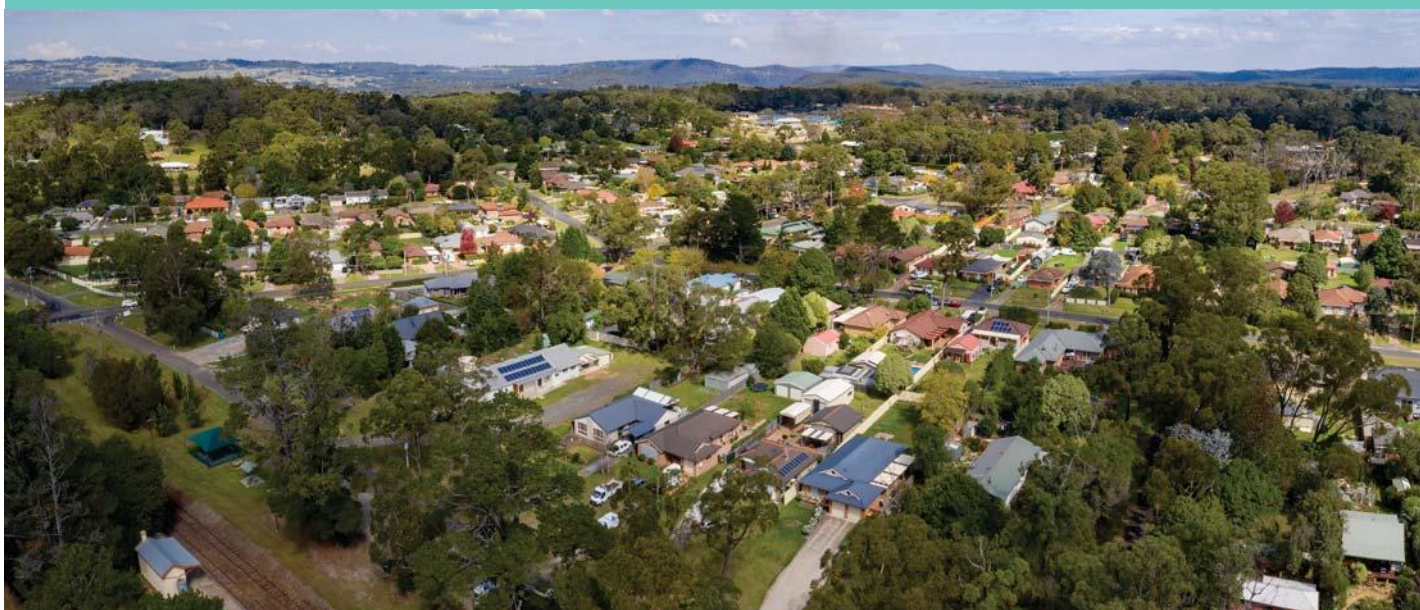


Wingecarribee Shire Council

General Purpose Financial Statements

For the year ended 30 June 2019



www.wsc.nsw.gov.au





Chief Financial Officer's Report

This report provides additional commentary on the Financial Statements and Schedules of Wingecarribee Shire Council (Council) for the period ended 30 June 2019.

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

Significant Changes to Accounting and Reporting Environment

Changes to Accounting Standards

The financial reporting landscape continues to change with a number of new accounting standards to be applied to the reporting periods ending 30 June 2018 and 30 June 2019.

For the reporting period ended 30 June 2019, Council has adopted AASB 9 Financial Instruments.

AASB 9 has primarily impacted on the classification of financial assets, measurement of equity instruments and the impairment of financial assets. Further information regarding these changes can be found in Note 6, 7 and 13 of Council's General Purpose Financial Statements.

In addition to AASB 9, there are a number of new accounting standards which have been published which are not mandatory for the reporting period ended 30 June 2019. These standards will be applicable from the 1 July 2019.

The most significant change in these standards relates to AASB 16 Leases. Under this Standard, Council will be required in almost all circumstances to recognise operating leases on the Statement of Financial Position as is currently the case for Finance Leases.

Further details regarding these new standards and Council's assessment of their impact is contained in Note 1 – *Basis of Preparation*.

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

Update number 27 of the Local Government Code of Accounting Practice and Financial Reporting (The Code) was released in March 2019.

The Code essentially provides all councils across NSW with guidance on the reporting disclosures and presentation of financial information to ensure compliance with Australian Accounting Standards.

Changes to the code for the reporting period ending 30 June 2019 include the removal of a number of special schedules which are no longer required, additional comparative disclosures and other formatting improvements.

Operating Result

A summary of Council's financial performance for the period ending 30 June 2019 (by fund) is shown in the table below:

'000s	General Fund	Water Fund	Sewer Fund
Total Revenue	\$108,475	\$22,168	\$27,691
Total Expenses	\$82,082	\$14,403	\$15,663
Operating Result	\$26,393	\$7,765	\$12,028
Capital Grants & Contributions	\$27,905	\$5,863	\$7,976
Operating Result before Capital Contributions	(\$1,512)	\$1,902	\$4,052

Net Operating Result (Including Capital Items)

The net operating result (consolidated) for the year ending 30 June 2019 is a surplus of \$46.186M. This includes all capital grants and contributions.

This result is in part due to the recognition of \$29.263M in non-cash infrastructure dedications. Council also received \$6.904M in developer contributions and other contributions during the 2018/19 financial year.



It is important to note that while Council has reported an operating surplus of \$46.186M, it continues to maintain a balanced budget position. The majority of this surplus is the recognition of non-cash infrastructure or contributions which must be restricted for the purposes of future infrastructure.

The operating result of \$46.186M represents a decrease of \$5.670M when compared to the operating result for the period ending 30 June 2018 of \$51.856M.

Revenue from Section 64 developer contributions has decreased by \$10.308M compared to the previous financial year. The level of income received in the 2017/18 financial year was due to a moratorium being issued for all outstanding consents prior to the adoption of revised Development Servicing Plans.

This is offset however by an increase in non-cash contributions from subdivision dedications (Infrastructure Assets) which increased by \$7.234M when compared to the previous financial year. This increase highlights the continued urban development which is occurring within the shire.

Net Operating Result (Before Capital Items)

Council achieved a surplus before capital grants and contributions of \$4.442M (consolidated). This is a slight increase in the operating result of \$0.771M when compared to the operating result reported for the year ending 30 June 2018 of \$3.671M.

The reported Operating Result before capital grants and contributions would have been significantly higher for the year ended 30 June 2019, however Council has disclosed a provision for the remediation of the former landfill site at Welby in the 2018/19 financial year of \$3.500M. This has resulted in an increase in operating expense in the same reporting period of \$3.500M.

Comments on major variations compared to the 2018/19 original budget are included in note 19 of the General Purpose Financial Statements.

Investing in our Future Special Rate Variation

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

The third year of this program has generated an additional \$2.928M above rate pegging (\$7.853M in total) for additional maintenance and infrastructure renewal works across the shire.

Further information on how these funds have been spent is contained in Council's Annual Report.

Statement of Financial Position

The reportable balance of net assets (equity) as at 30 June 2019 is \$1.630B. This has increased by \$52M (up from \$1.578B) since the 2017/18 financial year.

Cash and Investments have increased by \$16.877M which is primarily a result of revenue which has been generated for externally restricted activities such as water and sewer operations and developer contributions. There has also been an increase in internal cash reserves of \$5.559M which is partly due to the level of carry over projects which will be completed in the 2019/20 financial year.

There has been an increase in fixed assets of \$25.454M which is largely attributable to additions (renewal and new). Revaluations have only been performed for water and sewer infrastructure where indexation has been applied in accordance with Rates Reference Manual issued by Crown Lands and Water.

Council's overall liabilities have remained relatively stable at \$47.978M. These liabilities primarily consist of outstanding loans (\$25.285M) and employee leave entitlements (\$8.338M).



Performance Measures

Council's financial performance is measured against a range of financial and asset management benchmarks. These ratios are disclosed in note 24 and the special schedule – *Report on Infrastructure Assets*.

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

The reduction in the Infrastructure Renewal Ratio is primarily due to a number of significant infrastructure renewal projects which were identified as works in progress as at 30 June 2019.

Council recently updated its Long Term Financial Plan, which was adopted in June 2019. The Long Term Financial Plan forecasts that Council will continue to meet all benchmarks over the long term with the exception of the infrastructure renewal ratio.

In summary, these performance measures demonstrate that Council remains in a strong financial position, which should continue into the future based on the financial strategy employed within its Long Term Financial Plan.

Richard Mooney
Chief Financial Officer

General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

68 Elizabeth Street
Moss Vale NSW 2577

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 11 September 2019.



Clr Duncan Gair
Mayor
28 October 2019



Clr Garry Turland
Councillor
28 October 2019



Ann Prendergast
General Manager
28 October 2019



Richard Mooney
Responsible Accounting Officer
28 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
72,585	Rates and annual charges	3a	74,778	68,610
20,531	User charges and fees	3b	22,731	23,073
3,265	Interest and investment revenue	3c	4,603	3,790
3,764	Other revenues	3d	5,259	4,686
8,680	Grants and contributions provided for operating purposes	3e,3f	9,219	7,999
14,348	Grants and contributions provided for capital purposes	3e,3f	41,744	48,185
123,173	Total income from continuing operations		158,334	156,343
Expenses from continuing operations				
37,288	Employee benefits and on-costs	4a	35,998	33,379
1,408	Borrowing costs	4b	1,227	1,581
23,553	Materials and contracts	4c	24,880	24,114
25,009	Depreciation and amortisation	4d	28,005	27,547
16,030	Other expenses	4e	19,400	14,971
—	Net losses from the disposal of assets	5	2,638	2,895
103,288	Total expenses from continuing operations		112,148	104,487
19,885	Operating result from continuing operations		46,186	51,856
19,885	Net operating result for the year		46,186	51,856
19,885	Net operating result attributable to council		46,186	51,856
5,537	Net operating result for the year before grants and contributions provided for capital purposes		4,442	3,671

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		46,186	51,856
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	5,545	98,847
Gain (loss) on revaluation of equity instruments		(32)	—
Total items which will not be reclassified subsequently to the operating result		5,513	98,847
Total other comprehensive income for the year		5,513	98,847
Total comprehensive income for the year		51,699	150,703
 Total comprehensive income attributable to Council		 51,699	 150,703

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	3,010	11,133
Investments	6(b)	168,500	143,500
Receivables	7	17,241	15,475
Inventories	8a	1,436	1,185
Other	8b	577	416
Current assets classified as 'held for sale'	9	4,900	—
Total current assets		195,664	171,709
Non-current assets			
Investments	6(b)	56	—
Receivables	7	276	253
Infrastructure, property, plant and equipment	10	1,481,775	1,456,321
Total non-current assets		1,482,107	1,456,574
TOTAL ASSETS		1,677,771	1,628,283
LIABILITIES			
Current liabilities			
Payables	11	9,996	10,088
Income received in advance	11	839	867
Borrowings	11	4,427	4,478
Provisions	12	7,826	7,199
Total current liabilities		23,088	22,632
Non-current liabilities			
Payables	11	20	18
Borrowings	11	20,858	27,141
Provisions	12	4,012	463
Total non-current liabilities		24,890	27,622
TOTAL LIABILITIES		47,978	50,254
Net assets		1,629,793	1,578,029
EQUITY			
Accumulated surplus	13a	720,945	674,782
Revaluation reserves	13a	908,792	903,247
Other reserves	13a	56	—
Council equity interest		1,629,793	1,578,029
Total equity		1,629,793	1,578,029

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2019

\$ '000	Notes	2019				2018 ¹			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		674,782	903,247	–	1,578,029	622,926	804,400	–	1,427,326
Adoption of new accounting standards – not retrospective	13b	(23)	–	88	65	–	–	–	–
Restated opening balance		674,759	903,247	88	1,578,094	622,926	804,400	–	1,427,326
Net operating result for the year		46,186	–	–	46,186	51,856	–	–	51,856
Restated net operating result for the period		46,186	–	–	46,186	51,856	–	–	51,856
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	10	–	5,545	–	5,545	–	98,847	–	98,847
– Gain/(loss) on revaluation of equity instruments at fair value through other comprehensive income		–	–	(32)	(32)	–	–	–	–
Other comprehensive income		–	5,545	(32)	5,513	–	98,847	–	98,847
Total comprehensive income		46,186	5,545	(32)	51,699	51,856	98,847	–	150,703
Equity – balance at end of the reporting period		720,945	908,792	56	1,629,793	674,782	903,247	–	1,578,029

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
72,504	Rates and annual charges		74,414	67,569
19,913	User charges and fees		22,205	23,142
3,238	Investment and interest revenue received		4,656	3,442
21,901	Grants and contributions		21,730	34,384
–	Bonds, deposits and retention amounts received		104	254
3,822	Other		9,627	9,697
<u>Payments</u>				
(37,216)	Employee benefits and on-costs		(35,532)	(33,299)
(24,752)	Materials and contracts		(29,207)	(28,204)
(1,323)	Borrowing costs		(1,218)	(1,589)
(16,030)	Other		(17,754)	(16,799)
42,057	Net cash provided (or used in) operating activities	14b	49,025	58,597
Cash flows from investing activities				
<u>Receipts</u>				
3,250	Sale of investment securities		186,500	120,500
–	Sale of real estate assets		410	–
1,269	Sale of infrastructure, property, plant and equipment		845	1,075
–	Deferred debtors receipts		74	132
<u>Payments</u>				
(586)	Purchase of investment securities		(211,523)	(138,500)
(47,353)	Purchase of infrastructure, property, plant and equipment		(26,678)	(30,737)
–	Purchase of real estate assets		(337)	(85)
–	Deferred debtors and advances made		(69)	–
(43,420)	Net cash provided (or used in) investing activities		(50,778)	(47,615)
Cash flows from financing activities				
<u>Receipts</u>				
5,740	Proceeds from borrowings and advances		–	–
<u>Payments</u>				
(4,377)	Repayment of borrowings and advances		(6,370)	(4,199)
1,363	Net cash flow provided (used in) financing activities		(6,370)	(4,199)
–	Net increase/(decrease) in cash and cash equivalents		(8,123)	6,783
6,000	Plus: cash and cash equivalents – beginning of year	14a	11,133	4,350
6,000	Cash and cash equivalents – end of the year	14a	3,010	11,133
Additional Information:				
110,163	plus: Investments on hand – end of year	6(b)	168,556	143,500
116,163	Total cash, cash equivalents and investments		171,566	154,633

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these reports.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council has reviewed all of its leasing arrangements taking into consideration the new lease accounting rules in AASB 16 (applicable from 1 July 2019).

AASB 16 will affect Council's accounting for existing operating lease agreements that are in place as at 30 June 2019.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$438K - refer Note 16.

Of these commitments, approximately \$18K relates to low value leases and approximately \$7K relates to leases for which below-market rent is paid.

These low value leases and leases with below-market rent amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of approximately \$413K, Council anticipates it will recognise lease liabilities (on its balance sheet) of approximately \$352K (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complementary right-of-use assets (on its balance sheet) totalling approximately \$352K on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net current assets will be \$160K lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council expects that net operating result will be largely unchanged for the 2019/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$160K as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures may be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils will assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

In accordance with a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).										
\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Leadership	54,421	48,976	34,518	34,677	19,903	14,299	5,197	5,033	278,002	266,443
People	4,834	4,218	9,168	8,984	(4,334)	(4,766)	1,207	1,174	39,697	37,483
Places	52,640	59,954	50,077	45,882	2,563	14,072	7,020	5,674	1,238,808	1,210,812
Environment	44,491	41,448	16,341	12,888	28,150	28,560	537	212	108,090	100,015
Economy	1,948	1,747	2,044	2,056	(96)	(309)	155	161	13,174	13,530
Total functions and activities	158,334	156,343	112,148	104,487	46,186	51,856	14,116	12,254	1,677,771	1,628,283

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Leadership

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

People

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

Places

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

Environment

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

Economy

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	34,667	30,675
Farmland	4,860	4,410
Mining	75	112
Business	5,610	5,174
Less: pensioner rebates (mandatory)	(790)	(800)
Rates levied to ratepayers	44,422	39,571
Pensioner rate subsidies received	435	440
Total ordinary rates	44,857	40,011
Special rates		
Special environmental levy	1,247	1,186
Rates levied to ratepayers	1,247	1,186
Total special rates	1,247	1,186
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	8,242	8,025
Stormwater management services	515	510
Water supply services	3,751	3,646
Sewerage services	16,542	15,637
Less: pensioner rebates (mandatory)	(836)	(901)
Annual charges levied	28,214	26,917
Pensioner subsidies received:		
– Water	178	190
– Sewerage	159	170
– Domestic waste management	123	136
Total annual charges	28,674	27,413
TOTAL RATES AND ANNUAL CHARGES	74,778	68,610

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates, annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	9,262	9,611
Sewerage services	1,140	1,316
Waste management services (non-domestic)	4,225	3,976
Total specific user charges	14,627	14,903
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building services – other	1,847	1,653
Inspection services	58	52
Planning and building regulation	1,820	2,131
Private works – section 67	304	386
Section 10.7 certificates (EP&A Act)	179	210
Section 603 certificates	136	173
Total fees and charges – statutory/regulatory	4,344	4,605
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	358	477
Leaseback fees – Council vehicles	441	387
Swimming centres	1,903	1,784
GIPA fees	4	8
Other waste management	8	4
Permits and licences	240	214
Pound fees and animal income	129	139
Sewer	253	171
Water connections	304	354
Other	120	27
Total fees and charges – other	3,760	3,565
TOTAL USER CHARGES AND FEES	22,731	23,073

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	177	167
– Cash and investments	4,410	3,604
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	16	19
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>4,603</u>	<u>3,790</u>

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	116	111
General Council cash and investments	1,169	950

Restricted investments/funds – external:

Development contributions		
– Section 7.11	404	315
– Section 64 – Water	516	398
– Section 64 – Sewer	485	342
– Section 64 – Stormwater	95	92
Water fund operations	1,083	928
Sewerage fund operations	722	654
Unspent grants	13	–
Total interest and investment revenue	<u>4,603</u>	<u>3,790</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Fines	84	85
Fines – parking	281	290
Legal fees recovery – rates and charges (extra charges)	585	521
Commissions and agency fees	97	96
Sales – general	165	109
Cemeteries	285	288
Hall and room rental	79	93
Lease rental	701	660
Library	2	2
Other waste income	86	85
Printing and photocopying	5	6
Quarries income	142	182
Other	133	15
Rebates and reimbursements	629	527
Recovery of lehman bros CDOs	19	18
Saleyards income	1,046	1,020
Swimming centres	136	113
Tourism income	355	399
Tulip time	398	128
Water supplies	31	49
<u>TOTAL OTHER REVENUE</u>	<u>5,259</u>	<u>4,686</u>

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the penalty has been applied.

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

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

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

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,512	2,485	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,606	2,548	–	–
Total general purpose	5,118	5,033	–	–
Specific purpose				
Child care	1	42	–	–
Community care	38	8	–	–
Environmental programs	225	73	–	–
Heritage and cultural	20	20	–	–
Noxious weeds	106	–	–	–
NSW rural fire services	391	336	–	555
Recreation and culture	202	210	809	287
Street lighting	110	107	–	–
Administration	8	–	–	–
Aged and disabled	46	45	–	–
Childrens services	633	452	–	–
Housing and community	131	87	–	–
Transport and communication	1,638	1,137	4,606	3,860
Youth services	4	2	–	–
Crown Land Plans of Management	30	–	–	–
Total specific purpose	3,583	2,519	5,415	4,702
Total grants	8,701	7,552	5,415	4,702
Grant revenue is attributable to:				
– Commonwealth funding	5,134	5,529	982	814
– State funding	3,560	2,023	4,433	3,888
– Other funding	7	–	–	–
	8,701	7,552	5,415	4,702

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	905	3,514
S 7.12 – fixed development consent levies		–	–	124	148
S 64 – water supply contributions		–	–	2,520	7,171
S 64 – sewerage service contributions		–	–	2,260	7,074
S 64 – stormwater contributions		–	–	216	1,059
Other developer contributions (VPA)		–	–	213	519
Total developer contributions – cash		–	–	6,238	19,485
Total developer contributions	22	–	–	6,238	19,485
Other contributions:					
Cash contributions					
Other		64	26	148	304
Child care services		2	3	–	–
Emergency services levy implementation		–	3	–	–
Local infrastructure renewal scheme (lirs)		157	176	–	–
Management committees		154	164	–	–
Storm damage		–	75	–	–
Tree clearance		141	–	–	–
Total other contributions – cash		518	447	148	304
Non-cash contributions					
Bushfire services		–	–	680	145
Dedications – subdivisions (other than by s7.11)		–	–	29,263	22,029
Discovered assets		–	–	–	1,520
Total other contributions – non-cash		–	–	29,943	23,694
Total other contributions		518	447	30,091	23,998
Total contributions		518	447	36,329	43,483
TOTAL GRANTS AND CONTRIBUTIONS		9,219	7,999	41,744	48,185

Accounting policy for grants and contributions

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

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*. While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating and Capital grants

Unexpended at the close of the previous reporting period	926	708
Add: operating grants recognised in the current period but not yet spent	891	452
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(355)	(234)
Unexpended and held as restricted assets (operating grants)	1,462	926

Contributions

Unexpended at the close of the previous reporting period	51,661	33,434
Add: contributions recognised in the current period but not yet spent	–	–
Add: contributions received for the provision of goods and services in a future period	6,238	19,485
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(3,724)	(1,258)
Unexpended and held as restricted assets (contributions)	54,175	51,661

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	29,460	27,459
Travel expenses	50	34
Employee leave entitlements (ELE)	3,456	3,013
Superannuation	3,132	2,950
Workers' compensation insurance	995	1,035
Fringe benefit tax (FBT)	68	62
Payroll tax	286	296
Training costs (other than salaries and wages)	545	474
Other	58	75
Total employee costs	38,050	35,398
Less: capitalised costs	(2,052)	(2,019)
TOTAL EMPLOYEE COSTS EXPENSED	35,998	33,379

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	1,161	1,529
Total interest bearing liability costs expensed	1,161	1,529

(ii) Other borrowing costs

Fair value adjustments on recognition of advances and deferred debtors		
– Interest free (or favourable) loans and advances made by Council	30	–
Interest applicable on interest free (and favourable) loans to Council	36	52
Total other borrowing costs	66	52

TOTAL BORROWING COSTS EXPENSED	1,227	1,581
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Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. No borrowing costs were capitalised during the year ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	15,117	15,700
Contractor and consultancy costs	32,612	35,312
Auditors remuneration ²	143	142
Legal expenses:		
– Legal expenses: planning and development	874	929
– Legal expenses: other	579	571
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	170	171
Other	7	7
Total materials and contracts	49,502	52,832
Less: capitalised costs	(24,622)	(28,718)
TOTAL MATERIALS AND CONTRACTS	24,880	24,114

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Computers	170	171
	170	171

2. Auditor remuneration

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

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

Audit and review of financial statements	99	95
Remuneration for audit and other assurance services	99	95
Total Auditor-General remuneration	99	95

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

Due diligence services	44	47
Remuneration for audit and other assurance services	44	47
Total remuneration of non NSW Auditor-General audit firms	44	47
Total Auditor remuneration	143	142

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	2,227	2,272
Office equipment	150	204
Furniture and fittings	38	37
Infrastructure:		
– Buildings – non-specialised	36	34
– Buildings – specialised	1,939	1,931
– Other structures	123	120
– Roads	9,764	9,709
– Bridges	186	180
– Footpaths	753	693
– Stormwater drainage	1,262	1,156
– Water supply network	5,059	4,859
– Sewerage network	5,391	5,109
– Swimming pools	252	275
– Other open space/recreational assets	678	850
Other assets:		
– Library books	146	117
– Other	1	1
Total gross depreciation and amortisation costs	28,005	27,547
Total depreciation and amortisation costs	28,005	27,547
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	28,005	27,547

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	429	309
Bad and doubtful debts	3	17
Bank charges	265	272
Chemicals	704	729
Clothing	99	112
Computer hardware maintenance	32	62
Computer software charges	1,019	792
Contributions/levies to other levels of government	881	1,403
– Emergency services levy (includes FRNSW, SES, and RFS levies)	712	744
Councillor expenses – mayoral fee	44	42
Councillor expenses – councillors' fees	178	174
Donations, contributions and assistance to other organisations (Section 356)	755	712
Electricity and heating	2,097	1,910
Equipment and fittings M and R	450	295
EPA licence	50	57
Freight	46	15
Insurance	1,195	1,116
Landfill remediation/restoration expense	3,500	–
Licence – other	34	47
Postage	233	225
Printing and stationery	360	367
Promotions	44	75
Rent	15	35
Security services	28	29
Street lighting	892	656
Subscriptions and publications	269	240
Telephone and communications	337	227
Valuation fees	201	229
Waste disposal costs	2,594	2,246
Water purchases	1,398	1,399
Water determination	49	97
Other	487	338
Total other expenses	19,400	14,971
TOTAL OTHER EXPENSES	19,400	14,971

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Infrastructure Plant and equipment	10		
Proceeds from disposal – plant and equipment		845	1,075
Less: carrying amount of plant and equipment assets sold/written off		(3,807)	(3,970)
Net gain/(loss) on disposal		(2,962)	(2,895)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		410	–
Less: carrying amount of real estate assets sold/written off		(86)	–
Net gain/(loss) on disposal		324	–
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		186,500	120,500
Less: carrying amount of investments sold/redeemed/matured		(186,500)	(120,500)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,638)	(2,895)

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	611	630
Cash-equivalent assets		
– Deposits at call	2,399	5,503
– Short-term deposits	–	5,000
Total cash and cash equivalents	3,010	11,133

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	168,500	–	143,500	–
d. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	56	–	–
Total Investments	168,500	56	143,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	171,510	56	154,633	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	168,500	–	143,500	–
Total	168,500	–	143,500	–
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
Unlisted equity securities	–	56	–	–
Total	–	56	–	–

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Fair value through other comprehensive income – equity instruments

Council has an investment in Southern Phone Company Limited over which it does not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve would be transferred to accumulated surplus and would not be reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	171,510	56	154,633	–
attributable to:				
External restrictions	131,468	56	120,038	–
Internal restrictions	39,901	–	34,342	–
Unrestricted	141	–	253	–
	171,510	56	154,633	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	14,816	14,029
Developer contributions – water fund	18,419	17,934
Developer contributions – sewer fund	18,001	15,916
Developer contributions – stormwater	2,939	3,782
Specific purpose unexpended grants	1,462	926
Water supplies	41,065	37,617
Sewerage services	28,213	24,008
Domestic waste management	4,750	3,779
Stormwater management	150	537
Environment levy	570	569
Quarry royalties	1,083	941
Other	56	–

External restrictions – other	131,524	120,038
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Total external restrictions	131,524	120,038
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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Alexandra square	4	4
Bonds and deposits	2,687	2,583
Bowral memorial hall	348	443
Bridges	826	988
Contribution to Works	59	12
Business transformation	1,743	1,945
Capital projects	1,668	2,278
Carry-over works	4,307	1,862
Cemeteries	461	461
Computer	67	99
Effluent disposal	63	63
Election expenses	187	94
Emergency assistance	45	50
Employees leave entitlement	1,603	1,533
Civic Centre refurbishment	5,305	5,271
Family day care	310	225
Financial assistance grant	2,606	2,548
Investing in our future	2,684	1,129
IRS	–	59
Land rental charge	4,714	5,079
Management committees	313	280
Waste Facilities General Fund	2,230	1,413
Plant replacement	2,193	1,619
Property operations (PDR)	3,197	2,569
Renwick asset management	199	134
Revolving energy fund	252	196
Risk management	417	378
Roadside spoil management	112	112
Regional Art Gallery	200	–
Saleyards (capital improvement fund)	184	127
Saleyards (SRLX)	54	25
Tourism	113	2
Welby hockey field	631	631
Animal Shelter	30	30
Mittagong Pool	–	100
MVWMAC loan reserve	39	–
Bong Bong Common	50	–
Total internal restrictions	39,901	34,342
TOTAL RESTRICTIONS	171,425	154,380

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,559	–	1,195	–
Interest and extra charges	295	–	321	–
User charges and fees	8,478	–	7,756	–
Accrued revenues				
– Interest on investments	1,971	–	2,014	–
– Other income accruals	380	–	330	–
Loans to sporting clubs	18	276	60	253
Government grants and subsidies	1,515	–	1,625	–
Net GST receivable	995	–	1,030	–
Debtors – building services – other	17	–	10	–
Debtors – cemeteries	15	–	18	–
Debtors – hall and room rental	8	–	2	–
Debtors – other waste income	147	–	113	–
Debtors – saleyards	85	–	97	–
Debtors – swimming centres	98	–	68	–
Domestic waste management	260	–	220	–
Bond paid by Council	40	–	40	–
Other debtors	1,392	–	584	–
Total	17,273	276	15,483	253
Less: provision of impairment				
User charges and fees	(32)	–	(8)	–
Total provision for impairment – receivables	(32)	–	(8)	–
TOTAL NET RECEIVABLES	17,241	276	15,475	253

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	8	13
Amount restated through opening retained earnings on adoption of AASB 9	23	–
+ new provisions recognised during the year	3	8
– amounts already provided for and written off this year	(2)	(4)
– amounts provided for but recovered during the year	–	(9)
Balance at the end of the period	32	8

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	386	—	135	—
Stores and materials	396	—	387	—
Trading stock	85	—	126	—
Accountable items	569	—	537	—
Total inventories at cost	1,436	—	1,185	—
<u>TOTAL INVENTORIES</u>	<u>1,436</u>	<u>—</u>	<u>1,185</u>	<u>—</u>

(b) Other assets

Prepayments	577	—	416	—
<u>TOTAL OTHER ASSETS</u>	<u>577</u>	<u>—</u>	<u>416</u>	<u>—</u>

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		386	—	135	—
Total real estate for resale		386	—	135	—
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		27	—	50	—
Development costs		359	—	85	—
Total costs		386	—	135	—
Total real estate for resale		386	—	135	—
Movements:					
Real estate assets at beginning of the year		135	—	50	—
– Purchases and other costs		337	—	85	—
– WDV of sales (expense)	5	(86)	—	—	—
Total real estate for resale		386	—	135	—

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

\$ '000	2019	2018
	—	—

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

Note 9. Non-current assets classified as held for sale

Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations

	2019 Assets 'held for sale'	2018 Assets 'held for sale'
\$ '000		
<u>Plus new transfers in:</u>		
– Assets 'held for sale'	4,900	–
Closing balance of 'held for sale' non-current assets and operations	4,900	–

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018					Asset movements during the reporting period						as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfns from/(to) 'held for sale' category	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	9,295	(7)	9,288	5,562	529	(141)	–	(4,585)	–	–	–	10,653	–	10,653
Plant and equipment	28,885	(13,220)	15,665	–	3,076	(1,155)	(2,227)	–	–	–	–	29,474	(14,115)	15,359
Office equipment	8,060	(7,666)	394	–	130	(8)	(150)	–	–	–	–	8,168	(7,802)	366
Furniture and fittings	1,480	(1,274)	206	–	15	–	(38)	–	–	–	–	1,495	(1,312)	183
Land:														
– Operational land	137,654	–	137,654	–	3,329	–	–	–	–	(4,900)	–	136,083	–	136,083
– Community land	61,293	–	61,293	–	563	–	–	–	–	–	–	61,856	–	61,856
Infrastructure:														
– Buildings – non-specialised	1,285	(313)	972	–	–	–	(36)	–	13	–	–	1,346	(397)	949
– Buildings – specialised	120,367	(35,750)	84,617	188	159	(21)	(1,939)	–	297	–	–	121,004	(37,703)	83,301
– Other structures	5,130	(2,014)	3,116	15	450	–	(123)	–	(13)	–	–	5,533	(2,088)	3,445
– Roads	552,761	(230,860)	321,901	3,608	9,144	(246)	(9,764)	1,776	–	–	–	566,777	(240,358)	326,419
– Bridges	20,832	(9,606)	11,226	–	–	–	(186)	–	–	–	–	20,832	(9,792)	11,040
– Footpaths	35,203	(16,533)	18,670	154	3,254	(23)	(753)	–	–	–	–	38,499	(17,197)	21,302
– Bulk earthworks (non-depreciable)	219,111	–	219,111	491	66	(13)	–	–	–	–	–	219,655	–	219,655
– Stormwater drainage	131,866	(34,812)	97,054	636	8,783	(93)	(1,262)	–	–	–	–	141,075	(35,957)	105,118
– Water supply network	363,089	(157,936)	205,153	1,996	4,109	(706)	(5,059)	386	–	–	1,988	371,421	(163,554)	207,867
– Sewerage network	356,909	(109,189)	247,720	2,274	5,798	(1,250)	(5,391)	1,087	–	–	3,557	368,607	(114,812)	253,795
– Swimming pools	15,194	(2,933)	12,261	1,166	389	(7)	(252)	1,336	–	–	–	18,047	(3,154)	14,893
– Other open space/recreational assets	18,528	(8,949)	9,579	206	378	(144)	(678)	–	(297)	–	–	18,613	(9,569)	9,044
Other assets:														
– Library books	5,102	(4,665)	437	–	153	–	(146)	–	–	–	–	5,255	(4,811)	444
– Other	4	–	4	–	–	–	(1)	–	–	–	–	11	(8)	3
Total Infrastructure, property, plant and equipment	2,092,048	(635,727)	1,456,321	16,296	40,325	(3,807)	(28,005)	–	–	(4,900)	5,545	2,144,404	(662,629)	1,481,775

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

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

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Crown reserves

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

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

Rural Fire Service assets

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

These Rural Fire Service assets are recognised as assets of the Council in these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	5,980	20	6,209	18
Accrued expenses:				
– Borrowings	129	–	186	–
– Salaries and wages	1,200	–	1,110	–
Security bonds, deposits and retentions	2,687	–	2,583	–
Total payables	9,996	20	10,088	18
Income received in advance				
Payments received in advance	839	–	867	–
Total income received in advance	839	–	867	–
Borrowings				
Loans – secured ¹	4,427	20,858	4,478	27,141
Total borrowings	4,427	20,858	4,478	27,141
TOTAL PAYABLES AND BORROWINGS	15,262	20,878	15,433	27,159

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

\$ '000	2019	2018
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	2,150	2,066
Total payables and borrowings	2,150	2,066

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	31,619	(6,370)	–	–	36	25,285
TOTAL	31,619	(6,370)	–	–	36	25,285

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	35,766	(4,199)	–	–	52	31,619
TOTAL	35,766	(4,199)	–	–	52	31,619

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	150	150
Total financing arrangements	450	450
Drawn facilities as at balance date:		
– Credit cards/purchase cards	34	22
Total drawn financing arrangements	34	22
Undrawn facilities as at balance date:		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	116	128
Total undrawn financing arrangements	416	428

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,882	–	2,684	–
Long service leave	4,584	512	4,159	463
RDO and TIL	360	–	356	–
Sub-total – aggregate employee benefits	7,826	512	7,199	463
Asset remediation/restoration:				
Landfill remediation/restoration (future works)	–	3,500	–	–
Sub-total – asset remediation/restoration	–	3,500	–	–
TOTAL PROVISIONS	7,826	4,012	7,199	463

\$ '000	2019	2018
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	4,695	4,320
	4,695	4,320

(b) Description of and movements in provisions

	ELE provisions			
\$ '000	Annual leave	Long service leave	Other employee benefits	Total
2019				
At beginning of year	2,684	4,622	356	7,662
Other	198	474	4	676
Total ELE provisions at end of period	2,882	5,096	360	8,338
2018				
At beginning of year	2,539	4,469	344	7,352
Other	145	153	12	310
Total ELE provisions at end of period	2,684	4,622	356	7,662

\$ '000	Other provisions	
	Asset remediation	Total
2019		
Other	3,500	3,500
Total other provisions at end of period	3,500	3,500

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Subsequent to commissioning a report to provide detailed estimates of the costs of remediation of the former landfill site at Welby, Council has recognised a provision for landfill remediation/restoration (future works) during the year ended 30 June 2019.

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve.

Available for sale investments revaluation reserve (2018 only)

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Notes to the Financial Statements

for the year ended 30 June 2019

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Adjustments to the current year figures for the year ended 30 June 2019			
Equity Securities	—	88	88
Receivables	15,728	(23)	15,705
Total assets	1,628,283	65	1,628,348
Total liabilities	50,254	—	50,254
Fair Value - Other comprehensive income	—	88	88
Retained Earnings	674,782	(23)	674,759
Total equity	1,578,029	65	1,578,094

Transition adjustments

The impacts to reserves and retained earnings on adoption of AASB 9 at 1 July 2018 are shown below:

\$ '000	Available for sale invest- ment revaluation reserve	FVOCI reserve	Retained earnings	Non- controlling interests	Total
Equity securities	—	88	—	—	88
Increase in expected credit losses for trade receivables	—	—	(23)	—	(23)
Adjustments to equity as a result of adoption of AASB 9	—	88	(23)	—	65
Opening equity balances at 1 July 2018 – AASB 9	—	88	674,759	—	674,847

Council holds one ordinary class and one redeemable preference share in Southern Phone Company Limited. Under AASB 139 these shares were held at cost, being one dollar (\$1) per share. AASB 9 requires that Council now recognise these shares at fair value. An independent valuation of an ordinary share was performed by Ernst & Young on behalf of Southern Phone shareholders. The valuation as at 1 July 2018 was identified as being \$88K. Council has opted, in accordance with AASB 9, to recognise changes in fair value of this equity instrument through other comprehensive income. As a result, an opening adjustment to the fair value through other comprehensive income (FVOCI) reserve of \$88K has been recognised. No opening balance adjustments were required for the redeemable preference share.

Council has previously recognised provisions for doubtful debts based on a detailed review of outstanding receivables as at 30 June each year. AASB 9 requires that entities take a forward-looking approach to provisions for doubtful debts based on lifetime expected credit losses. A practical expedient in AASB 9 enables entities to use a matrix to determine the value of lifetime expected credit losses. In accordance with AASB 9, Council has used this matrix approach to determine its lifetime expected credit losses as at 1 July 2018, being the date of transition to AASB 9. This approach has led to a \$23K increase in expected credit losses which has been recognised as a reduction in opening retained earnings.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Transition adjustments**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Equity securities	Available for sale	FVOCI - equity	–	–	88	88
Receivables	Loans & receivables	Amortised cost	15,728	–	(23)	15,705
Cash & cash equivalents	Loans & receivables	Amortised cost	11,133	–	–	11,133
Term deposits	Held to maturity	Amortised cost	143,500	–	–	143,500
Total financial assets under AASB 9 at 1 July 2018			170,361	–	65	170,426
Financial liabilities						
Secured bank loans	Other financial liabilities	Other financial liabilities	31,619	–	–	31,619
Trade payables	Other financial liabilities	Other financial liabilities	10,106	–	–	10,106
Total financial liabilities under AASB 9 at 1 July 2018			41,725	–	–	41,725

Notes to the table above**Reclassification from 'held to maturity' to 'amortised cost'**

Term deposits that would previously have been classified as 'held to maturity' are now classified at 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	3,010	11,133
Balance as per the Statement of Cash Flows		3,010	11,133

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	46,186	51,856
Adjust for non-cash items:		
Depreciation and amortisation	28,005	27,547
Net losses/(gains) on disposal of assets	2,638	2,895
Non-cash capital grants and contributions	(29,943)	(23,694)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Interest-free advances made by Council (deferred debtors)	30	–
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council	(16)	(19)
– Interest exp. on interest-free loans received by Council (previously fair valued)	36	52
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(1,832)	(793)
Increase/(decrease) in provision for impairment of receivables	24	(5)
Decrease/(increase) in inventories	–	(2)
Decrease/(increase) in other current assets	(161)	3
Increase/(decrease) in payables	(227)	12
Increase/(decrease) in accrued interest payable	(57)	(60)
Increase/(decrease) in other accrued expenses payable	90	70
Increase/(decrease) in other liabilities	76	425
Increase/(decrease) in provision for employee benefits	676	310
Increase/(decrease) in other provisions	3,500	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	49,025	58,597

(c) Non-cash investing and financing activities

Bushfire grants	680	145
Other dedications	29,263	22,029
Discovered assets	–	1,520
Total non-cash investing and financing activities	29,943	23,694

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

Subsidiaries, joint arrangements and associates not recognised

Council has an interest in the Canberra Region Joint Organisation, along with other member Councils, which is not considered material. The activities of this organisation are not controlled by any one Council.

The Canberra Region Joint Organisation provides a forum for Councils, State agencies and other stakeholders to work together at a regional level to identify shared priorities.

Note 16. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	1,118	85
Plant and equipment	781	134
Infrastructure	255	1,883
Water system assets	730	2,283
Sewer system assets	1,243	2,197
Open Space	1,002	476
Total commitments	5,129	7,058

These expenditures are payable as follows:

Within the next year	5,129	7,058
Total payable	5,129	7,058

Sources for funding of capital commitments:

Unrestricted general funds	3,156	2,578
Externally restricted reserves	1,973	4,480
Total sources of funding	5,129	7,058

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

\$ '000	2019	2018
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	188	176
Later than one year and not later than 5 years	250	311
Total non-cancellable operating lease commitments	438	487

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

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

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

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

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

Council also has in place a number of leases for operational land and buildings.

Conditions relating to finance and operating leases:

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

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

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

– Assets are not segregated within the sub-group according to the employees of each sponsoring employer.

– The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.

– Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.

– The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times members contributions for non-180 Point Member; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Member, employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 302,117.43. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$304,950.44.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

(iii) Possible reimbursement of grant funding

National Stronger Regions Fund - Berrima Road Deviation

In November 2014 Council submitted an application under the National Stronger Regions Fund to the Federal Government - Department of Infrastructure and Regional Development.

The application was submitted to part fund the upgrade and realignment of Berrima Road, in line with improvements required for the Moss Vale Enterprise Corridor. The application stated an estimated project cost of \$9,205,192, with Council seeking fifty percent grant funding of \$4,602,596. The application was successful with Council entering into a Funding Agreement on the 6 May 2016.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

At the Ordinary Meeting of Council held on the 10 April 2019, a formal report was presented which identified a number of complex issues which would result in delays in delivering the project within the required timeframes of the Funding Agreement.

To date, Council has received a total of \$920,519 from the Department of Infrastructure and Regional Development in line with the milestone payment schedule of the Funding Agreement.

Section 6.5.4 of the Funding Agreement states *if the completed project ceases to be operational during the operational period, the Commonwealth may give the recipient notice requiring the recipient to repay all or part of the funding to the Commonwealth*. Council is yet to receive formal direction from the Department of Infrastructure and Regional Development regarding the possible reimbursement of this payment.

As such, the amount has been disclosed as a Contingent Liability until further direction has been provided.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management

Risk management

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

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

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

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

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	17,151	17,151	(17,151)	(17,151)
Possible impact of a 1% movement in interest rates	1,715	1,715	(1,715)	(1,715)
2018				
Possible impact of a 10% movement in market values	15,463	15,463	(15,463)	(15,463)
Possible impact of a 1% movement in interest rates	1,546	1,546	(1,546)	(1,546)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

Council makes suitable provision for doubtful receivables as required.

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	1,142	182	121	114	1,559
2018						
Gross carrying amount	–	758	186	146	105	1,195

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	14,250	20	525	72	1,123	15,990
Expected loss rate (%)	0.01%	3.27%	0.10%	2.15%	2.50%	0.20%
ECL provision	1	1	–	2	28	32
2018						
Gross carrying amount	12,107	55	608	786	985	14,541
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	2,687	7,329	–	–	10,016	10,016
Loans and advances	3.81%	–	5,307	14,339	10,058	29,704	25,285
Total financial liabilities		<u>2,687</u>	<u>12,636</u>	<u>14,339</u>	<u>10,058</u>	<u>39,720</u>	<u>35,301</u>
2018							
Trade/other payables	0.00%	2,583	7,523	–	–	10,106	10,106
Loans and advances	4.00%	–	5,706	18,094	13,903	37,703	31,619
Total financial liabilities		<u>2,583</u>	<u>13,229</u>	<u>18,094</u>	<u>13,903</u>	<u>47,809</u>	<u>41,725</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for the 2018/19 financial year was adopted by Council on 13/06/2018 and is unaudited.

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

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	72,585	74,778	2,193	3% F
No material budget variations.				
User charges and fees	20,531	22,731	2,200	11% F
There has been an increase in user charges and fees when compared to the original budget. This increase is primarily due to the following items; water usage charges of \$1.084M, increased waste management charges of \$729K, increased income for Planning and Building of \$327K due to increased development activity, and sewer connection fees of \$192K.				
Interest and investment revenue	3,265	4,603	1,338	41% F
Investment income exceeded budget expectations by \$1.265M. The additional revenue was attributable to a larger than anticipated investment portfolio and an investment strategy which stretched the investment time horizons out to 12 months to take advantage of higher rates. Interest on overdue rates exceeded budget expectations by \$57K. A variation of \$16K also resulted from the amortisation (non cash) of an interest free loan.				
Other revenues	3,764	5,259	1,495	40% F
Other revenues have exceeded budget expectations. This is largely due to an increase in the following; Legal fees recovered \$309K, Insurance rebates and reimbursements \$205K, Quarries income \$141K, Other income and sales \$140K, Property easement income \$125K, Tulip Time income \$105K, Lease rentals \$90K, Development and Regulatory fines \$84K, Saleyards income \$81K, and Cemetery income \$64K.				
Operating grants and contributions	8,680	9,219	539	6% F
No material budget variations.				
Capital grants and contributions	14,348	41,744	27,396	191% F
Capital grants and contributions have exceeded budget forecasts due to the recognition of dedicated assets (non cash) and higher than expected developer contributions. Council recognised dedicated assets valued at \$29.263M, and rural fire service assets valued at \$680K. Revenue from developer contributions was \$1.21M above budget projections. Road and Transport Capital grants was \$3.516M less than the original budget.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	37,288	35,998	1,290	3% F
No material budget variations.				
Borrowing costs	1,408	1,227	181	13% F
Borrowing costs were less than the original budget due to the renegotiation of a number of loans \$224K, plus the early payout of the water fund loan \$23K. Offsetting this was the cost (non cash) of Interest Free Loans \$66K.				
Materials and contracts	23,553	24,880	(1,327)	(6)% U
No material budget variation.				
Depreciation and amortisation	25,009	28,005	(2,996)	(12)% U
Depreciation expense is \$2.99M greater than originally forecast. This is primarily due to dedicated assets and indexation of water & sewer infrastructure.				
Other expenses	16,030	19,400	(3,370)	(21)% U
Other expenses exceeded the original budget due to a provision of \$3.5M for rehabilitation of Welby Tip.				
Net losses from disposal of assets	—	2,638	(2,638)	∞ U
Council does not estimate the net profit/loss from the disposal of assets as part of the annual budget, instead estimates are based on the expected sales proceeds.				
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities	42,057	49,025	6,968	17% F
Net cash from operating activities has increased from the original budget primarily due to additional income received from rates and annual charges, User charges and fees and other revenues.				
Net cash provided from (used in) investing activities	(43,420)	(50,778)	(7,358)	17% U
Net cash from investing activities has varied from the original budget due to an increase in Council's total investment portfolio, and less than anticipated expenditure on capital works.				
Net cash provided from (used in) financing activities	1,363	(6,370)	(7,733)	(567)% U
Net cash used in financing activities has varied from the original budget due to no new loans being taken up in the Financial Year. Also a water fund loan of \$1.7M was paid out in full.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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

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

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

		Fair value measurement hierarchy				
2019	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Financial assets at fair value through other comprehensive income’		30/06/19	–	56	–	56
– ‘Held to Maturity’		30/06/19	–	168,500	–	168,500
Total financial assets			–	168,556	–	168,556
Infrastructure, property, plant and equipment						
	10					
WIP		30/06/19	–	–	10,653	10,653
Plant & Equipment		30/06/19	–	–	15,359	15,359
Office Equipment		30/06/19	–	–	366	366
Furniture & Fittings		30/06/19	–	–	183	183
Operational Land		30/06/19	–	–	136,083	136,083
Community Land		30/06/19	–	–	61,856	61,856
Buildings – Non Specialised		30/06/19	–	–	949	949
Buildings – Specialised		30/06/19	–	–	83,301	83,301
Other Structures		30/06/19	–	–	3,445	3,445
Roads		30/06/19	–	–	326,419	326,419
Bridges		30/06/19	–	–	11,040	11,040
Footpaths		30/06/19	–	–	21,302	21,302
Bulk Earthworks (non-depreciable)		30/06/19	–	–	219,655	219,655
Stormwater Drainage		30/06/19	–	–	105,118	105,118
Water Supply Network		30/06/19	–	–	207,867	207,867
Sewerage Network		30/06/19	–	–	253,795	253,795
Swimming Pools		30/06/19	–	–	14,893	14,893
Other Open Space/Recreational Assets		30/06/19	–	–	9,044	9,044
Library Books		30/06/19	–	–	444	444
Other		30/06/19	–	–	3	3
Total infrastructure, property, plant and equipment			–	–	1,481,775	1,481,775

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2019	Notes					
Non-current assets classified as 'held for sale'	9					
Land		30/06/19	—	—	4,900	4,900
Total NCA's classified as 'held for sale'			—	—	4,900	4,900

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2018	Notes					
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– 'Held to Maturity'		30/06/18	—	143,500	—	143,500
Total financial assets			—	143,500	—	143,500

Infrastructure, property, plant and equipment	10					
WIP		30/06/18	—	—	9,288	9,288
Plant & Equipment		30/06/18	—	—	15,665	15,665
Office Equipment		30/06/18	—	—	394	394
Furniture & Fittings		30/06/18	—	—	206	206
Operational Land		30/06/18	—	—	137,654	137,654
Community Land		30/06/18	—	—	61,293	61,293
Buildings – Non Specialised		30/06/18	—	—	972	972
Buildings – Specialised		30/06/18	—	—	84,617	84,617
Other Structures		30/06/18	—	—	3,116	3,116
Roads		30/06/18	—	—	321,901	321,901
Bridges		30/06/18	—	—	11,226	11,226
Footpaths		30/06/18	—	—	18,670	18,670
Bulk Earthworks (non-depreciable)		30/06/18	—	—	219,111	219,111
Stormwater Drainage		30/06/18	—	—	97,054	97,054
Water Supply Network		30/06/18	—	—	205,153	205,153
Sewerage Network		30/06/18	—	—	247,720	247,720
Swimming Pools		30/06/18	—	—	12,261	12,261
Other Open Space/Recreational Assets		30/06/18	—	—	9,579	9,579
Library Books		30/06/18	—	—	437	437
Other		30/06/18	—	—	4	4
Total infrastructure, property, plant and equipment			—	—	1,456,321	1,456,321

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	

Note that capital WIP is not included above since it is carried at cost.

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

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

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

Financial assets**Financial assets at fair value through other comprehensive income**

Council obtains its fair values for fair value through other comprehensive income from an independent valuation of ordinary shares on behalf of Southern Phone Company Limited shareholders.

Investments – Held to Maturity

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

Infrastructure, property, plant and equipment (IPP&E)**Property, Plant & Equipment, Furniture & Fittings**

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

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

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

The unobservable Level 3 inputs used include:

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

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

Operational Land

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

The unobservable Level 3 inputs used include:

- Rate per square metre
- Description of land

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

Community Land

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

Community land:

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

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

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

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

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

Property – Buildings (Specialised & Non-Specialised)

Council buildings comprise:

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

The unobservable Level 3 inputs used include:

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

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

Other Structures

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

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

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

The unobservable Level 3 inputs used include:

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

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

Roads, Bridges & Footpaths

This asset class comprises:

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

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

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

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

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

The unobservable Level 3 inputs used include:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

Stormwater Drainage

Council's drainage assets comprise:

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

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

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

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

The unobservable Level 3 inputs used include:

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

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

Water Supply Network

Council's water supply network comprises:

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

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

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

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

The unobservable Level 3 inputs used include:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

Sewerage Supply Network

Assets within this class comprise:

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

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

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

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

The unobservable Level 3 inputs used include:

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

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

Other Assets

Council's other assets comprise:

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

Council fair values other assets using Level 3 inputs.

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

The unobservable Level 3 inputs used include:

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Office Equipment	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Furniture & Fittings	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value
Operational Land	Level 3	Price per square metre
Community Land	Level 3	Average unit rate based on unimproved capital value per square metre
Buildings – non-specialised	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Buildings – specialised	Level 3	Gross Replacement Cost Remaining useful life of asset Residual Value Asset condition
Other Structures	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Roads	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bridges	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Footpaths	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Bulk Earthworks (non-depreciable)	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Stormwater Drainage	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Water Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Sewerage Supply Network	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Swimming Pools	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition
Other Open Space/Recreational Assets	Level 3	Gross Replacement Cost Remaining useful life of asset Asset condition

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Library Books	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition
Other	Level 3	Gross Replacement Cost Remaining useful life of asset Residual value Asset condition

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Related Party Transactions

(a) Key management personnel

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

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

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,995	1,759
Post-employment benefits	222	207
Other long-term benefits	37	–
Termination benefits ¹	228	11
Total	2,482	1,977

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

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Payment of rates and water charges to Council	1	134	1		–	–
Payment by Council for the provision of services	3	89	–		–	–
2018						
Payment of rates and water charges to Council	1	113	9		–	–
Development application fees paid to Council	2	25	–		–	–
Payment by Council for the provision of services	3	49	–		–	–

continued on next page ...

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Related Party Transactions (continued)

- 1 As per Council's Related Party Disclosures Policy ordinary citizen transactions such as the payment of rates are not required to be disclosed, unless their aggregate amount exceeds \$10,000. The amount disclosed relates to rates and water account payments by four of Council's key management personnel (including their related parties). Outstanding balances are secured against property.
- 2 One of Council's KMP made payments to Council during the year ended 30 June 2018 in relation to a development application and subdivision certificate.
- 3 During the year various departments of Council engaged the services of a not-for-profit organisation of which one of Council's KMP is a committee member. Amounts were billed, and were due and payable, in accordance with the organisation's standard terms.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018		Contributions received during the year				Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash		Held as restricted asset				Cumulative internal borrowings due/(payable)	
\$ '000											
Roads	4,321		422	—	123	(668)	—	—	4,198	—	
Community facilities	396		5	—	7	—	—	—	408	—	
Open Space & Community Facilities	5,402		323	—	154	(11)	—	—	5,868	—	
Administration	460		59	—	14	—	—	—	533	—	
Resource Recovery Centre	1		30	—	—	(30)	—	—	1	—	
CF Library Loan	416		52	—	16	—	—	—	484	—	
Administration (MVEC)	1		—	—	—	—	—	—	1	—	
Future Works (MVEC)	89		14	—	3	—	—	—	106	—	
Land Acquisition (MVEC)	4		—	—	—	—	—	—	4	—	
S7.11 contributions – under a plan	11,090		905	—	317	(709)	—	—	11,603	—	
S7.12 levies – under a plan	351		124	—	11	(80)	—	—	406	—	
Total S7.11 and S7.12 revenue under plans	11,441		1,029	—	328	(789)	—	—	12,009	—	
S7.11 not under plans (VPA)	3,163		213	—	92	—	—	—	3,468	—	
s7.11 not under plans Parking	1,432		—	—	39	(70)	—	—	1,401	—	
S64 Contributions Water	17,120		2,520	—	494	(2,551)	—	—	17,583	—	
S64 Contributions Sewer	14,723		2,260	—	452	(660)	—	—	16,775	—	
S64 Stormwater	3,782		216	—	95	(1,154)	—	—	2,939	—	
Total contributions	51,661		6,238	—	1,500	(5,224)	—	—	54,175	—	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash	Held as restricted asset	Cumulative internal borrowings due/(payable)					
S7.11 Contributions – under a plan										
CONTRIBUTION PLAN 1										
Roads	4,321	422	–	123	(668)	–		4,198	–	
Community facilities	396	5	–	7	–	–		408	–	
Open Space & Community Facilities	5,402	323	–	154	(11)	–		5,868	–	
Administration	460	59	–	14	–	–		533	–	
Resource Recovery Centre	1	30	–	–	(30)	–		1	–	
CF Library Loan	416	52	–	16	–	–		484	–	
Total	10,996	891	–	314	(709)	–		11,492	–	
S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)										
Administration (MVEC)	1	–	–	–	–	–		1	–	
Future Works (MVEC)	89	14	–	3	–	–		106	–	
Land Acquisition (MVEC)	4	–	–	–	–	–		4	–	
Total	94	14	–	3	–	–		111	–	
S7.12 Levies – under a plan										
S94A Plan										
S94A	351	124	–	11	(80)	–		406	–	
Total	351	124	–	11	(80)	–		406	–	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance		Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – not under a plan									
S94 not under Plans (VPA)									
Drainage	19		–	–	1	–	–	20	–
Roads	478		–	–	13	–	–	491	–
Open space	1		–	–	–	–	–	1	–
Community facilities	87	213	–	–	8	–	–	308	–
Sewer	1,193	–	–	–	33	–	–	1,226	–
Water	814	–	–	–	22	–	–	836	–
RRC	85	–	–	–	2	–	–	87	–
ASH	11	–	–	–	–	–	–	11	–
Administration	437	–	–	–	12	–	–	449	–
Management Contribution	38	–	–	–	1	–	–	39	–
Total	3,163	213	–	–	92	–	–	3,468	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	54,760	3,606	16,412
User charges and fees	10,699	10,438	1,594
Interest and investment revenue	1,798	1,599	1,206
Other revenues	4,094	662	503
Grants and contributions provided for operating purposes	9,219	–	–
Grants and contributions provided for capital purposes	27,905	5,863	7,976
Total income from continuing operations	108,475	22,168	27,691
Expenses from continuing operations			
Employee benefits and on-costs	29,747	2,792	3,459
Borrowing costs	581	80	566
Materials and contracts	22,446	836	1,598
Depreciation and amortisation	17,166	5,241	5,598
Other expenses	11,520	4,720	3,160
Net losses from the disposal of assets	622	734	1,282
Total expenses from continuing operations	82,082	14,403	15,663
Operating result from continuing operations	26,393	7,765	12,028
Net operating result for the year	26,393	7,765	12,028
Net operating result attributable to each council fund	26,393	7,765	12,028
Net operating result for the year before grants and contributions provided for capital purposes	(1,512)	1,902	4,052

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,165	1,038	807
Investments	64,647	58,446	45,407
Receivables	8,571	3,616	5,054
Inventories	886	504	46
Other	577	–	–
Non-current assets classified as 'held for sale'	4,900	–	–
Total current assets	80,746	63,604	51,314
Non-current assets			
Investments	56	–	–
Receivables	276	–	–
Infrastructure, property, plant and equipment	988,565	223,325	269,885
Total non-current assets	988,897	223,325	269,885
TOTAL ASSETS	1,069,643	286,929	321,199
LIABILITIES			
Current liabilities			
Payables	8,961	490	545
Income received in advance	456	364	19
Borrowings	1,658	–	2,769
Provisions	6,489	447	890
Total current liabilities	17,564	1,301	4,223
Non-current liabilities			
Payables	20	–	–
Borrowings	10,678	–	10,180
Provisions	3,914	31	67
Total non-current liabilities	14,612	31	10,247
TOTAL LIABILITIES	32,176	1,332	14,470
Net assets	1,037,467	285,597	306,729
EQUITY			
Accumulated surplus	466,429	93,927	160,589
Revaluation reserves	570,982	191,670	146,140
Other reserves	56	–	–
Council equity interest	1,037,467	285,597	306,729
Total equity	1,037,467	285,597	306,729

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	7,080	6.07%	6.07%	9.02%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	116,590				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	106,476	67.25%	63.46%	67.05%	>60.00%
Total continuing operating revenue ¹	158,334				
3. Unrestricted current ratio					
Current assets less all external restrictions	54,776	5.39x	4.53x	4.86x	>1.50x
Current liabilities less specific purpose liabilities	10,170				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	36,312	4.78x	6.18x	5.98x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,597				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,854	2.43%	2.17%	2.22%	<10.00%
Rates, annual and extra charges collectible	76,161				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	171,510	22.85 mths	22.07 mths	18.80 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	7,507				

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). Statement of performance measures – by fund

	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
\$ '000	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(1.10)%	(1.53)%	16.17%	20.36%	27.06%	23.05%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	64.64%	65.47%	74.35%	63.58%	71.77%	57.38%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	5.08x	3.82x	43.74x	27.46x	8.61x	7.49x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	7.59x	7.97x	3.69x	21.71x	3.47x	3.04x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	3.31%	2.99%	5.90%	9.22%	2.88%	3.33%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.93	11.07	63.85	79.78	43.68	41.36	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 24a above.

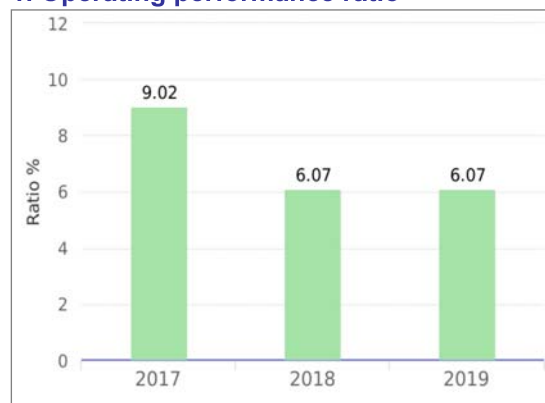
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 6.07%

Council's operating performance continues to be supported by an increase in rate income through the third year of the Investing in Our Future Special Rate Variation.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 67.25%

Council continues to exceed this industry benchmark with 67% of revenue generated through rates, charges and user fees.

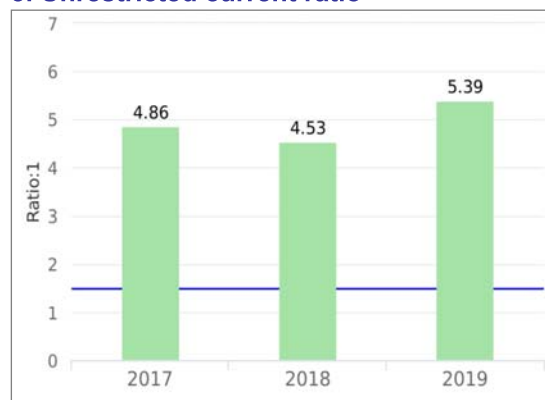
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.39x

Council continues to maintain a strong liquidity position with a healthy unrestricted current ratio. This means that Council can easily pay its financial obligations as they fall due.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.78x

Council continues to exceed this benchmark which is a result of adequate operating revenues to cover its loan repayments. Council did not take out any new loan borrowings during the reporting period.

Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 2.43%

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

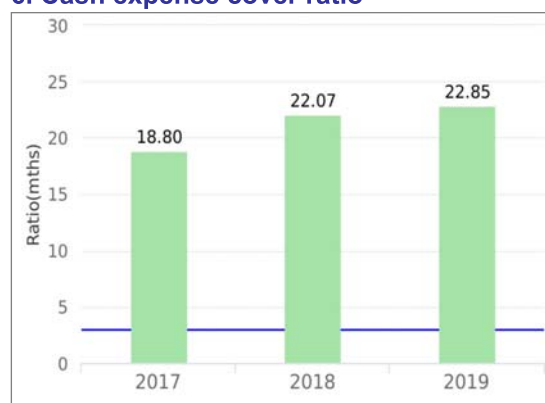
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 22.85 mths

This ratio is significantly higher than benchmark which reflects Council's strong liquidity position.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wingecarribee Shire Council

To the Councillors of the Wingecarribee Shire Council

Opinion

I have audited the accompanying financial statements of Wingecarribee Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

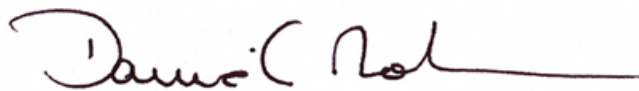
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY



Mr Duncan Gair
Mayor
Wingecarribee Shire Council
PO Box 141
MOSS VALE NSW 2577

Contact: David Nolan
Phone no: 9275 7377
Our ref: D1924917/1809

28 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Wingecarribee Shire Council**

I have audited the general purpose financial statements (GPFS) of the Wingecarribee Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.





SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

There have been no significant matters identified during the audit.

A significant matter would affect the ability of the Council to achieve its objectives and may require third party intervention or can arise from a fundamental systemic failure of governance practices and/or internal controls across the entity.

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	74.8	68.6	9.0 
Grants and contributions revenue	51.0	56.1	9.1 
Operating result for the year	46.2	51.9	11.0 
Net operating result before capital grants and contributions	4.4	3.7	18.9 

Council's operating result (\$46.2 million including the effect of depreciation and amortisation expense of \$28.0 million) was \$5.7 million lower than the 2017–18 result. The decrease from the previous period is mainly due to an expense for \$3.5 million associated with the creation of a remediation provision for the former Welby landfill site.

The net operating result before capital grants and contributions (\$4.4 million) was \$0.7 million higher than the 2017–18 result. A number of offsetting items contributed to the small increase and are explained below.

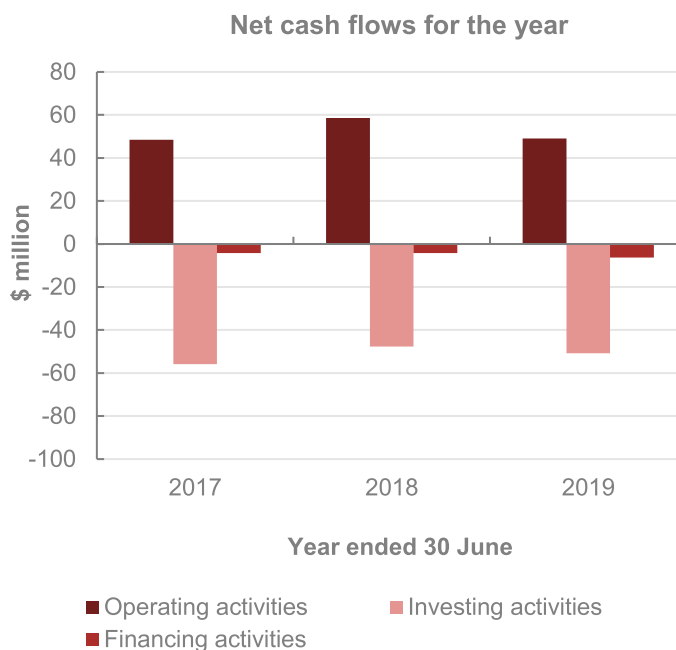
Rates and annual charges revenue (\$74.8 million) increased by \$6.2 million (9.0 per cent) in 2018–2019. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 9.25 per cent in 2018–19. The Special Rate Variation that became effective in 2016–17 and will end next year with a rates increase of 12.15% in 2019–20.

Grants and contributions revenue (\$51.0 million) decreased by \$5.1 million (9.1 per cent) in 2018–2019 due to:

- a decrease of \$13.3 million in developer cash contributions compared to 2017–18
- an increase \$7.2 million from non-cash contributions relating to subdivision dedications.

STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash decreased by \$8.1 million to \$3.0 million at the close of the year.
- Cash inflows from operating activities decreased from \$58.6 million in 2017–18 to \$49.0 million largely due to lower revenue from grants and contributions. The increase in cash outflow from investing activities came from the purchase of investment securities.
- Cash outflows from financing activities have increased due to the repayment of borrowings (\$6.4 million). No new debt was obtained during the year.



FINANCIAL POSITION

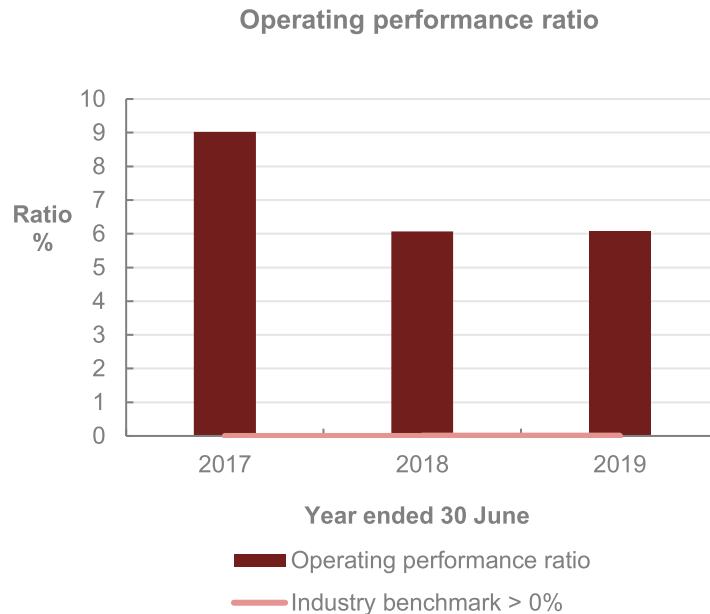
Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	131.5	120.0	<ul style="list-style-type: none"> External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds. Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	39.9	34.3	
Unrestricted	0.2	0.3	
Cash and investments	171.6	154.6	

PERFORMANCE

Operating performance ratio

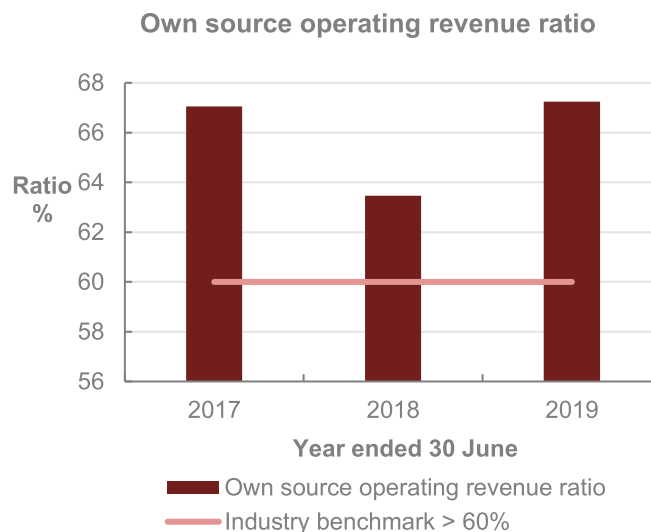
- Operating performance has remained stable from the previous year and Council continues to exceed the benchmark.
- The indicator ratio of 6.07 per cent remained constant with the previous year.
- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

- Council's own source operating revenue ratio of 67.3 per cent was above the industry benchmark.
- This indicator has increased from the previous year and indicates that Council is not overly reliant on grants and contributions.

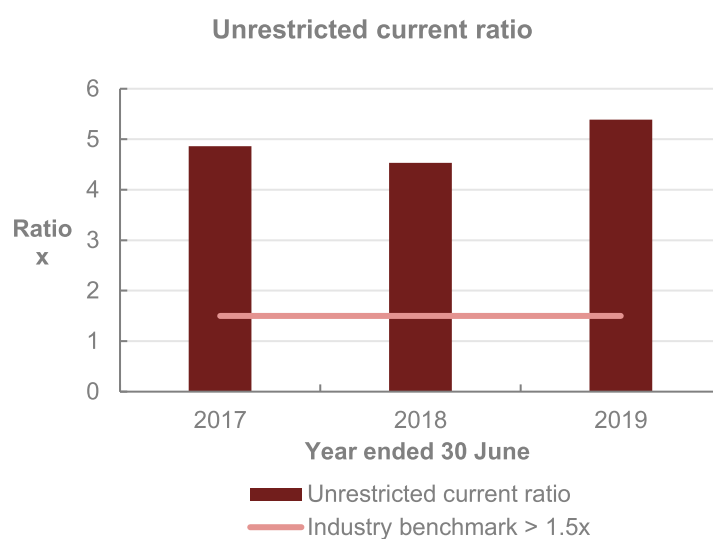
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio increased from 4.5 in the previous year to 5.4 at year end. The ratio exceeds the benchmark by over 3 times.
- Council continues to invest funds to align with planned timing of spending of externally restricted funds. This strategy positively impacts this ratio.

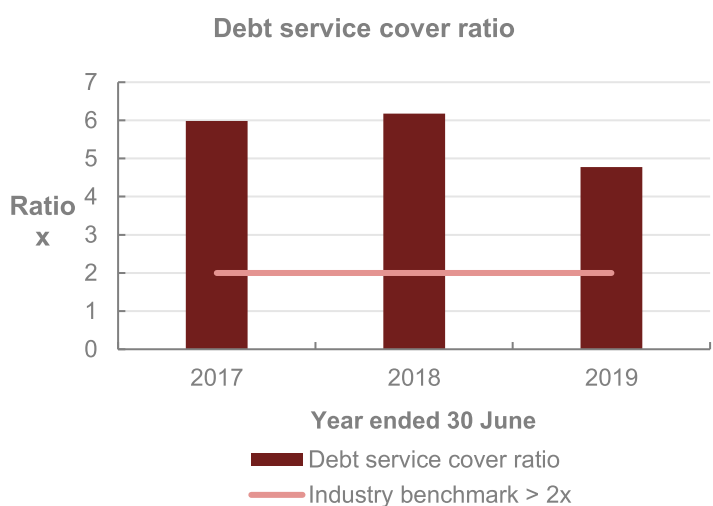
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

- The debt service cover ratio of 4.8 times exceeded the industry benchmark.
- Repayments of borrowings and advances of \$6.4m were made reducing the balance of loans outstanding to \$25.3 at year end.
- Council did not obtain any new borrowings during 2018–19.

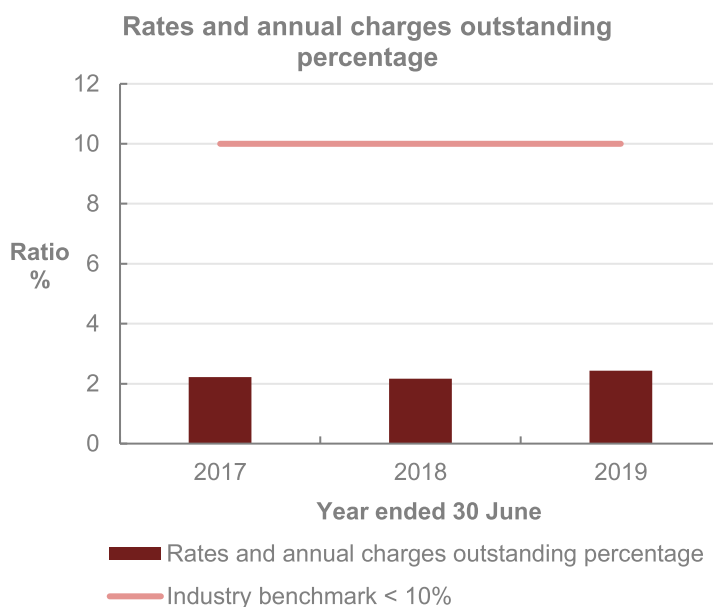
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

- Council's outstanding rates and charges ratio of 2.4 per cent was within the industry benchmark and remains relatively consistent year on year

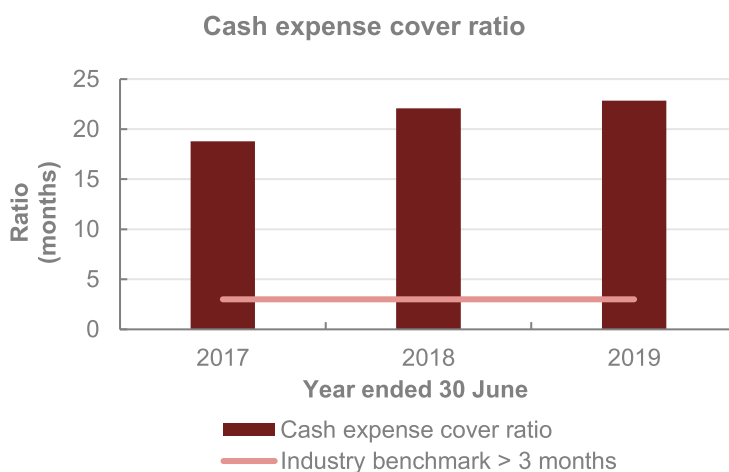
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

- Council continues to exceed the benchmark and has cash and term deposits to meet 22.8 months of expenses.

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



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$16.3 million compared to \$21.9 million in the previous year
- Renewals solely consisted of infrastructure assets and plant and equipment
- The level of asset renewals during the year (\$16.3 million) represented 58.2 per cent of the total depreciation expense (\$28.0 million) for the year.

OTHER MATTERS

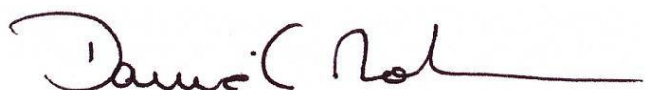
New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13(b).</p>

Legislative compliance

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

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



David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Ms Ann Prendergast, General Manager
Ms Jan Edwards, Chair of the Audit, Risk and Continuous Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Wingecarribee Shire Council

Special Purpose Financial Statements

For the year ended 30 June 2019



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Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Special Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 11 September 2019.



Clr Duncan Gair
Mayor
28 October 2019



Clr Garry Turland
Councillor
28 October 2019



Ann Prendergast
General Manager
28 October 2019



Richard Mooney
Responsible Accounting Officer
28 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	3,606	3,491
User charges	9,892	10,360
Fees	546	598
Interest	1,599	1,326
Other income	662	705
Total income from continuing operations	16,305	16,480
Expenses from continuing operations		
Employee benefits and on-costs	2,792	2,362
Borrowing costs	80	114
Materials and contracts	836	1,140
Depreciation, amortisation and impairment	5,241	5,034
Water purchase charges	1,398	1,399
Loss on sale of assets	734	332
Calculated taxation equivalents	215	218
Debt guarantee fee (if applicable)	–	56
Other expenses	3,322	3,076
Total expenses from continuing operations	14,618	13,731
Surplus (deficit) from continuing operations before capital amounts	1,687	2,749
Grants and contributions provided for capital purposes	5,863	9,439
Surplus (deficit) from continuing operations after capital amounts	7,550	12,188
Surplus (deficit) from all operations before tax	7,550	12,188
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(464)	(756)
SURPLUS (DEFICIT) AFTER TAX	7,086	11,432
Plus accumulated surplus	86,162	73,700
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	215	218
– Debt guarantee fees	–	56
– Corporate taxation equivalent	464	756
Closing accumulated surplus	93,927	86,162
Return on capital %	0.8%	1.3%
Subsidy from Council	1,181	2,925
Calculation of dividend payable:		
Surplus (deficit) after tax	7,086	11,432
Less: capital grants and contributions (excluding developer contributions)	(5,863)	(2,268)
Surplus for dividend calculation purposes	1,223	9,164
Potential dividend calculated from surplus	612	4,582

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	16,412	15,498
User charges	1,152	1,340
Liquid trade waste charges	7	4
Fees	435	350
Interest	1,206	996
Other income	503	582
Total income from continuing operations	19,715	18,770
Expenses from continuing operations		
Employee benefits and on-costs	3,459	3,428
Borrowing costs	566	753
Materials and contracts	1,598	1,871
Depreciation, amortisation and impairment	5,598	5,312
Loss on sale of assets	1,282	772
Calculated taxation equivalents	237	238
Debt guarantee fee (if applicable)	172	438
Other expenses	3,160	3,080
Total expenses from continuing operations	16,072	15,892
Surplus (deficit) from continuing operations before capital amounts	3,643	2,878
Grants and contributions provided for capital purposes	7,976	13,939
Surplus (deficit) from continuing operations after capital amounts	11,619	16,817
Surplus (deficit) from all operations before tax	11,619	16,817
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,002)	(791)
SURPLUS (DEFICIT) AFTER TAX	10,617	16,026
Plus accumulated surplus	148,561	131,068
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	237	238
– Debt guarantee fees	172	438
– Corporate taxation equivalent	1,002	791
Closing accumulated surplus	160,589	148,561
Return on capital %	1.6%	1.4%
Subsidy from Council	–	3,315
Calculation of dividend payable:		
Surplus (deficit) after tax	10,617	16,026
Less: capital grants and contributions (excluding developer contributions)	(7,976)	(6,865)
Surplus for dividend calculation purposes	2,641	9,161
Potential dividend calculated from surplus	1,321	4,580

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,038	3,889
Investments	58,446	51,662
Receivables	3,616	3,429
Inventories	504	496
Total current assets	63,604	59,476
Non-current assets		
Infrastructure, property, plant and equipment	223,325	220,066
Total non-current assets	223,325	220,066
TOTAL ASSETS	286,929	279,542
LIABILITIES		
Current liabilities		
Payables	490	952
Income received in advance	364	310
Borrowings	–	280
Provisions	447	392
Total current liabilities	1,301	1,934
Non-current liabilities		
Borrowings	–	1,738
Provisions	31	26
Total non-current liabilities	31	1,764
TOTAL LIABILITIES	1,332	3,698
NET ASSETS	285,597	275,844
EQUITY		
Accumulated surplus	93,927	86,162
Revaluation reserves	191,670	189,682
<u>TOTAL EQUITY</u>	<u>285,597</u>	<u>275,844</u>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	807	2,795
Investments	45,407	37,129
Receivables	5,054	4,526
Inventories	46	48
Total current assets	51,314	44,498
Non-current assets		
Infrastructure, property, plant and equipment	269,885	264,093
Total non-current assets	269,885	264,093
TOTAL ASSETS	321,199	308,591
LIABILITIES		
Current liabilities		
Payables	545	860
Income received in advance	19	37
Borrowings	2,769	2,620
Provisions	890	805
Total current liabilities	4,223	4,322
Non-current liabilities		
Borrowings	10,180	13,067
Provisions	67	59
Total non-current liabilities	10,247	13,126
TOTAL LIABILITIES	14,470	17,448
NET ASSETS	306,729	291,143
EQUITY		
Accumulated surplus	160,589	148,561
Revaluation reserves	146,140	142,582
TOTAL EQUITY	306,729	291,143

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Wingecarribee Shire Council Water Fund

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

b. Wingecarribee Shire Council Sewerage Fund

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

Category 2

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

Nil

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

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

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved.

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Wingecarribee Shire Council

To the Councillors of the Wingecarribee Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wingecarribee Shire Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

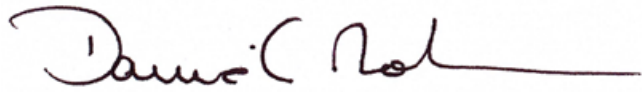
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Wingecarribee Shire Council

Special Schedules

For the year ended 30 June 2019



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Special Schedules
for the year ended 30 June 2019

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Permissible income for general rates

for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	46,002	41,492
Plus or minus adjustments ²	b	878	470
Notional general income	$c = a + b$	46,880	41,962
Permissible income calculation			
Special variation percentage ³	d	12.15%	9.25%
Less expiring special variation amount	g	(1,426)	—
Plus special variation amount	$h = d \times (c + g)$	5,523	3,881
Sub-total	$k = (c + g + h + i + j)$	50,977	45,843
Plus (or minus) last year's carry forward total	l	1	81
Less valuation objections claimed in the previous year	m	(79)	—
Sub-total	$n = (l + m)$	(78)	81
Total permissible income	$o = k + n$	50,899	45,924
Less notional general income yield	p	50,857	46,002
Catch-up or (excess) result	$q = o - p$	42	(78)
Plus income lost due to valuation objections claimed ⁴	r	—	79
Less unused catch-up ⁵	s	(7)	—
Carry forward to next year ⁶	$t = q + r + s$	35	1

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Wingecarribee Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

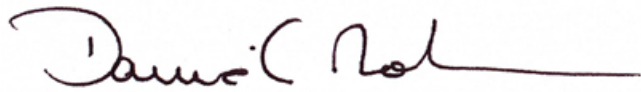
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal flourish extending to the right.

David Nolan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Report on Infrastructure Assets as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard		Estimated cost to bring assets to agreed level of service set by Council		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
										1	2	3	4	5	
(a) Report on Infrastructure Assets - Values															
Buildings	Buildings – non-specialised	15	15	15	26	23	23	949	1,346	2.0%	21.0%	72.0%	5.0%	0.0%	
	Buildings – specialised	995	995	995	2,407	2,277	2,277	83,301	121,004	39.0%	30.0%	27.0%	4.0%	0.0%	
	Sub-total	1,010	1,010	1,010	2,433	2,300	2,300	84,250	122,350	38.6%	29.9%	27.5%	4.0%	0.0%	
Other structures	Other structures	79	79	79	103	47	47	3,445	5,533	32.0%	27.0%	34.0%	7.0%	0.0%	
	Sub-total	79	79	79	103	47	47	3,445	5,533	32.0%	27.0%	34.0%	7.0%	0.0%	
Roads	Sealed roads	1,717	1,717	1,717	4,865	5,197	5,197	245,246	388,244	46.0%	48.0%	4.0%	1.0%	1.0%	
	Unsealed roads	221	221	221	1,618	1,615	1,615	48,012	109,572	2.0%	60.0%	37.0%	1.0%	0.0%	
	Bridges	510	510	510	30	32	32	11,040	20,832	86.0%	3.0%	1.0%	10.0%	0.0%	
	Footpaths	251	251	251	352	358	358	21,302	38,499	51.0%	23.0%	24.0%	2.0%	0.0%	
	Other road assets	200	200	200	838	876	876	33,161	68,961	28.0%	12.0%	59.0%	1.0%	0.0%	
	Bulk earthworks	446	446	446	–	–	–	219,655	219,655	0.0%	17.0%	43.0%	40.0%	0.0%	
	Sub-total	3,345	3,345	3,345	7,703	8,078	8,078	578,416	845,763	28.1%	36.3%	23.7%	11.4%	0.5%	
Water supply network	Water supply network	2,856	2,856	2,856	1,907	1,375	1,375	207,867	371,421	67.0%	17.9%	12.9%	1.0%	1.2%	
	Sub-total	2,856	2,856	2,856	1,907	1,375	1,375	207,867	371,421	67.0%	17.9%	12.9%	1.0%	1.2%	
Sewerage network	Sewerage network	5,871	5,871	5,871	2,296	1,486	1,486	253,795	368,607	70.8%	21.2%	4.1%	1.1%	2.8%	
	Sub-total	5,871	5,871	5,871	2,296	1,486	1,486	253,795	368,607	70.8%	21.2%	4.1%	1.1%	2.8%	
Stormwater drainage	Stormwater drainage	5,640	5,640	5,640	666	694	694	105,118	141,075	33.0%	33.0%	30.0%	1.0%	3.0%	
	Sub-total	5,640	5,640	5,640	666	694	694	105,118	141,075	33.0%	33.0%	30.0%	1.0%	3.0%	
Open space / recreational assets	Swimming pools	22	22	22	645	699	699	14,893	18,047	77.0%	4.0%	18.0%	1.0%	0.0%	
	Other	542	542	542	1,853	2,576	2,576	9,044	18,613	21.0%	34.0%	32.0%	12.0%	1.0%	
	Sub-total	564	564	564	2,498	3,275	3,275	23,937	36,660	48.6%	19.2%	25.1%	6.6%	0.5%	
TOTAL - ALL ASSETS		19,365	19,365	19,365	17,606	17,255	17,255	1,256,828	1,891,409	45.5%	28.7%	18.5%	6.0%	1.3%	

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

Report on Infrastructure Assets - Values (continued)
as at 30 June 2019

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	10,734	42.19%	63.97%	60.94%	>=100.00%
Depreciation, amortisation and impairment	25,443				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	19,365	1.54%	1.62%	2.12%	<2.00%
Net carrying amount of infrastructure assets	1,256,828				
Asset maintenance ratio					
Actual asset maintenance	17,255	98.01%	85.65%	105.72%	>100.00%
Required asset maintenance	17,606				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	19,365	1.02%	1.08%	1.15%	
Gross replacement cost	1,891,409				

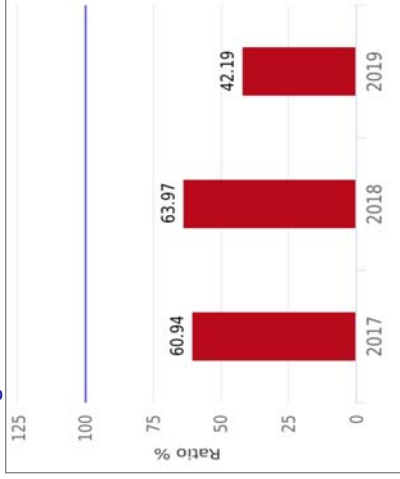
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued) as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



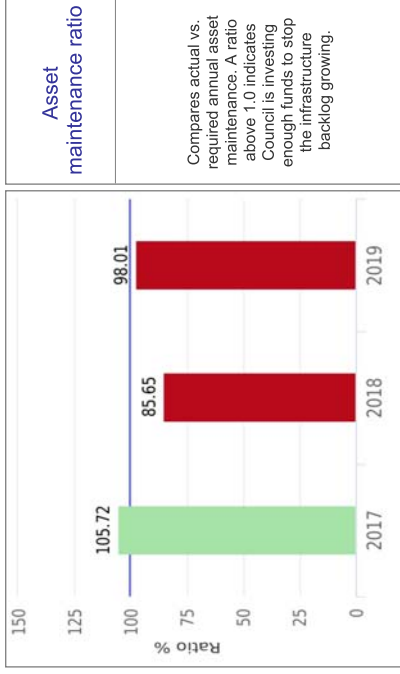
Benchmark: — >= 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Infrastructure renewals ratio	Commentary on result
	18/19 ratio 42.19%
	The decrease is attributed to a number of renewal projects still being in progress. This ratio is expected to improve in the coming years with the completion of works in progress and the continued implementation of the Special Rate Variation.

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	18/19 ratio 42.19%
	The decrease is attributed to a number of renewal projects still being in progress. This ratio is expected to improve in the coming years with the completion of works in progress and the continued implementation of the Special Rate Variation.



Benchmark: — > 100.00%

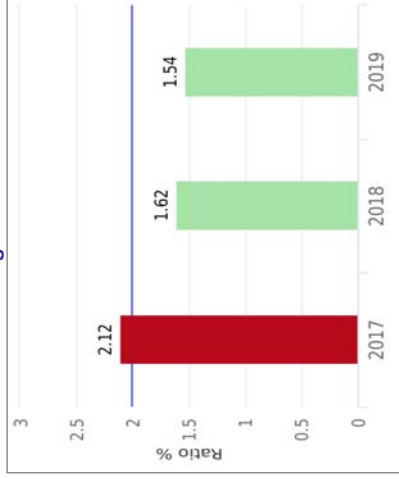
Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Asset maintenance ratio	Commentary on result
	18/19 ratio 98.01%
	The ratio has improved in conjunction with the implementation of the Special Rate Variation. The ratio was distorted in 2017 due to major repair works as a result of the June 2016 East Coast Low storm event.

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	18/19 ratio 98.01%
	The ratio has improved in conjunction with the implementation of the Special Rate Variation. The ratio was distorted in 2017 due to major repair works as a result of the June 2016 East Coast Low storm event.

Infrastructure backlog ratio ¹



Benchmark: — < 2.00%

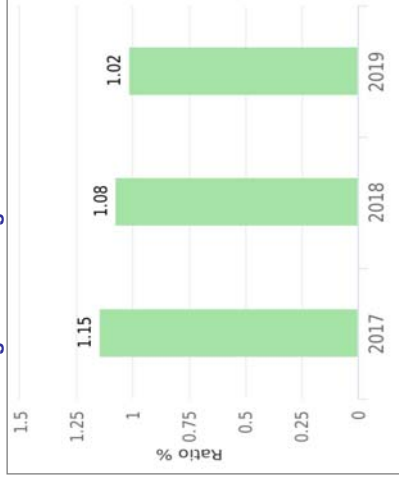
Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Infrastructure backlog ratio	Commentary on result
	18/19 ratio 1.54%
	The ratio has continued to improve with the completion of renewal projects aimed at clearing the backlog. Council expects that this ratio will continue to improve with the continued implementation of the Special Rate Variation.

Infrastructure backlog ratio	Commentary on result
	18/19 ratio 1.54%
	The ratio has continued to improve with the completion of renewal projects aimed at clearing the backlog. Council expects that this ratio will continue to improve with the continued implementation of the Special Rate Variation.

Cost to bring assets to agreed service level



Benchmark: —

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Cost to bring assets to agreed service level	Commentary on result
	18/19 ratio 1.02%
	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.

Cost to bring assets to agreed service level	Commentary on result
	18/19 ratio 1.02%
	This ratio has improved as a result of completing renewal projects. Council expects that this ratio will continue to improve with the continued implementation of the Special Rate Variation.

(1) Excludes Work In Progress (WIP)

Report on Infrastructure Assets (continued) as at 30 June 2019

	General fund		Water fund		Sewer fund		Benchmark
\$ '000	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	43.11%	82.06%	39.45%	47.07%	42.18%	27.11%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	1.34%	1.38%	1.37%	1.35%	2.31%	2.60%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	107.39%	90.59%	72.10%	68.95%	64.72%	68.29%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.92%	0.96%	0.77%	0.76%	1.59%	1.81%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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