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Planning, Industry & Environment – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Wingecarribee Shire Council

To the Administrator of the Wingecarribee Shire Council.

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wingecarribee Shire Council's (the Council) Declared Business Activities, which comprise the Statement by the Administrator and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity

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 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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 (including Independence Standards)' (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 the 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 the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Administrator is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Financial Statements

The Administrator is responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Administrator's responsibility also includes such internal control as the Administrator 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 Administrator is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities 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/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 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 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY



Glebe Street, Bowral

Special Schedules

For the year ended 30 June 2021

Working with you

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Tender Bundle E page 1338



Wingecarribee
SHIRE COUNCIL

Wingecarribee Shire Council

Special Schedules

for the year ended 30 June 2021

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Wingecarribee Shire Council

Permissible income for general rates

\$ '000	Notes	2020/21	2021/22
Notional general income calculation ¹			
Last year notional general income yield	a	50,857	52,621
Plus or minus adjustments ²	b	391	370
Notional general income	$c = a + b$	51,248	52,991
Permissible income calculation			
Or rate peg percentage	e	0.00%	2.00%
Or crown land adjustment (incl. rate peg percentage)	f	2.76%	0.00%
Or plus rate peg amount	$i = e \times (c + g)$	—	1,060
Or plus Crown land adjustment and rate peg amount	$j = f \times (c + g)$	1,414	—
Sub-total	$k = (c + g + h + i + j)$	52,662	54,051
Plus (or minus) last year's carry forward total	l	40	81
Sub-total	$n = (l + m)$	40	81
Total permissible income	$o = k + n$	52,702	54,132
Less notional general income yield	p	52,621	54,134
Catch-up or (excess) result	$q = o - p$	81	(2)
Plus income lost due to valuation objections claimed ⁴	r	—	6
Carry forward to next year ⁶	$t = q + r + s$	81	4

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.
- (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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Wingecarribee Shire Council

To the Administrator of Wingecarribee Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Wingecarribee Shire Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) 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.

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 Schedule' 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 (including Independence Standards)' (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 special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

The Administrator's Responsibilities for the Schedule

The Administrator is responsible for the preparation of the Schedule in accordance with the LG Code. The Administrator's responsibility also includes such internal control as the Administrator determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Administrator is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'M. Kharzoo', with a stylized flourish at the end.

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY

Wingecarribee Shire Council

Report on infrastructure assets as at 30 June 2021

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	2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Buildings	Other	804	804	2,110	1,879	96,551	140,015	46.8%	26.7%	23.7%	2.8%	0.0%
	Sub-total	804	804	2,110	1,879	96,551	140,015	46.8%	26.7%	23.7%	2.8%	0.0%
Other structures	Other structures	78	78	43	109	6,609	9,172	34.4%	30.6%	31.6%	3.4%	0.0%
	Sub-total	78	78	43	109	6,609	9,172	34.4%	30.6%	31.6%	3.4%	0.0%
Roads	Sealed roads	6,388	6,388	3,090	7,344	305,360	461,789	14.0%	70.0%	14.0%	2.0%	0.0%
	Unsealed roads	67	67	1,562	1,978	74,766	80,787	62.0%	38.0%	0.0%	0.0%	0.0%
	Bridges	22	22	30	16	32,420	39,833	68.0%	27.0%	5.0%	0.0%	0.0%
	Footpaths	776	776	478	435	31,435	44,579	36.0%	35.0%	20.0%	9.0%	0.0%
	Other road assets	2,171	2,171	667	1,164	70,498	97,089	27.0%	59.0%	7.0%	7.0%	0.0%
	Bulk earthworks	—	—	—	—	244,217	244,217	0.0%	100.0%	0.0%	0.0%	0.0%
	Sub-total	9,424	9,424	5,827	10,937	758,696	968,294	19.0%	70.4%	8.5%	2.1%	0.0%
Water supply network	Other	2,692	2,692	2,147	1,353	210,996	384,760	67.8%	17.6%	12.6%	0.9%	1.1%
	Sub-total	2,692	2,692	2,147	1,353	210,996	384,760	67.8%	17.6%	12.6%	0.9%	1.1%
Sewerage network	Other	5,354	5,354	2,713	1,831	257,801	382,416	72.1%	20.6%	3.9%	1.0%	2.4%
	Sub-total	5,354	5,354	2,713	1,831	257,801	382,416	72.1%	20.6%	3.9%	1.0%	2.4%
Stormwater drainage	Other	5,640	5,640	255	606	113,412	151,862	36.0%	32.0%	28.0%	1.0%	3.0%
	Sub-total	5,640	5,640	255	606	113,412	151,862	36.0%	32.0%	28.0%	1.0%	3.0%
Open space / recreational assets	Other	1,167	1,167	2,890	2,378	22,613	38,614	14.1%	41.0%	30.7%	14.2%	0.0%
	Sub-total	1,167	1,167	2,890	2,378	22,613	38,614	14.1%	41.0%	30.7%	14.2%	0.0%
Other infrastructure assets	Public Art & Monuments	10	10	—	—	1,986	2,449	63.5%	30.1%	4.5%	1.9%	0.0%
	Sub-total	10	10	—	—	1,986	2,449	63.5%	30.1%	4.5%	1.9%	0.0%
Total – all assets		25,169	25,169	15,985	19,093	1,468,664	2,077,582	41.0%	44.9%	11.4%	1.9%	0.9%

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

Wingecarribee Shire Council

Report on infrastructure assets as at 30 June 2021 (continued)

Infrastructure asset condition assessment 'key'

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

Wingecarribee Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
Buildings and infrastructure renewals ratio					
Asset renewals ¹	31,290	111.19%	65.05%	42.18%	>= 100.00%
Depreciation, amortisation and impairment	28,142				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	25,169	1.68%	1.72%	1.54%	< 2.00%
Net carrying amount of infrastructure assets	1,502,209				
Asset maintenance ratio					
Actual asset maintenance	19,093	119.44%	102.68%	98.00%	> 100.00%
Required asset maintenance	15,985				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	25,169	1.21%	1.24%	1.02%	
Gross replacement cost	2,077,582				

(*) All asset performance indicators are calculated using 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.

Wingecarribee Shire Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	104.78%	84.85%	85.66%	41.85%	154.67%	27.83%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	1.66%	1.67%	1.28%	1.38%	2.08%	2.18%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	143.00%	114.14%	63.02%	74.04%	67.49%	62.13%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	1.31%	1.32%	0.70%	0.76%	1.40%	1.48%	
Gross replacement cost							

(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.



Ian Scandrett shared a memory.

October 11, 2021 · 🌐



Says a lot about priorities ...



2 Years Ago
See your memories >



Ian Scandrett

October 11, 2019 · 🌐

MINUTES OF THE ORDINARY MEETING OF COUNCIL

Wednesday 9 October 2019

MOTION moved by Cllr I M Scandrett

THAT Council fund "Introduction to Local Government and Councillor Candidate workshops" to be presented by LG [Local Government] NSW.

[MOTION LAPSED THROUGH WANT OF A SECONDER].

18.2 Notice of Motion 37/2019 - Introduction to Local Government and Councillor Candidate Workshops

[relevant policy:] An enhanced culture of positive leadership, accountability and ethical governance that guides well informed decisions to advance agreed community priorities

MOTION moved by Cllr I M Scandrett

THAT Council fund "Introduction to Local Government and Councillor Candidate workshops" to be presented by LG [Local Government] NSW where the total cost will be \$3,290 (inclusive of GST) for up to 12 participants. This cost covers training and course materials, as well as facilitator related travel costs.

MOTION LAPSED THROUGH WANT OF A SECONDER.

Folks, these LGNSW workshops are presented by former Mayors. They have the knowledge & experiences, "warts & all", which you cannot get from an information briefing from WSC & electoral staff a few months prior.

I want to encourage all sections of the community to stand -

I want to encourage all sections of the community to stand
thus this workshop motion, which was NOT supported ... The
Election is 12th September, 2020.



1 Comment



Like

Most relevant ▼



Kerrie McLeod

Conflict of interest from those invested councilors.
Thanks for putting it up



Like 25w



Ian Scandrett

March 3, 2021 · 🌐

WINGECARRIBEE SHIRE COUNCIL FACES SUSPENSION

This is really good news. I am delighted as the community will finally come first and see change. The real big challenge is now to change the culture. I remain committed to that.

I continue to call for a Public Inquiry into the Council and the Organisation. A Public Inquiry is the only way to ensure a refreshed gene pool throughout the organisation.

The elections will assist with that reset.

Clr Ian Scandrett

=====

Ministers release:

Wednesday, 3 March 2021

WINGECARRIBEE SHIRE COUNCIL FACES SUSPENSION

The Minister for Local Government Shelley Hancock has today issued Wingecarribee Shire Council with a notice of intention to suspend it for three months and appoint an interim administrator.

It follows serious concerns about the council's ability to function properly and effectively following a worsening and ongoing breakdown of relationships between councillors and senior staff.

Mediation and training provided to the mayor and councillors and appointment of a temporary adviser under a Performance Improvement Order has not had the desired effect of addressing the issues facing the council.

Council now has seven days to explain why it should not be suspended and an independent administrator appointed to identify and address the serious issues impacting its functioning and restore community confidence.

The Minister is required under the Local Government Act to provide the council with the opportunity to make any submission before making a final determination on suspension. By law the Minister must consider any submission before making a final decision.

Suspension would apply to the mayor and councillors. It would not affect council staff and daily operations. The interim administrator would perform the functions of the mayor and councillors.

ends



15

1 Comment



2 Years Ago
See your memories >



Ian Scandrett

March 5, 2020 · 🌐

Council had a briefing on the "Station St upgrade-not-a-bypass project" yesterday. Again I said it could not be confidential but all Clrs and the GM stated it was.

I said it was WSC community owned land; there was no competitive tender process and the briefing was not a formal meeting of Council etc etc.

Some 8 minutes was spent on "discussing" this, with Mayor Duncan Gair trying to get me to leave [I'm an elected representative]; taking a [non legal ie non binding] vote via a show of hands [7:1 Clr Nelson away o/s]; and then stating he would not have the briefing!

The GM quickly responded and persuaded him to have the briefing - we had many staff and some consultants there.

I stood on a open & transparent Council platform and continue to say these briefings must be in the Chamber before a Council meeting.

Same for developers proposals. Why I [or Clrs or Council] should be "forced" to protect a developer's proposal is beyond comprehension but that is the culture here. And in Auburn as someone said recently.

The late Ted Mack endorsed me and of course he advocated, as do I was that all Council business should be in the Chamber.

Ted was supported by his Councillors - of course I am fighting 8:1 on these transparency issues, including our 2 Green & "Half-Green" Clrs - yes amazing.

The same non legal show of hands vote applied to a Developer bringing an unsolicited proposal for Council land recently. I held the line & said it should be in the Chamber. The Mayor then cancelled the briefing and the developer went home.

The GM advised yesterday she is bringing a change to our meeting code of meeting practice on the 25th March to make Councillor briefings confidential!

All Clrs voted a year ago to remove questions from the public and 3 years prior to that to stop live questions in Council from the public.

Re Station St briefing all I will say at this time is it will come to Council on the 25th March and the Agenda & reports will be published on Friday 20th March around 2pm.