

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.

Wingecarribee Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's Financial Statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

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.



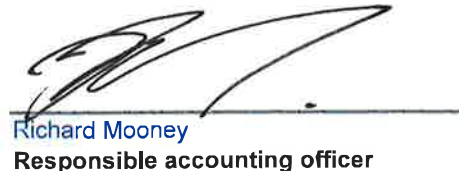
Clr Ken Halstead
Mayor



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

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

Wingecarribee Shire Council

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

\$ '000	Notes	2017					2016				
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity
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.

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

Wingecarribee Shire Council

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 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 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.

Wingecarribee Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		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.

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		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>

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	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

Wingecarribee Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
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

Wingecarribee Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		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>

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
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

Wingecarribee Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(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			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		24,752	23,816

Wingecarribee Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		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>

Wingecarribee Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		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)

Wingecarribee Shire Council

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.

Wingecarribee Shire Council

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
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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.

Wingecarribee Shire Council

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

Wingecarribee Shire Council

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

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		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:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

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

TOTAL INVENTORIES	1,098	–	945	–
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(b) Other assets

Prepayments	419	–	451	–
TOTAL OTHER ASSETS	419	–	451	–

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	–

Wingecarribee Shire Council

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.

Wingecarribee Shire Council

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.

Wingecarribee Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		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
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>	<u>21,558</u>	<u>32,086</u>	<u>18,720</u>	<u>36,310</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 15.

Wingecarribee Shire Council

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.

Wingecarribee Shire Council

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

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,350	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

Wingecarribee Shire Council

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

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
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.

Wingecarribee Shire Council

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.

Wingecarribee Shire Council

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

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016 2015		Benchmark
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.

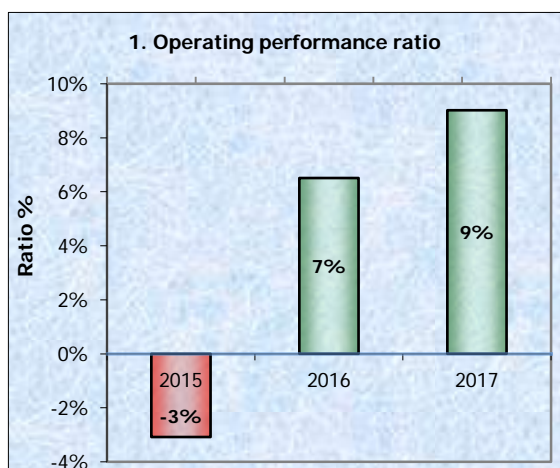
⁽³⁾ Refer to Note 10(a).

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

Wingecarribee Shire Council

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

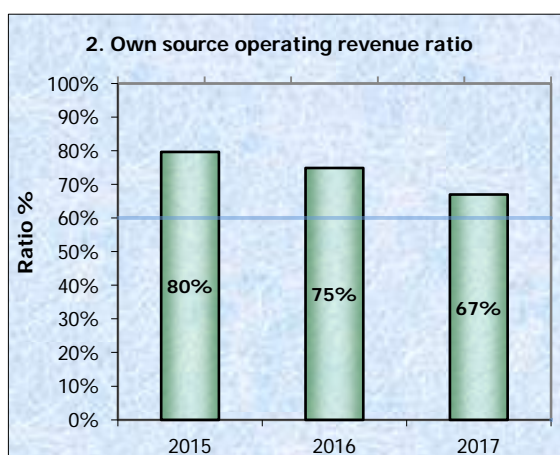
2016/17 ratio 9.02%

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

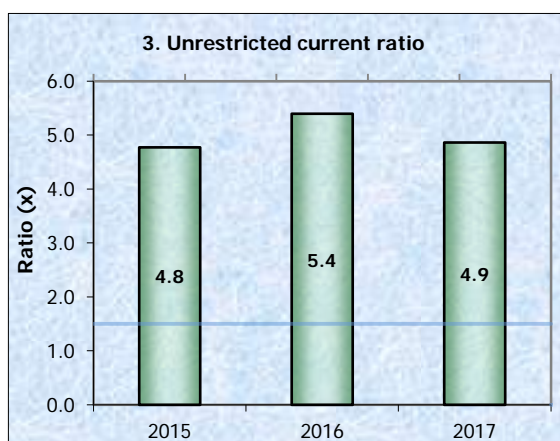
2016/17 ratio 67.05%

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

Wingecarribee Shire Council

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

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

<p>4. Debt service cover ratio</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 5.98x</p> <p>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.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 2.22%</p> <p>Council continues to exceed this benchmark through the operation of effective debt recovery procedures and management of outstanding debts.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 18.79 mths</p> <p>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.</p>

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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	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 <10% Rural
Rates, annual and extra charges collectible							
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.

Wingecarribee Shire Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	4,350	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.

Wingecarribee Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

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

Council 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)

Wingecarribee Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

Wingecarribee Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	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>	

Wingecarribee Shire Council

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

Note 16. Material budget variations

\$ '000

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

Wingecarribee Shire Council

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

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance* -----	
EXPENSES				
Employee benefits and on-costs	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	–

Wingecarribee Shire Council

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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(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.

Wingecarribee Shire Council

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

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

\$ '000

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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		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
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(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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

Wingecarribee Shire Council

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

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
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
	Water	Sewer	General ¹
ASSETS			
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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	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.

Wingecarribee Shire Council

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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	Date of latest valuation				
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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

(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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

- 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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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.

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

- 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.

Wingecarribee Shire Council

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

Note 27. Fair value measurement (continued)

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

Wingecarribee Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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.

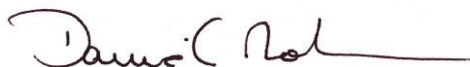
A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

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

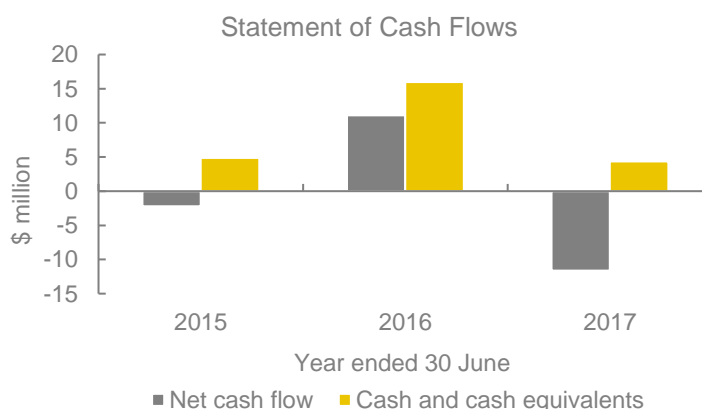
Operating result

	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

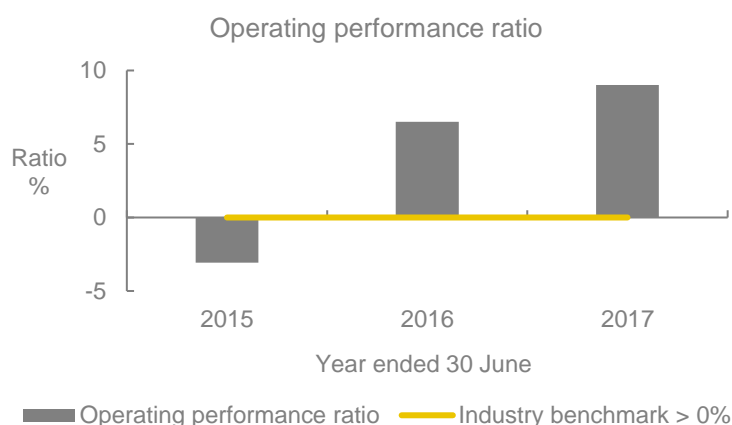
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

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 performances 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.

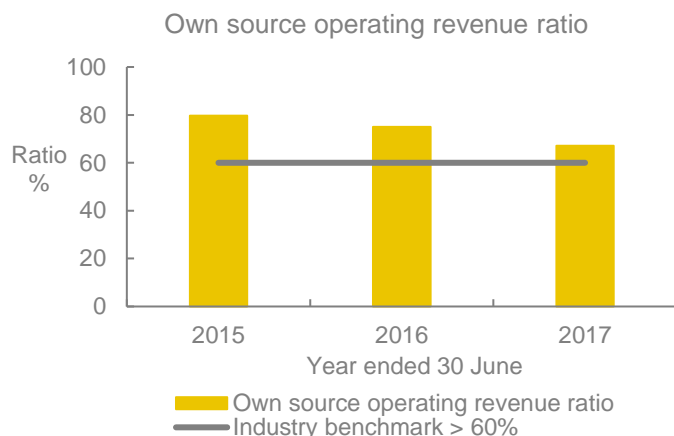


Own source operating revenue ratio

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

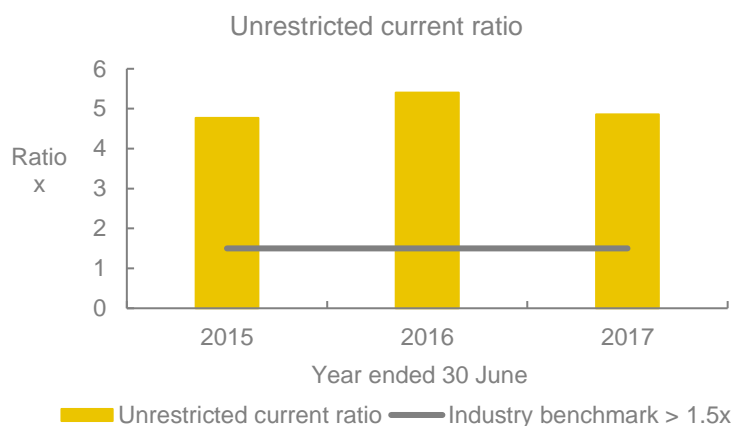
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



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.

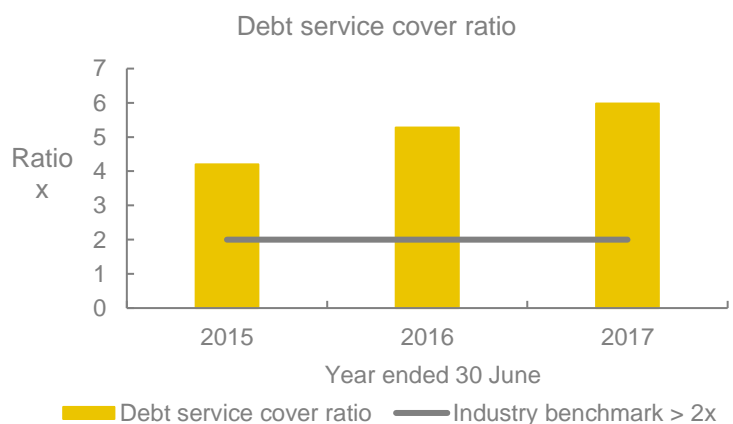


Debt service cover ratio

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.

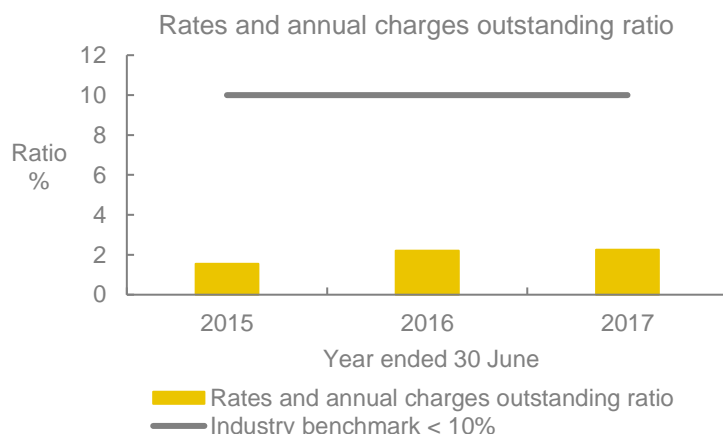


Rates and annual charges outstanding ratio

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.

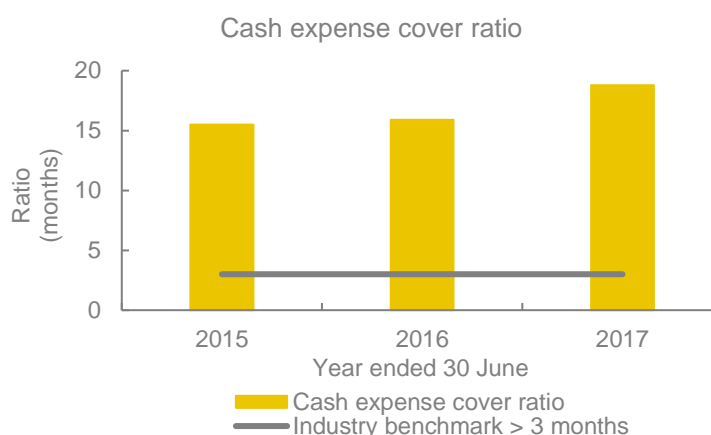
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



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.



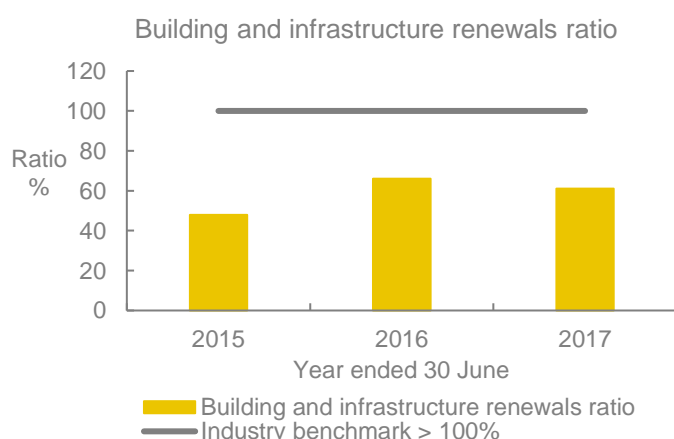
Building and infrastructure renewals ratio

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).

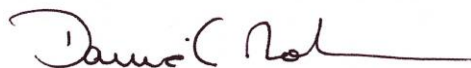
Legislative compliance

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

Wingecarribee Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
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Statement of Financial Position – Other Business Activities	n/a
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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

Wingecarribee Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

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

Wingecarribee Shire Council

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

Note 1. Significant accounting policies

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

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

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.

Wingecarribee Shire Council

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

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 – 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.

Wingecarribee Shire Council

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

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.

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.

Wingecarribee Shire Council

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

Wingecarribee Shire Council

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

Wingecarribee Shire Council

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

Wingecarribee Shire Council

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%

Wingecarribee Shire Council

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



Wingecarribee Shire Council

Special Schedules for the year ended 30 June 2017

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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.

Wingecarribee Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	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

Wingecarribee Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	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).

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 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

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 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

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 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

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 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

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 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

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 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

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 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

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 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

Wingecarribee Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

Wingecarribee Shire Council

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

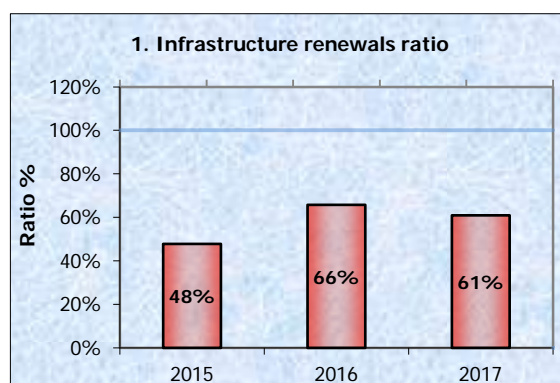
\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	13,515	60.94%	>= 100%	65.76%	47.80%
Depreciation, amortisation and impairment	22,179				
2. Infrastructure backlog 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.

Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017Benchmark: — Minimum $\geq 100.00\%$

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

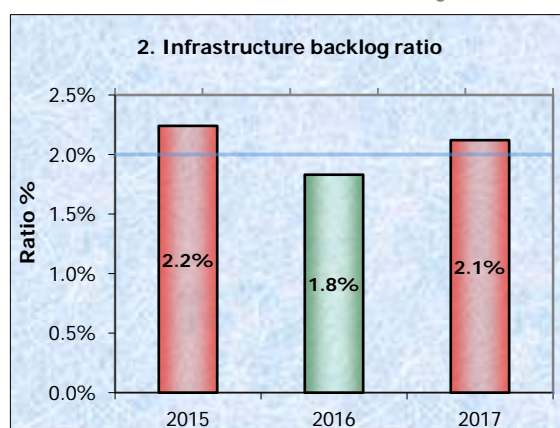
Purpose of asset renewals ratio

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

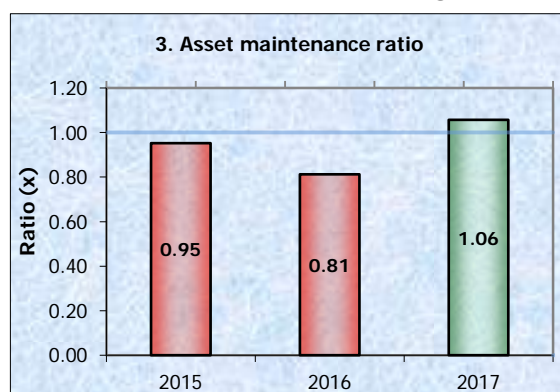
Purpose of infrastructure backlog ratio

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

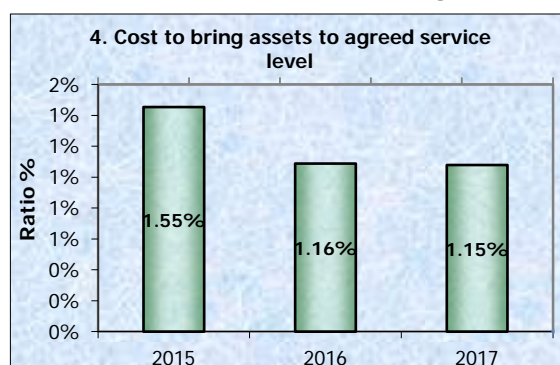
Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough in 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.

Wingecarribee Shire Council

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

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾				
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 x (c - g)	2,962	3,520
Or plus rate peg amount	i = c x e	—	—
Or plus Crown land adjustment and rate peg amount	j = c x 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:

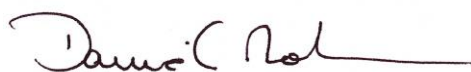
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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