

Wingecarribee Shire Council

# General Purpose Financial Statements

For the year ended 30 June 2018



[www.wsc.nsw.gov.au](http://www.wsc.nsw.gov.au)



# Wingecarribee Shire Council

## General Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Chief Financial Officer's Report</b>	4
<b>4. Primary Financial Statements:</b>	
– Income Statement	6
– Statement of Comprehensive Income	7
– Statement of Financial Position	8
– Statement of Changes in Equity	9
– Statement of Cash Flows	10
<b>5. Notes to the Financial Statements</b>	11
<b>6. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	
– On the Conduct of the Audit (Sect 417 [3])	

---

### Overview

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

68 Elizabeth Street  
Moss Vale NSW 2577

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

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

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

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

## Wingecarribee Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2018

## Understanding Council's financial statements

---

### Introduction

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

### What you will find in the statements

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

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

#### 4. The Statement of Changes in Equity

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

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

### Who uses the financial statements?

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

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

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

## Wingecarribee Shire Council

### General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

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



Clr Duncan Gair  
**Mayor**  
28 September 2018



Clr Peter Nelson  
**Councillor**  
28 September 2018



Ann Prendergast  
**General Manager**  
28 September 2018



Richard Mooney  
**Responsible Accounting Officer**  
28 September 2018

## **Chief Financial Officer's Report**

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

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

### **Significant Changes to Accounting and Reporting Environment**

#### *Changes to Accounting Standards*

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

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

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

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

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

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

### **Operating Result**

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

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

#### *Net Operating Result (Including Capital Items)*

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

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

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

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

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

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

#### *Net Operating Result (Before Capital Items)*

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

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

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

#### *Investing in our Future Special Rate Variation*

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

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

## **Balance Sheet**

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

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

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

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

## **Performance Measures**

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

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

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

Richard Mooney  
**Chief Financial Officer**

## Wingecarribee Shire Council

## Income Statement

for the year ended 30 June 2018

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

## Wingecarribee Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

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

## Wingecarribee Shire Council

Statement of Financial Position  
as at 30 June 2018

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

## Wingecarribee Shire Council

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

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

## Wingecarribee Shire Council

## Statement of Cash Flows

for the year ended 30 June 2018

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

# Wingecarribee Shire Council

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

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	12
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	16
3	Income from continuing operations	17
4	Expenses from continuing operations	24
5	Gains or losses from the disposal of assets	28
6(a)	Cash and cash equivalent assets	28
6(b)	Investments	29
6(c)	Restricted cash, cash equivalents and investments – details	30
7	Receivables	32
8	Inventories and other assets	34
9	Non-current assets classified as held for sale (and disposal groups)	36
10	Infrastructure, property, plant and equipment	37
11	Payables and borrowings	40
12	Provisions	43
13	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	45
14	Statement of cash flows – additional information	46
15	Commitments for expenditure	47
16	Contingencies and other liabilities/assets not recognised	48
17	Financial risk management	51
18	Material budget variations	55
19	Fair value measurement	57
20	Related party transactions	70
21	Statement of developer contributions	73
22	Financial result and financial position by fund	76
23(a)	Statement of performance measures – consolidated results	78
23(b)	Statement of performance measures – by fund	79
	<b>Additional council disclosures (unaudited)</b>	
23(c)	Statement of performance measures – consolidated results (graphs)	81

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

---

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

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

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

##### **Basis of preparation**

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

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

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

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

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

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

and are clearly marked.

##### **(a) New and amended standards adopted by Council**

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

##### **(b) Historical cost convention**

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

##### **(c) Significant accounting estimates and judgements**

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

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

##### ***Critical accounting estimates and assumptions***

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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

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

#### **Significant judgements in applying the Council's accounting policies**

- (iii) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

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

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

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

##### **(b) The Trust Fund**

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

#### **Goods and Services Tax (GST)**

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

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

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

#### **New accounting standards and interpretations issued not yet effective**

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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

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

- AASB 9 *Financial Instruments*

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

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

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

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

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

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

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

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

- AASB 16 *Leases*

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

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

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

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

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

## Wingecarribee Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

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

## Wingecarribee Shire Council

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

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

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

##### **Leadership**

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

##### **People**

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

##### **Places**

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

##### **Environment**

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

##### **Economy**

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

## Wingecarribee Shire Council

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

#### Note 3. Income from continuing operations

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

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

#### Accounting policy for rates and annual charges

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

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

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

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

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

## Wingecarribee Shire Council

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

## Note 3. Income from continuing operations (continued)

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

**Accounting policy for user charges and fees**

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

## Wingecarribee Shire Council

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

## Note 3. Income from continuing operations (continued)

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

**Accounting policy for interest and investment revenue**

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

## Wingecarribee Shire Council

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

#### Note 3. Income from continuing operations (continued)

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

#### Accounting policy for other revenue

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

Parking fines are recognised when the penalty has been applied.

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

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

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

## Wingecarribee Shire Council

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

## Note 3. Income from continuing operations (continued)

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

## Wingecarribee Shire Council

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

## Note 3. Income from continuing operations (continued)

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

**Accounting policy for contributions**

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

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

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

## Wingecarribee Shire Council

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

## Note 3. Income from continuing operations (continued)

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

## Wingecarribee Shire Council

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

## Note 4. Expenses from continuing operations

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

**Accounting policy for employee benefits and on-costs**

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

**Retirement benefit obligations**

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

**Superannuation plans**

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

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

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

**Accounting policy for borrowing costs**

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

## Wingecarribee Shire Council

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

## Note 4. Expenses from continuing operations (continued)

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

**Operating leases**

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

**1. Operating lease payments are attributable to:**

Computers	171	183
	<b>171</b>	<b>183</b>

**2. Auditor remuneration**

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

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

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

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

Due diligence services	47	41
<b>Remuneration for audit and other assurance services</b>	<b>47</b>	<b>41</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>47</b>	<b>41</b>

<b>Total Auditor remuneration</b>	<b>142</b>	<b>135</b>
-----------------------------------	------------	------------

## Wingecarribee Shire Council

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

## Note 4. Expenses from continuing operations (continued)

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

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

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

**Impairment of non-financial assets**

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

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

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

## Wingecarribee Shire Council

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

#### Note 4. Expenses from continuing operations (continued)

##### (d) Depreciation, amortisation and impairment (continued)

##### Impairment of financial assets

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

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

##### Accounting policy for other expenses

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

## Wingecarribee Shire Council

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

## Note 5. Gains or losses from the disposal of assets

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

**Accounting policy for disposal of assets**

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

## Note 6(a). Cash and cash equivalent assets

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

**Accounting policy for cash and cash equivalents**

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

## Wingecarribee Shire Council

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

#### Note 6(b). Investments

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

#### Accounting policy for investments

##### Classification

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

##### Held to maturity investments

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

##### Recognition and de-recognition

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

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

##### Impairment of available for sale investments

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

## Wingecarribee Shire Council

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

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

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

\$ '000	2018	2017
---------	------	------

## Details of restrictions

**External restrictions – other**

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

## Wingecarribee Shire Council

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

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

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

## Wingecarribee Shire Council

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

## Note 7. Receivables

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

---

##### Accounting policy for receivables

###### Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

###### Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Wingecarribee Shire Council

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

## Note 8. Inventories and other assets

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

## Wingecarribee Shire Council

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

## Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Residential		135	–	50	–
<b>Total real estate for resale</b>		<b>135</b>	<b>–</b>	<b>50</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		50	–	–	–
Development costs		85	–	–	–
Other properties – book value		–	–	50	–
<b>Total costs</b>		<b>135</b>	<b>–</b>	<b>50</b>	<b>–</b>
<b>Total real estate for resale</b>		<b>135</b>	<b>–</b>	<b>50</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		50	–	–	–
– Purchases and other costs		85	–	–	–
– Transfers in from (out to) Note 10		–	–	50	–
<b>Total real estate for resale</b>		<b>135</b>	<b>–</b>	<b>50</b>	<b>–</b>

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

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

**Inventory held for distribution**

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

**Land held for resale/capitalisation of borrowing costs**

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

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

## Wingecarribee Shire Council

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

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

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

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

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

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

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

## Wingecarribee Shire Council

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

## Note 10. Infrastructure, property, plant and equipment

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

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 100	Playground equipment	20
Office furniture	10 to 50	Outdoor furniture	20 to 25
Computer equipment	4	Sports surfaces	10 to 80
Vehicles	5 to 8	Fences/gates	25 to 60
Heavy plant/road making equipment	5 to 8		
Other plant and equipment	5 to 15	<b>Buildings</b>	
		Structure	40 to 150
		Roof	40 to 80
		Internal finishes	10 to 40
		Building services	25 to 50
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
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		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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	<b>Other Assets</b>	
Culverts	100	Library books	5

## Wingecarribee Shire Council

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

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

---

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

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

##### **Land under roads**

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

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

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

##### **Crown reserves**

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

##### **Rural Fire Service assets**

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

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

## Wingecarribee Shire Council

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

## Note 11. Payables and borrowings

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

## (a) Payables and borrowings relating to restricted assets

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

<sup>1</sup>. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

## Wingecarribee Shire Council

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

## Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
---------	------	------

**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	2,066	1,863
	<b>2,066</b>	<b>1,863</b>

**(c) Changes in liabilities arising from financing activities**

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

\$ '000	2018	2017
---------	------	------

**(d) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

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

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Payables and borrowings (continued)

---

##### Accounting policy for payables and borrowings

###### Payables

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

###### Borrowings

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

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

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

###### Finance leases

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

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

## Wingecarribee Shire Council

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

## Note 12. Provisions

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

**(a) Provisions relating to restricted assets**

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

\$ '000	2018	2017
---------	------	------

**(b) Current provisions not anticipated to be settled within the next twelve months**

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

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

## Wingecarribee Shire Council

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

## Note 12. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

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

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

**Accounting policy for provisions**

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

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

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

## Wingecarribee Shire Council

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

#### Note 12. Provisions (continued)

---

##### Employee benefits

###### Short-term obligations

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

###### Other long-term employee benefit obligations

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

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

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

###### Self-insurance

Council does not self-insure.

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

---

##### Nature and purpose of reserves

###### Infrastructure, property, plant and equipment revaluation reserve

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

## Wingecarribee Shire Council

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

## Note 14. Statement of cash flows – additional information

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

## Wingecarribee Shire Council

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

## Note 15. Commitments for expenditure

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

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

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

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

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

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

**Conditions relating to operating leases:**

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

## Wingecarribee Shire Council

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

#### Note 16. Contingencies and other liabilities/assets not recognised

---

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

##### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

##### **(i) Defined benefit superannuation contribution plans**

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

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

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

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

##### **(ii) Statewide Limited**

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

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

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

##### **(iii) StateCover Limited**

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

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

## Wingecarribee Shire Council

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

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

---

##### **LIABILITIES NOT RECOGNISED (continued):**

##### **1. Guarantees (continued)**

##### **(iii) StateCover Limited (continued)**

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

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

##### **(iv) Other guarantees**

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

##### **2. Other liabilities**

##### **(i) Third party claims**

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

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

##### **(ii) Landfill Remediation**

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

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

##### **ASSETS NOT RECOGNISED:**

##### **(i) Land under roads**

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

## Wingecarribee Shire Council

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

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

---

##### **ASSETS NOT RECOGNISED** (continued):

##### **(ii) Infringement notices/fines**

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

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

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

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

## Wingecarribee Shire Council

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

#### Note 17. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

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

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity** investments – are based upon estimated future cash flows discounted by the current market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

## Wingecarribee Shire Council

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

#### Note 17. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

## Wingecarribee Shire Council

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

#### Note 17. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	83%	0%	88%
Overdue	100%	17%	100%	12%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

##### (ii) Ageing of receivables – value

	2018	2017
<b>Rates and annual charges</b>		
< 1 year overdue	758	655
1 – 2 years overdue	186	188
2 – 5 years overdue	146	163
> 5 years overdue	105	84
	<b>1,195</b>	<b>1,090</b>
<b>Other receivables</b>		
Current	12,107	11,850
0 – 30 days overdue	55	529
31 – 60 days overdue	608	9
61 – 90 days overdue	786	677
> 91 days overdue	985	901
	<b>14,541</b>	<b>13,966</b>

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	2,583	7,523	-	-	10,106	<b>10,106</b>
Loans and advances	4.00%	-	5,706	18,094	13,903	37,703	<b>31,619</b>
<b>Total financial liabilities</b>		<b>2,583</b>	<b>13,229</b>	<b>18,094</b>	<b>13,903</b>	<b>47,809</b>	<b>41,725</b>
<b>2017</b>							
Trade/other payables	0.00%	2,329	7,501	-	-	9,830	<b>9,830</b>
Loans and advances	4.60%	-	5,786	20,487	19,288	45,561	<b>35,766</b>
<b>Total financial liabilities</b>		<b>2,329</b>	<b>13,287</b>	<b>20,487</b>	<b>19,288</b>	<b>55,391</b>	<b>45,596</b>

## Wingecarribee Shire Council

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

#### Note 18. Material budget variations

\$ '000

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

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

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

**Note that for variations\* of budget to actual :**

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

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

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

## Wingecarribee Shire Council

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

## Note 18. Material budget variations (continued)

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

## Wingecarribee Shire Council

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

#### Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
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
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>1,456,321</b>	<b>1,456,321</b>

## Wingecarribee Shire Council

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

## Note 19. Fair value measurement (continued)

\$ '000

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

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

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

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

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

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

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

##### Financial assets

##### Investments – Held to Maturity

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

---

##### Infrastructure, property, plant and equipment

##### Property, Plant & Equipment, Furniture & Fittings

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

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

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

The unobservable Level 3 inputs used include:

- Pattern of consumption

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

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

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

#### **Operational Land**

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

Council obtains its fair values for operational land from an external valuer every 5 years (last valuation being 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.

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

Community land:

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

In relation to community land the Office of Local Government has reviewed its 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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

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

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

The unobservable Level 3 inputs used include:

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

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

#### **Other Structures**

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

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

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

The unobservable Level 3 inputs used include:

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

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

##### **Roads, Bridges & Footpaths**

This asset class comprises:

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

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

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

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

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

The unobservable Level 3 inputs used include:

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

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

##### **Stormwater Drainage**

Council's drainage assets comprise:

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

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

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

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

The unobservable Level 3 inputs used include:

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

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

##### **Water Supply Network**

Council's water supply network comprises:

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

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

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

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

The unobservable Level 3 inputs used include:

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

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

##### **Sewerage Supply Network**

Assets within this class comprise:

- Treatment works

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

---

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

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

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

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

The unobservable Level 3 inputs used include:

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

There has been no change to the valuation 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.

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

The unobservable Level 3 inputs used include:

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

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

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

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

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

#### I,PP&E

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

## Wingecarribee Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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

#### (5). Highest and best use

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

## Wingecarribee Shire Council

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

#### Note 20. Related party transactions

---

\$ '000

---

##### a. Key management personnel

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

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

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

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

## Wingecarribee Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Related party transactions (continued)

**b. Other transactions with KMP and their related parties**

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

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

## Wingecarribee Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Related party transactions (continued)

---

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

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

## Wingecarribee Shire Council

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

## Note 21. Statement of developer contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,723	1,597	–	92	(91)	–	4,321	–
Community facilities	304	88	–	4	–	–	396	–
Open Space & Community Facilities	4,144	1,135	–	126	(3)	–	5,402	–
Administration	177	287	–	2	(6)	–	460	–
Resource Recovery Centre	1	141	–	–	(141)	–	1	–
CF Library Loan	157	246	–	13	–	–	416	–
Administration (MVEC)	1	–	–	–	–	–	1	–
Future Works (MVEC)	67	20	–	2	–	–	89	–
Land Acquisition (MVEC)	4	–	–	–	–	–	4	–
<b>S7.11 contributions – under a plan</b>	<b>7,578</b>	<b>3,514</b>	<b>–</b>	<b>239</b>	<b>(241)</b>	<b>–</b>	<b>11,090</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>211</b>	<b>148</b>	<b>–</b>	<b>8</b>	<b>(16)</b>	<b>–</b>	<b>351</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>7,789</b>	<b>3,662</b>	<b>–</b>	<b>247</b>	<b>(257)</b>	<b>–</b>	<b>11,441</b>	<b>–</b>
S7.11 not under plans	1,394	–	–	38	–	–	1,432	–
S94 not under plans (VPA)	3,081	519	–	82	(519)	–	3,163	–
S64 Contributions Water	10,612	7,171	–	377	(1,040)	–	17,120	–
S64 Contributions Sewer	7,896	7,074	–	311	(558)	–	14,723	–
S64 Stormwater	2,662	1,059	–	92	(31)	–	3,782	–
<b>Total contributions</b>	<b>33,434</b>	<b>19,485</b>	<b>–</b>	<b>1,147</b>	<b>(2,405)</b>	<b>–</b>	<b>51,661</b>	<b>–</b>

## Wingecarribee Shire Council

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

## Note 21. Statement of developer contributions (continued)

\$ '000

**S7.11 CONTRIBUTIONS – UNDER A PLAN**  
CONTRIBUTION PLAN 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2,723	1,597	–	92	(91)	–	4,321	
Community facilities	304	88	–	4	–	–	396	
Open Space & Community Facilities	4,144	1,135	–	126	(3)	–	5,402	
Administration	177	287	–	2	(6)	–	460	
Resource Recovery Centre	1	141	–	–	(141)	–	1	
CF Library Loan	157	246	–	13	–	–	416	
<b>Total</b>	<b>7,506</b>	<b>3,494</b>	<b>–</b>	<b>237</b>	<b>(241)</b>	<b>–</b>	<b>10,996</b>	<b>–</b>

**S94 CONTRIBUTIONS - UNDER A PLAN (MVEC)**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration (MVEC)	1	–	–	–	–	–	1	
Future Works (MVEC)	67	20	–	2	–	–	89	
Land Acquisition (MVEC)	4	–	–	–	–	–	4	
<b>Total</b>	<b>72</b>	<b>20</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>94</b>	<b>–</b>

**S7.12 LEVIES – UNDER A PLAN**

## S94A Plan

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A	211	148	–	8	(16)	–	351	
<b>Total</b>	<b>211</b>	<b>148</b>	<b>–</b>	<b>8</b>	<b>(16)</b>	<b>–</b>	<b>351</b>	<b>–</b>

## Wingecarribee Shire Council

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

## Note 21. Statement of developer contributions (continued)

\$ '000

**S7.11 CONTRIBUTIONS – NOT UNDER A PLAN**

## S94 not under Plans (VPA)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	19	155	–	–	(155)	–	19	
Roads	465	364	–	13	(364)	–	478	
Open space	–	–	–	1	–	–	1	
Community facilities	85	–	–	2	–	–	87	
Sewer	1,163	–	–	30	–	–	1,193	
Water	794	–	–	20	–	–	814	
RRC	83	–	–	2	–	–	85	
ASH	11	–	–	–	–	–	11	
Administration	424	–	–	13	–	–	437	
Management Contribution	37	–	–	1	–	–	38	
<b>Total</b>	<b>3,081</b>	<b>519</b>	<b>–</b>	<b>82</b>	<b>(519)</b>	<b>–</b>	<b>3,163</b>	<b>–</b>

## S94 not under Plans Parking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	1,394	–	–	38	–	–	1,432	
<b>Total</b>	<b>1,394</b>	<b>–</b>	<b>–</b>	<b>38</b>	<b>–</b>	<b>–</b>	<b>1,432</b>	<b>–</b>

## Wingecarribee Shire Council

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

## Note 22. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	3,301	15,328	49,045
User charges and fees	10,958	1,694	10,421
Interest and investment revenue	1,326	996	1,468
Other revenues	705	582	3,399
Grants and contributions provided for operating purposes	190	170	8,575
Grants and contributions provided for capital purposes	9,439	13,939	24,807
<b>Total income from continuing operations</b>	<b>25,919</b>	<b>32,709</b>	<b>97,715</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	2,362	3,428	27,589
Borrowing costs	114	753	714
Materials and contracts	1,140	1,871	21,103
Depreciation and amortisation	5,034	5,312	17,201
Other expenses	4,475	3,080	7,416
Net losses from the disposal of assets	332	772	1,791
<b>Total expenses from continuing operations</b>	<b>13,457</b>	<b>15,216</b>	<b>75,814</b>
<b>Operating result from continuing operations</b>	<b>12,462</b>	<b>17,493</b>	<b>21,901</b>
 <b>Net operating result attributable to each council fund</b>	 <b>12,462</b>	 <b>17,493</b>	 <b>21,901</b>
 <b>Net operating result for the year before grants and contributions provided for capital purposes</b>	 <b>3,023</b>	 <b>3,554</b>	 <b>(2,906)</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

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

## Wingecarribee Shire Council

## Notes to the Financial Statements

as at 30 June 2018

## Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	3,889	2,795	4,449
Investments	51,662	37,129	54,709
Receivables	3,429	4,526	7,520
Inventories	496	48	641
Other	–	–	416
<b>Total current assets</b>	<b>59,476</b>	<b>44,498</b>	<b>67,735</b>
<b>Non-current assets</b>			
Receivables	–	–	253
Infrastructure, property, plant and equipment	220,066	264,093	972,162
<b>Total non-current assets</b>	<b>220,066</b>	<b>264,093</b>	<b>972,415</b>
<b>TOTAL ASSETS</b>	<b>279,542</b>	<b>308,591</b>	<b>1,040,150</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	952	860	8,276
Income received in advance	310	37	520
Borrowings	280	2,620	1,578
Provisions	392	805	6,002
<b>Total current liabilities</b>	<b>1,934</b>	<b>4,322</b>	<b>16,376</b>
<b>Non-current liabilities</b>			
Payables	–	–	18
Borrowings	1,738	13,067	12,336
Provisions	26	59	378
<b>Total non-current liabilities</b>	<b>1,764</b>	<b>13,126</b>	<b>12,732</b>
<b>TOTAL LIABILITIES</b>	<b>3,698</b>	<b>17,448</b>	<b>29,108</b>
<b>Net assets</b>	<b>275,844</b>	<b>291,143</b>	<b>1,011,042</b>
<b>EQUITY</b>			
Accumulated surplus	86,162	148,561	440,059
Revaluation reserves	189,682	142,582	570,983
<b>Total equity</b>	<b>275,844</b>	<b>291,143</b>	<b>1,011,042</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## Wingecarribee Shire Council

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

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>6,566</b>	<b>6.07%</b>	9.02%	6.51%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>108,158</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>99,223</b>	<b>63.46%</b>	67.05%	74.94%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>156,343</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>42,952</b>	<b>4.53x</b>	4.86x	5.40x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>9,486</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>35,694</b>	<b>6.18x</b>	5.98x	5.28x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>5,780</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>1,516</b>	<b>2.17%</b>	2.22%	2.20%	< 10% regional & rural
Rates, annual and extra charges collectible	<b>69,786</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>154,633</b>	<b>22.07 mths</b>	18.8 mths	15.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	<b>7,008</b>				

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 11 and 12.

<sup>(4)</sup> Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

## Wingecarribee Shire Council

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

## Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses							
<u>Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions</u>	<b>-0.90%</b>	-2.24%	<b>19.04%</b>	29.85%	<b>21.78%</b>	29.13%	> 0.00%
<b>2. Own source operating revenue ratio</b>							
<u>Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions</u>	<b>65.84%</b>	68.44%	<b>62.85%</b>	69.28%	<b>56.87%</b>	61.11%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
<u>Current assets less all external restrictions <sup>(2)</sup></u>	<b>4.13x</b>	4.86x	<b>27.45x</b>	22.73x	<b>7.49x</b>	6.31x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>							

## Notes

(1) - (4) Refer to Notes at Note 23a above.

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

## Wingecarribee Shire Council

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

## Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation							
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>8.03x</b>	7.37x	<b>21.71x</b>	25.14x	<b>3.04x</b>	3.02x	> 2x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>2.97%</b>	3.08%	<b>9.74%</b>	6.61%	<b>3.37%</b>	2.82%	< 10% regional & rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits							
Payments from cash flow of operating and financing activities	<b>11.07 months</b>	10.94 months	<b>79.78 months</b>	68.91 months	<b>41.36 months</b>	28.62 months	> 3 months

## Notes

(1) Refer to Notes at Note 23a above.

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

**END OF AUDITED FINANCIAL STATEMENTS**

# Wingecarribee Shire Council

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

### Note 23(c). Statement of performance measures – consolidated results (graphs)

<p><b>1. Operating performance ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-3%</td> </tr> <tr> <td>2016</td> <td>7%</td> </tr> <tr> <td>2017</td> <td>9%</td> </tr> <tr> <td>2018</td> <td>6%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	-3%	2016	7%	2017	9%	2018	6%	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 6.07%</b></p> <p>Council's operating performance continues to be supported by an increase in rate income in 2018 through the second year of the Investing in our Future Special Rate Variation. The decline in result compared to the previous year can be largely attributed to the non-recurring \$4.756M recovery from legal action against Lehman Brothers Australia in 2017.</p>
Year	Ratio %											
2015	-3%											
2016	7%											
2017	9%											
2018	6%											
<p><b>2. Own source operating revenue ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>80%</td> </tr> <tr> <td>2016</td> <td>75%</td> </tr> <tr> <td>2017</td> <td>67%</td> </tr> <tr> <td>2018</td> <td>63%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	80%	2016	75%	2017	67%	2018	63%	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 63.46%</b></p> <p>Council continues to exceed this industry benchmark with 63% of revenue generated through rates, charges and user fees. There has been a decline in this ratio compared to previous years which is in part due to the value of non-cash infrastructure dedications (\$22.029M) and assets identified as part of the revaluation of Council's built assets (\$1.520M).</p>
Year	Ratio %											
2015	80%											
2016	75%											
2017	67%											
2018	63%											
<p><b>3. Unrestricted current ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>4.8</td> </tr> <tr> <td>2016</td> <td>5.4</td> </tr> <tr> <td>2017</td> <td>4.9</td> </tr> <tr> <td>2018</td> <td>4.5</td> </tr> </tbody> </table> <p>Benchmark: — Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	4.8	2016	5.4	2017	4.9	2018	4.5	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 4.53x</b></p> <p>Council continues to maintain a strong liquidity position with an unrestricted current ratio of 4.53:1. This means for every \$1 of liability, Council has \$4.53 in assets to cover that liability.</p>
Year	Ratio (x)											
2015	4.8											
2016	5.4											
2017	4.9											
2018	4.5											

# Wingecarribee Shire Council

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

### Note 23(c). Statement of performance measures – consolidated results (graphs)

<p><b>4. Debt service cover ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>4.2</td> </tr> <tr> <td>2016</td> <td>5.3</td> </tr> <tr> <td>2017</td> <td>6.0</td> </tr> <tr> <td>2018</td> <td>6.2</td> </tr> </tbody> </table> <p>Benchmark: ——— Minimum <math>\geq 2.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	4.2	2016	5.3	2017	6.0	2018	6.2	<p><b>Purpose of debt service cover ratio</b></p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 6.18x</b></p> <p>The benchmark for this ratio is greater than 2. Council continues to exceed this benchmark which is a result of adequate operating revenues to cover its loan repayments. Council did not take out any new loan borrowings during the 2017/18 financial year.</p>
Year	Ratio (x)											
2015	4.2											
2016	5.3											
2017	6.0											
2018	6.2											
<p>Ratio achieves benchmark (Green bar) Ratio is outside benchmark (Red bar)</p>												
<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>1.54%</td> </tr> <tr> <td>2016</td> <td>2.20%</td> </tr> <tr> <td>2017</td> <td>2.22%</td> </tr> <tr> <td>2018</td> <td>2.17%</td> </tr> </tbody> </table> <p>Benchmark: ——— Maximum <math>&lt; 10.00\%</math> Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	1.54%	2016	2.20%	2017	2.22%	2018	2.17%	<p><b>Purpose of rates and annual charges outstanding ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 2.17%</b></p> <p>Council continues to exceed this benchmark through the operation of effective debt recovery procedures and management of outstanding debts.</p>
Year	Ratio %											
2015	1.54%											
2016	2.20%											
2017	2.22%											
2018	2.17%											
<p>Ratio is within Benchmark (Green bar) Ratio is outside Benchmark (Red bar)</p>												
<p><b>6. Cash expense cover ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>15.5</td> </tr> <tr> <td>2016</td> <td>15.9</td> </tr> <tr> <td>2017</td> <td>18.8</td> </tr> <tr> <td>2018</td> <td>22.1</td> </tr> </tbody> </table> <p>Benchmark: ——— Minimum <math>\geq 3.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (mths)	2015	15.5	2016	15.9	2017	18.8	2018	22.1	<p><b>Purpose of cash expense cover ratio</b></p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio 22.07 mths</b></p> <p>The benchmark for this ratio is greater than 3 months. This ratio is significantly higher than the benchmark at 22.1 months which reflects Council's strong liquidity position.</p>
Year	Ratio (mths)											
2015	15.5											
2016	15.9											
2017	18.8											
2018	22.1											
<p>Ratio achieves benchmark (Green bar) Ratio is outside benchmark (Red bar)</p>												



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

To the Councillors of the Wingecarribee Shire Council

## Opinion

I have audited the accompanying financial report of Wingecarribee Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Report**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

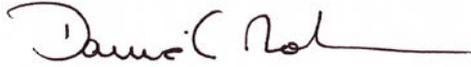
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



David Nolan  
Director, Financial Audit Services

17 October 2018  
SYDNEY

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

Contact: David Nolan  
Phone no: 02 9275 7377  
Our ref: D1825148 /1809

17 October 2018

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Wingecarribee Shire Council**

I have audited the general purpose financial statements of the Wingecarribee Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

There have been no significant matters identified during the audit.

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

## **OTHER MATTERS**

### **Revaluations of property plant and equipment**

#### **Operational land, buildings and open space assets**

The Council's operational land, building and open space assets were revalued during the year by external valuers. The revaluation resulted in an increase of \$89.2m in the value these assets.

#### **Water and sewer infrastructure**

The value of water and sewer infrastructure assets increased by \$9.6 million through indexation carried out internally by the Council at 30 June 2018.

## INCOME STATEMENT

### Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	67.7	62.3	8.7
Grants and contributions revenue	57.1	47.3	20.7
Operating result for the year	51.9	40.9	26.9
Net operating result before capital amounts	3.7	7.1	48.3

Council's operating result (\$51.9 million including the effect of depreciation and amortisation expense of \$27.6 million) was \$11 million higher than the 2016–17 result. The increase from the previous period is mainly due to increased cash contributions from developers being \$12.6 million higher than the previous period.

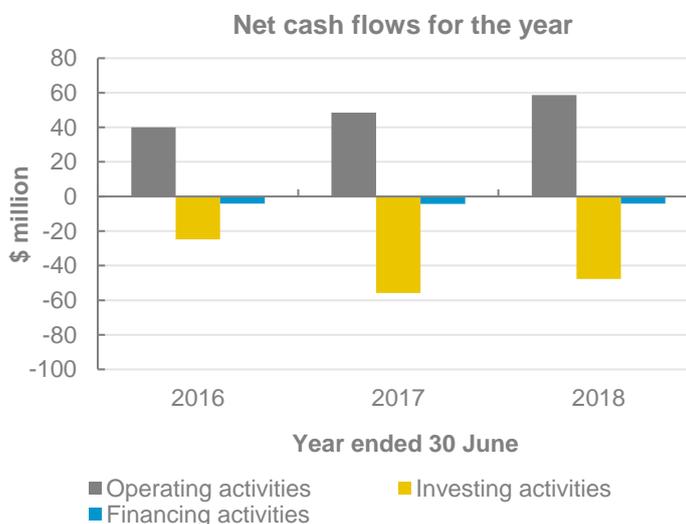
The net operating result before capital grants and contributions (\$3.7 million) was \$3.4 million lower than the 2016–17 result. The decrease was largely due to reduced funding from financial assistance grants, lower by \$2.1 million in the current period.

Rates and annual charges revenue (\$67.7 million) increased by \$5.4 million (8.7 per cent) in 2017–2018. Council had an approved Special Rate Variation which resulted in an increase of general rates revenue by 9.25 per cent in 2017–18. The Special Rate Variation that became effective in the previous year, will result in increases of 9.25% in 2018-19 and 12.15% in 2019–20.

Grants and contributions revenue (\$57.1 million) increased by \$9.8 million (20.7 per cent) in 2017–2018 due largely to increased developer capital contributions \$19.4 million (\$6.9 million in 2016–17)

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$6.8 million to \$11.1 million at the close of the year.
- The increase can be attributed to increased rates and charges and grant contributions discussed earlier.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	120.0	90.5	• External restrictions include unspent specific purpose grants, contributions and domestic waste charges, and water and sewerage funds.
Internal restrictions	34.3	38.0	
Unrestricted	0.3	1.4	• 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.
<b>Cash and investments</b>	<b>154.6</b>	<b>129.9</b>	

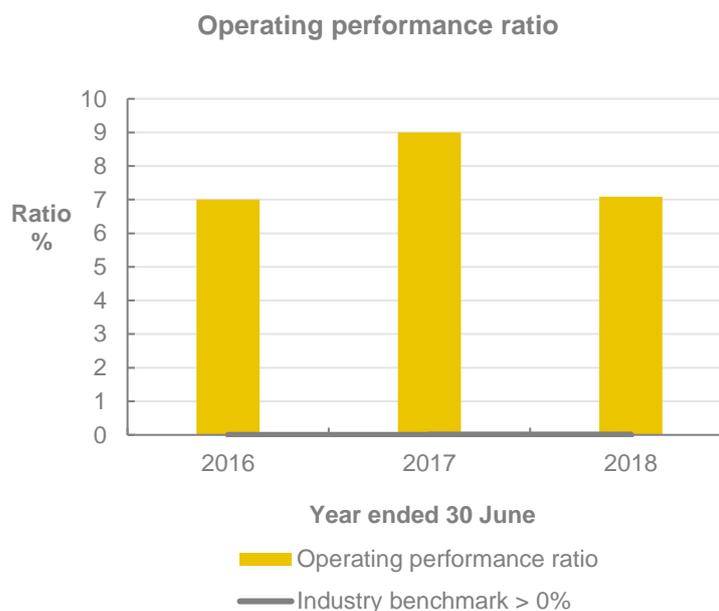
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 23 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7 which has not been audited.

### Operating performance ratio

- The indicator of 6.07 per cent was above the industry benchmark.
- The reduction in this ratio from the previous year is largely attributable to the \$4.8m non-recurring Lehman Brothers recovery in 2016–17.

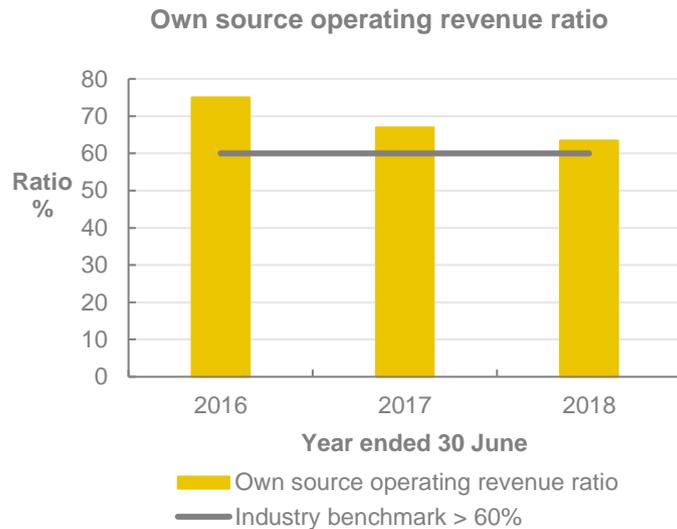
The ‘operating performance ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



## Own source operating revenue ratio

- Council's own source operating revenue ratio of 63.5 per cent was above the industry benchmark.
- This indicator has slightly decreased from the previous year primarily due to an increase in developer contributions.

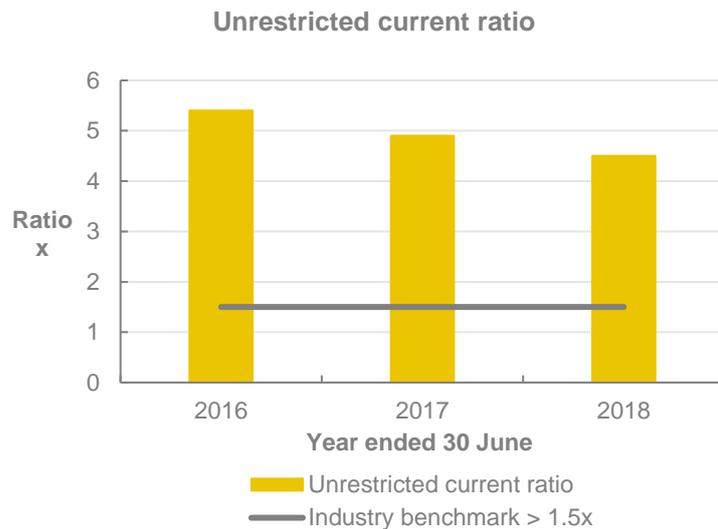
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

- Council's unrestricted current ratio decreased slightly from 4.9 in the previous year to 4.5 at year end. The ratio exceeds the benchmark by over 3 times.

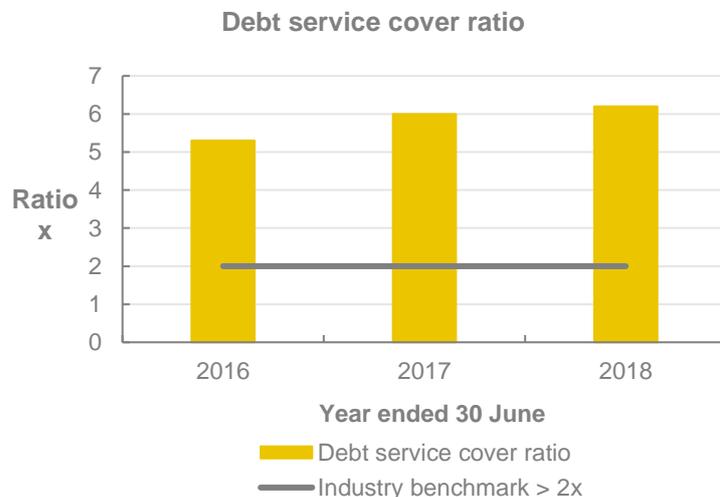
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

- The debt service cover ratio of 6.18 times exceeded the industry benchmark.
- Repayments of borrowings and advances of \$4.2m were made reducing the balance of loans outstanding to \$31.6m at year end.
- Council did not obtain any new borrowings during 2017–18.

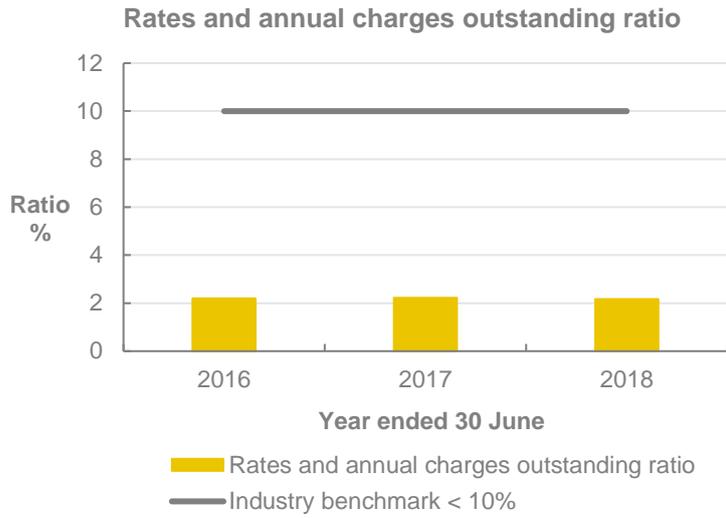
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

- Council's outstanding rates and charges ratio of 2.2 per cent was within the industry benchmark.

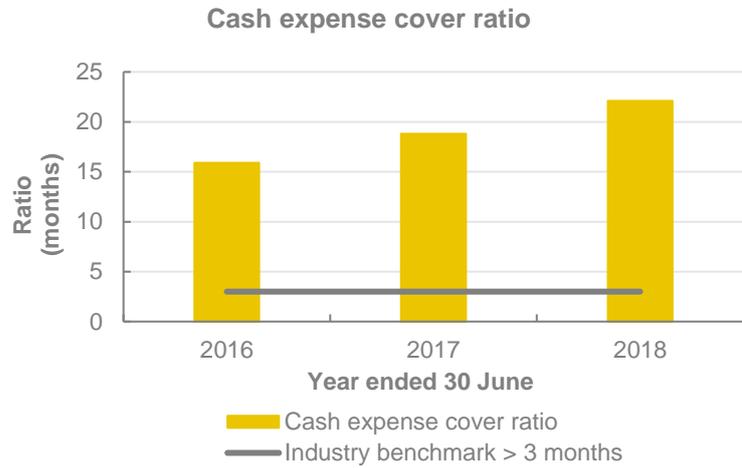
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

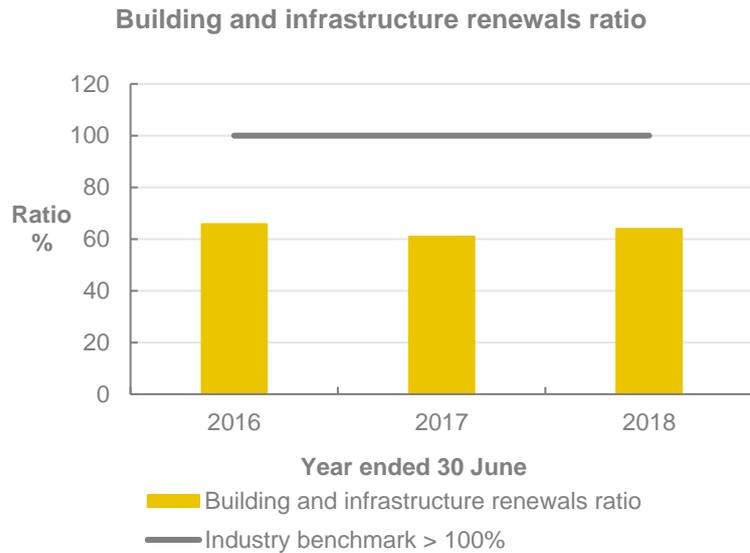
- Council's cash expense cover ratio of 22.1 months well exceeded the industry benchmark.

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



## Building and infrastructure renewals ratio (unaudited)

- Council's building and infrastructure renewals ratio of 64 per cent is below the industry benchmark. The ratio increased slightly from the previous year.
- The ratio should see improvement with the implementation of Council's Fit for the Future improvement plan that includes asset renewals. The Council's 'Delivery Program 2017–2021 and Operational Plan 2017–18' indicates significant increases in capital expenditure are planned for 2018–19 and 2019–20.



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

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

## OTHER MATTERS

### Legislative compliance

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

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

David Nolan  
Director, Financial Audit Services

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

Wingecarribee Shire Council

# Special Purpose Financial Statements

For the year ended 30 June 2018



[www.wsc.nsw.gov.au](http://www.wsc.nsw.gov.au)



# Wingecarribee Shire Council

## Special Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
Statement of Financial Position – Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor’s Report</b>	

---

### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Wingecarribee Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

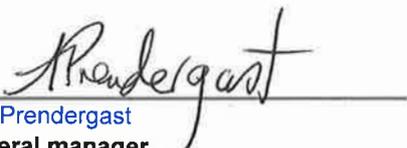
**Signed in accordance with a resolution of Council made on 12 September 2018.**



Clr Duncan Gair  
**Mayor**  
28 September 2018



Clr Peter Nelson  
**Councillor**  
28 September 2018



Ann Prendergast  
**General manager**  
28 September 2018



Richard Mooney  
**Responsible accounting officer**  
28 September 2018

## Wingecarribee Shire Council

Income Statement of Council's Water Supply Business Activity  
for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	3,301	3,212
User charges	10,360	8,857
Fees	598	517
Interest	1,326	1,006
Grants and contributions provided for non-capital purposes	190	193
Other income	705	2,122
<b>Total income from continuing operations</b>	<b>16,480</b>	<b>15,907</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,362	2,156
Borrowing costs	114	127
Materials and contracts	1,140	911
Depreciation, amortisation and impairment	5,034	4,157
Water purchase charges	1,399	1,315
Loss on sale of assets	332	792
Calculated taxation equivalents	218	109
Debt guarantee fee (if applicable)	56	54
Other expenses	3,076	2,887
<b>Total expenses from continuing operations</b>	<b>13,731</b>	<b>12,508</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,749</b>	<b>3,399</b>
Grants and contributions provided for capital purposes	9,439	6,375
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>12,188</b>	<b>9,774</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>12,188</b>	<b>9,774</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(825)	(1,020)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>11,363</b>	<b>8,754</b>
Plus opening retained profits	73,700	63,763
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	218	109
– Debt guarantee fees	56	54
– Corporate taxation equivalent	825	1,020
<b>Closing retained profits</b>	<b>86,162</b>	<b>73,700</b>
Return on capital %	1.3%	1.7%
Subsidy from Council	2,925	1,460
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	11,363	8,754
Less: capital grants and contributions (excluding developer contributions)	(2,268)	(4,140)
<b>Surplus for dividend calculation purposes</b>	<b>9,095</b>	<b>4,614</b>
<b>Potential dividend calculated from surplus</b>	<b>4,548</b>	<b>2,307</b>

## Wingecarribee Shire Council

Income Statement of Council's Sewerage Business Activity  
for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	15,328	14,574
User charges	1,340	1,211
Liquid trade waste charges	4	2
Fees	350	309
Interest	996	635
Grants and contributions provided for non-capital purposes	170	172
Other income	582	1,477
<b>Total income from continuing operations</b>	<b>18,770</b>	<b>18,380</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,428	3,213
Borrowing costs	753	877
Materials and contracts	1,871	1,800
Depreciation, amortisation and impairment	5,312	3,913
Loss on sale of assets	772	1,798
Calculated taxation equivalents	238	226
Debt guarantee fee (if applicable)	438	431
Other expenses	3,080	3,248
<b>Total expenses from continuing operations</b>	<b>15,892</b>	<b>15,506</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,878</b>	<b>2,874</b>
Grants and contributions provided for capital purposes	13,939	11,417
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>16,817</b>	<b>14,291</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>16,817</b>	<b>14,291</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(863)	(862)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>15,954</b>	<b>13,429</b>
Plus opening retained profits	131,068	116,120
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	238	226
– Debt guarantee fees	438	431
– Corporate taxation equivalent	863	862
<b>Closing retained profits</b>	<b>148,561</b>	<b>131,068</b>
Return on capital %	1.4%	1.5%
Subsidy from Council	3,315	2,295
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	15,954	13,429
Less: capital grants and contributions (excluding developer contributions)	(6,865)	(8,698)
<b>Surplus for dividend calculation purposes</b>	<b>9,089</b>	<b>4,731</b>
<b>Potential dividend calculated from surplus</b>	<b>4,544</b>	<b>2,365</b>

## Wingecarribee Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,889	1,470
Investments	51,662	42,450
Receivables	3,429	3,191
Inventories	496	544
<b>Total current assets</b>	<b>59,476</b>	<b>47,655</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	220,066	209,490
<b>Total non-current assets</b>	<b>220,066</b>	<b>209,490</b>
<b>TOTAL ASSETS</b>	<b>279,542</b>	<b>257,145</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	952	567
Income received in advance	310	292
Borrowings	280	265
Provisions	392	471
<b>Total current liabilities</b>	<b>1,934</b>	<b>1,595</b>
<b>Non-current liabilities</b>		
Borrowings	1,738	2,017
Provisions	26	33
<b>Total non-current liabilities</b>	<b>1,764</b>	<b>2,050</b>
<b>TOTAL LIABILITIES</b>	<b>3,698</b>	<b>3,645</b>
<b>NET ASSETS</b>	<b>275,844</b>	<b>253,500</b>
<b>EQUITY</b>		
Accumulated surplus	86,162	73,700
Revaluation reserves	189,682	179,800
<b>TOTAL EQUITY</b>	<b>275,844</b>	<b>253,500</b>

## Wingecarribee Shire Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,795	938
Investments	37,129	27,089
Receivables	4,526	4,447
Inventories	48	51
<b>Total current Assets</b>	<b>44,498</b>	<b>32,525</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	264,093	254,013
<b>Total non-current assets</b>	<b>264,093</b>	<b>254,013</b>
<b>TOTAL ASSETS</b>	<b>308,591</b>	<b>286,538</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	860	602
Income received in advance	37	–
Borrowings	2,620	2,434
Provisions	805	681
<b>Total current liabilities</b>	<b>4,322</b>	<b>3,717</b>
<b>Non-current liabilities</b>		
Borrowings	13,067	15,686
Provisions	59	50
<b>Total non-current liabilities</b>	<b>13,126</b>	<b>15,736</b>
<b>TOTAL LIABILITIES</b>	<b>17,448</b>	<b>19,453</b>
<b>NET ASSETS</b>	<b>291,143</b>	<b>267,085</b>
<b>EQUITY</b>		
Accumulated surplus	148,561	131,068
Revaluation reserves	142,582	136,017
<b>TOTAL EQUITY</b>	<b>291,143</b>	<b>267,085</b>

## Wingecarribee Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2018

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

## Wingecarribee Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

#### Note 1. Significant accounting policies

---

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

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

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

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

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

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:

## Wingecarribee Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

---

##### Category 1

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

##### a. Wingecarribee Shire Council Water Fund

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

##### b. Wingecarribee Shire Council Sewerage Fund

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

##### Category 2

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

Nil.

##### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

## Wingecarribee Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

#### Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

## Wingecarribee Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

#### Note 1. Significant accounting policies (continued)

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

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

##### *(iii) Return on investments (rate of return)*

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

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

##### *(iv) Dividends*

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Wingecarribee Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements

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

2018

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	274,000
(ii)	Number of assessments multiplied by \$3/assessment	62,916
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	62,916
(iv)	Amounts actually paid for tax equivalents	–

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	4,547,650
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	566,244
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	18,159,800

2018 Surplus	9,095,300	2017 Surplus	4,614,300	2016 Surplus	4,450,200
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	566,244
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

## Wingecarribee Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 2. Water supply business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


---

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	24,617
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	70.97%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	218,985
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	7,977
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	6,518
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	5.27%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Wingecarribee Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements

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

2018

**1. Calculation and payment of tax-equivalents**

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

(i) Calculated tax equivalents	676,000
(ii) Number of assessments multiplied by \$3/assessment	53,535
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	53,535
(iv) Amounts actually paid for tax equivalents	–

**2. Dividend from surplus**

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	4,544,300
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	481,815
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	18,978,600

2018 Surplus	9,088,600	2017 Surplus	4,730,800	2016 Surplus	5,159,200
		2017 Dividend	–	2016 Dividend	

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	481,815
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	YES
DSP with commercial developer charges [item 2 (e) in table 1]	YES
Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii) Complete performance reporting form (by 15 September each year)	YES
(iv) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	NO

## Wingecarribee Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

---

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


---

## National Water Initiative (NWI) financial performance indicators

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	31,745
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	263,135
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	8,198
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	10,195
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	6.90%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

---

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	55,258
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.65%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	16,713
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	6.16%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Wingecarribee Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<b>-13.72%</b>
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <b>29,841</b> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: <b>(1,417)</b> Interest expense (w4a + s4a) – interest income (w9 + s10)		<b>&gt; 100</b>
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<b>29,955</b>
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<b>360</b>

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial report**  
**Wingecarribee Shire Council**

To the Councillors of the Wingecarribee Shire Council

## **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Wingecarribee Shire Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

## **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

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

### **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Report**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

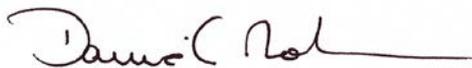
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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



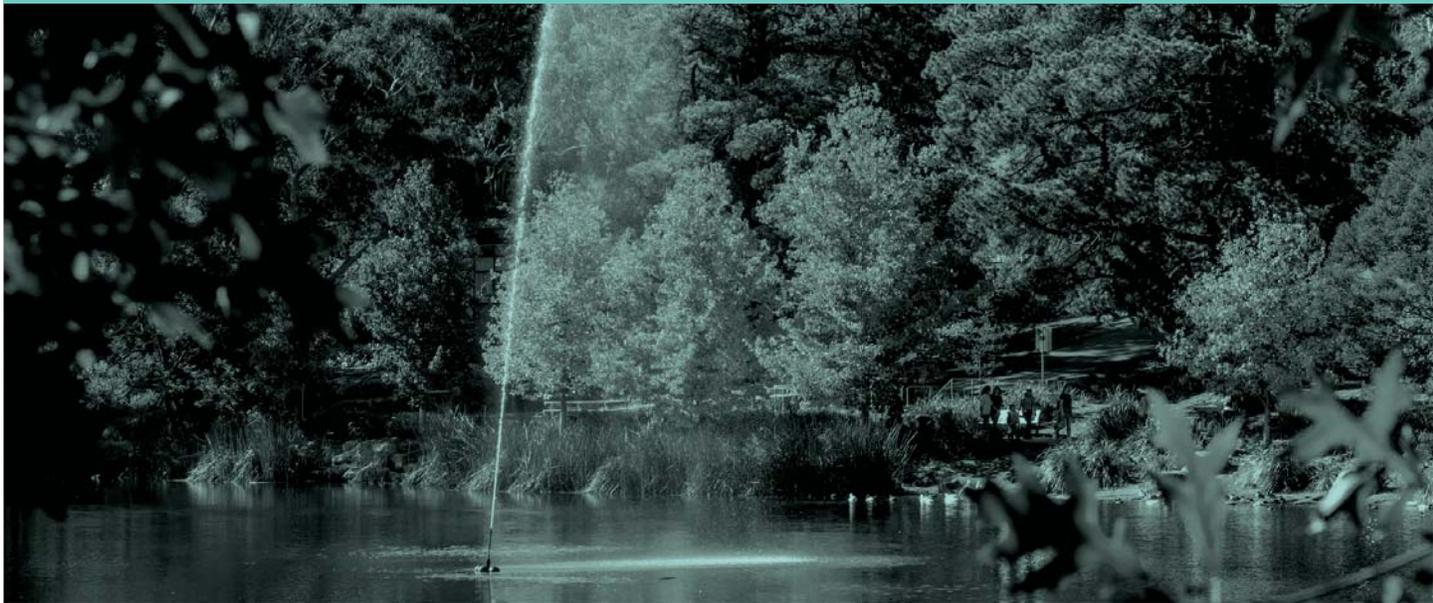
David Nolan  
Director, Financial Audit Services

17 October 2018  
SYDNEY

Wingecarribee Shire Council

# Special Schedules

For the year ended 30 June 2018



[www.wsc.nsw.gov.au](http://www.wsc.nsw.gov.au)



# Wingecarribee Shire Council

## Special Schedules for the year ended 30 June 2018

Contents		Page
<b>Special Schedules <sup>1</sup></b>		
<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 2</b>	Permissible income for general rates	4
<b>Special Schedule 2</b>	Independent Auditors Report	5
<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	8
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	11
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	12
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	15
<b>Notes to Special Schedules 3 and 5</b>		16
<b>Special Schedule 7</b>	Report on Infrastructure Assets	17

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

---

### Background

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

## Wingecarribee Shire Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,343</b>	<b>19</b>	<b>–</b>	<b>(1,324)</b>
<b>Administration</b>	<b>18,354</b>	<b>1,326</b>	<b>24</b>	<b>(17,004)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,549	287	727	(535)
Beach control	–	–	–	–
Enforcement of local government regulations	1,335	606	–	(729)
Animal control	443	56	–	(387)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>3,327</b>	<b>949</b>	<b>727</b>	<b>(1,651)</b>
<b>Health</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	113	3	–	(110)
Other environmental protection	1,673	211	–	(1,462)
Solid waste management	11,015	12,188	–	1,173
Street cleaning	–	–	–	–
Drainage	1,868	16	4,847	2,995
Stormwater management	429	519	–	90
<b>Total environment</b>	<b>15,098</b>	<b>12,937</b>	<b>4,847</b>	<b>2,686</b>
<b>Community services and education</b>				
Administration and education	194	1	–	(193)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	72	45	–	(27)
Children's services	1,034	982	1,124	1,072
<b>Total community services and education</b>	<b>1,300</b>	<b>1,028</b>	<b>1,124</b>	<b>852</b>
<b>Housing and community amenities</b>				
Public cemeteries	206	287	–	81
Public conveniences	374	–	–	(374)
Street lighting	726	261	–	(465)
Town planning	3,587	4,128	–	541
Other community amenities	296	20	–	(276)
<b>Total housing and community amenities</b>	<b>5,189</b>	<b>4,696</b>	<b>–</b>	<b>(493)</b>
<b>Water supplies</b>	<b>11,732</b>	<b>16,121</b>	<b>9,439</b>	<b>13,828</b>
<b>Sewerage services</b>	<b>13,372</b>	<b>18,471</b>	<b>13,939</b>	<b>19,038</b>

## Wingecarribee Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,324	141	–	(1,183)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	1,129	57	113	(959)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	461	257	–	(204)
Sporting grounds and venues	412	83	166	(163)
Swimming pools	3,895	1,971	–	(1,924)
Parks and gardens (lakes)	3,368	88	367	(2,913)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>10,589</b>	<b>2,597</b>	<b>646</b>	<b>(7,346)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	1,490	125	–	(1,365)
Other mining, manufacturing and construction	145	186	–	41
<b>Total mining, manufacturing and const.</b>	<b>1,635</b>	<b>311</b>	<b>–</b>	<b>(1,324)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	4,363	–	7,649	3,286
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,424	295	6,408	2,279
Sealed rural roads (SRR) – regional	1,488	967	266	(255)
Unsealed rural roads (URR) – local	2,826	5	–	(2,821)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	716	716
Bridges on SRR – local	180	–	921	741
Bridges on URR – local	13	–	–	(13)
Bridges on regional roads	–	–	–	–
Parking areas	9	–	–	(9)
Footpaths	893	–	1,056	163
Aerodromes	–	–	–	–
Other transport and communication	5,851	177	267	(5,407)
<b>Total transport and communication</b>	<b>20,047</b>	<b>1,444</b>	<b>17,283</b>	<b>(1,320)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	72	120	–	48
Other economic affairs	2,429	2,034	156	(239)
<b>Total economic affairs</b>	<b>2,501</b>	<b>2,154</b>	<b>156</b>	<b>(191)</b>
<b>Totals – functions</b>	<b>104,487</b>	<b>62,053</b>	<b>48,185</b>	<b>5,751</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>46,105</b>		<b>46,105</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>104,487</b>	<b>108,158</b>	<b>48,185</b>	<b>51,856</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Wingecarribee Shire Council

Special Schedule 2 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	41,492	37,606
Plus or minus adjustments <sup>(2)</sup>	b	470	447
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>41,962</b>	<b>38,053</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	9.25%	9.25%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	3,881	3,519.90
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>45,843</b>	<b>41,573</b>
Plus (or minus) last year's carry forward total	l	81	5
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>81</b>	<b>5</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>45,925</b>	<b>41,578</b>
Less notional general income yield	p	46,002	41,492
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>(77)</b>	<b>86</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	79	–
Less unused catch-up <sup>(5)</sup>	s	–	(5)
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>2</b>	<b>81</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Wingecarribee Shire Council

To the Councillors of Wingecarribee Shire Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Wingecarribee Shire Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

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

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

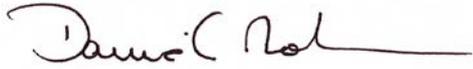
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

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

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

David Nolan  
Director, Financial Audit Services

17 October 2018  
SYDNEY

## Wingecarribee Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	2,763	2,265
b. Engineering and supervision	450	361
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	27	16
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	1,234	1,570
– Reservoirs		
e. Operation expenses	127	88
f. Maintenance expenses	77	89
– Pumping stations		
g. Operation expenses (excluding energy costs)	29	67
h. Energy costs	115	79
i. Maintenance expenses	67	51
– Treatment		
j. Operation expenses (excluding chemical costs)	790	695
k. Chemical costs	377	194
l. Maintenance expenses	259	238
– Other		
m. Operation expenses	132	113
n. Maintenance expenses	135	133
o. Purchase of water	1,395	1,310
<b>3. Depreciation expenses</b>		
a. System assets	4,884	3,987
b. Plant and equipment	150	170
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	114	127
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>13,125</b>	<b>11,553</b>

## Wingecarribee Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	3,111	3,212
b. Usage charges	7,605	6,232
<b>7. Non-residential charges</b>		
a. Access (including rates)	534	526
b. Usage charges	2,625	2,806
<b>8. Extra charges</b>	24	25
<b>9. Interest income</b>	1,302	981
<b>10. Other income</b>	1,089	1,654
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	190	193
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	7,171	2,514
b. Developer provided assets	2,268	2,015
c. Other contributions	–	2,124
<b>13. Total income</b>	<u>25,919</u>	<u>22,282</u>
<b>14. Gain (or loss) on disposal of assets</b>	(332)	(792)
<b>15. Operating result</b>	<u>12,462</u>	<u>9,937</u>
<b>15a. Operating result (less grants for acquisition of assets)</b>	12,462	9,937

## Wingecarribee Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	988	657
b. New assets for growth	3,130	4,137
c. Renewals	2,203	465
d. Plant and equipment	197	368
<b>17. Repayment of debt</b>	265	252
<b>18. Totals</b>	<b>6,783</b>	<b>5,879</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	110	213
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>110</b>	<b>213</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	18,246	18,027
b. Residential (unoccupied, ie. vacant lot)	929	601
c. Non-residential (occupied)	1,393	1,538
d. Non-residential (unoccupied, ie. vacant lot)	404	399
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 345,100	\$ 350,414

## Wingecarribee Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	17,934	–	17,934
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	37,617	–	37,617
<b>26. Receivables</b>			
a. Specific purpose grants	124	–	124
b. Rates and availability charges	–	–	–
c. User charges	3,304	–	3,304
d. Other	1	–	1
<b>27. Inventories</b>	496	–	496
<b>28. Property, plant and equipment</b>			
a. System assets	–	218,985	218,985
b. Plant and equipment	–	1,081	1,081
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>59,476</u>	<u>220,066</u>	<u>279,542</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	1,262	–	1,262
<b>33. Borrowings</b>	280	1,738	2,018
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	392	26	418
<b>35. Total liabilities</b>	<u>1,934</u>	<u>1,764</u>	<u>3,698</u>
<b>36. NET ASSETS COMMITTED</b>	<u>57,542</u>	<u>218,302</u>	<u>275,844</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			86,162
<b>38. Asset revaluation reserve</b>			189,682
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<u>275,844</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			377,242
<b>42. Accumulated current cost</b> depreciation of system assets			(158,257)
<b>43. Written down current cost</b> of system assets			<u>218,985</u>

## Wingecarribee Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	881	823
b. Engineering and supervision	3,190	3,020
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	1,027	823
– Pumping stations		
c. Operation expenses (excluding energy costs)	334	242
d. Energy costs	147	173
e. Maintenance expenses	149	271
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,101	1,626
g. Chemical costs	203	226
h. Energy costs	504	384
i. Effluent management	71	56
j. Biosolids management	346	203
k. Maintenance expenses	245	402
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	5,136	3,743
b. Plant and equipment	176	170
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	735	877
b. Revaluation decrements	–	–
c. Other expenses	199	12
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>14,444</b>	<b>13,051</b>

## Wingecarribee Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	13,977	12,871
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,595	1,656
b. Usage charges	1,014	987
<b>8. Trade waste charges</b>		
a. Annual fees	65	47
b. Usage charges	302	225
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	32	31
<b>10. Interest income</b>	964	604
<b>11. Other income</b>	651	1,787
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	170	172
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	7,074	2,719
b. Developer provided assets	6,865	5,807
c. Other contributions	–	2,891
<b>14. Total income</b>	<u>32,709</u>	<u>29,797</u>
<b>15. Gain (or loss) on disposal of assets</b>	(772)	(1,798)
<b>16. Operating result</b>	<u>17,493</u>	<u>14,948</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	17,493	14,948

## Wingecarribee Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	673	275
b. New assets for growth	7,482	8,665
c. Renewals	1,938	547
d. Plant and equipment	102	447
<b>18. Repayment of debt</b>	2,452	2,615
<b>19. Totals</b>	<b>12,647</b>	<b>12,549</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	33	89
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>33</b>	<b>89</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	16,087	15,738
b. Residential (unoccupied, ie. vacant lot)	634	452
c. Non-residential (occupied)	990	1,014
d. Non-residential (unoccupied, ie. vacant lot)	134	134
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 308,801	\$ 312,897

## Wingecarribee Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	15,916	–	15,916
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	24,008	–	24,008
<b>27. Receivables</b>			
a. Specific purpose grants	111	–	111
b. Rates and availability charges	–	–	–
c. User charges	4,403	–	4,403
d. Other	12	–	12
<b>28. Inventories</b>	48	–	48
<b>29. Property, plant and equipment</b>			
a. System assets	–	263,135	263,135
b. Plant and equipment	–	958	958
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>44,498</u>	<u>264,093</u>	<u>308,591</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	897	–	897
<b>34. Borrowings</b>	2,620	13,067	15,687
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	805	59	864
<b>36. Total liabilities</b>	<u>4,322</u>	<u>13,126</u>	<u>17,448</u>
<b>37. NET ASSETS COMMITTED</b>	<u>40,176</u>	<u>250,967</u>	<u>291,143</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			148,560
<b>39. Asset revaluation reserve</b>			142,583
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<u>291,143</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			372,645
<b>43. Accumulated current cost</b> depreciation of system assets			(109,510)
<b>44. Written down current cost</b> of system assets			<u>263,135</u>

## Wingecarribee Shire Council

### Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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

## Wingecarribee Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings – non-specialised	15	15	29	25	972	1,285	2%	21%	72%	6%	0%
	Buildings – specialised	1,014	1,014	2,708	2,455	84,617	120,367	39%	30%	27%	4%	0%
	<b>Sub-total</b>	<b>1,029</b>	<b>1,029</b>	<b>2,737</b>	<b>2,480</b>	<b>85,589</b>	<b>121,652</b>	<b>38.6%</b>	<b>29.9%</b>	<b>27.6%</b>	<b>3.6%</b>	<b>0.2%</b>
<b>Other structures</b>	Other structures	79	79	103	51	3,116	5,130	26%	28%	38%	8%	0%
	<b>Sub-total</b>	<b>79</b>	<b>79</b>	<b>103</b>	<b>51</b>	<b>3,116</b>	<b>5,130</b>	<b>26.0%</b>	<b>28.2%</b>	<b>38.2%</b>	<b>7.6%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	1,717	1,717	4,798	4,417	454,906	591,256	46%	49%	4%	1%	0%
	Unsealed roads	221	221	1,806	1,498	49,009	108,908	2%	60%	38%	0%	0%
	Bridges	510	510	29	20	11,225	20,832	86%	3%	1%	10%	0%
	Footpaths	242	242	536	507	18,671	35,203	47%	25%	26%	2%	0%
	Other road assets	200	200	1,075	906	31,152	65,763	25%	13%	62%	0%	0%
	Bulk earthworks	446	446	–	–	5,945	5,945	0%	17%	43%	40%	0%
	<b>Sub-total</b>	<b>3,336</b>	<b>3,336</b>	<b>8,244</b>	<b>7,348</b>	<b>570,908</b>	<b>827,907</b>	<b>39.3%</b>	<b>45.2%</b>	<b>14.2%</b>	<b>1.3%</b>	<b>0.0%</b>
<b>Water supply network</b>	Water supply network	2,774	2,774	1,916	1,321	205,153	363,089	66%	19%	12%	1%	1%
	<b>Sub-total</b>	<b>2,774</b>	<b>2,774</b>	<b>1,916</b>	<b>1,321</b>	<b>205,153</b>	<b>363,089</b>	<b>66.3%</b>	<b>19.5%</b>	<b>11.8%</b>	<b>1.4%</b>	<b>1.0%</b>
<b>Sewerage network</b>	Sewerage network	6,444	6,444	2,277	1,555	247,720	356,909	69%	22%	5%	1%	3%
	<b>Sub-total</b>	<b>6,444</b>	<b>6,444</b>	<b>2,277</b>	<b>1,555</b>	<b>247,720</b>	<b>356,909</b>	<b>69.1%</b>	<b>22.0%</b>	<b>4.6%</b>	<b>1.2%</b>	<b>3.1%</b>

## Wingecarribee Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Stormwater drainage</b>	Stormwater drainage	5,715	5,715	816	739	97,054	131,866	28%	36%	32%	1%	3%
	<b>Sub-total</b>	<b>5,715</b>	<b>5,715</b>	<b>816</b>	<b>739</b>	<b>97,054</b>	<b>131,866</b>	<b>28.0%</b>	<b>36.0%</b>	<b>32.0%</b>	<b>1.0%</b>	<b>3.0%</b>
<b>Open space/recreational assets</b>	Swimming pools	40	40	685	647	12,260	15,194	75%	5%	20%	1%	0%
	Other	545	545	1,899	1,856	9,580	18,528	19%	35%	33%	12%	1%
	<b>Sub-total</b>	<b>585</b>	<b>585</b>	<b>2,584</b>	<b>2,503</b>	<b>21,840</b>	<b>33,722</b>	<b>44.0%</b>	<b>21.5%</b>	<b>26.9%</b>	<b>6.9%</b>	<b>0.7%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>19,962</b>	<b>19,962</b>	<b>18,677</b>	<b>15,997</b>	<b>1,231,380</b>	<b>1,840,275</b>	<b>49.6%</b>	<b>33.5%</b>	<b>14.3%</b>	<b>1.6%</b>	<b>1.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>15,939</u>	<b>63.97%</b>	60.94%	65.76%	>= 100%
Depreciation, amortisation and impairment	<u>24,916</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>19,962</u>	<b>1.62%</b>	2.12%	1.83%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,231,380</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>15,997</u>	<b>85.65%</b>	105.72%	81.25%	> 100%
Required asset maintenance	<u>18,677</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>19,962</u>	<b>1.08%</b>	1.15%	1.16%	
Gross replacement cost	<u>1,840,275</u>				

## Notes

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

<sup>(1)</sup> Excludes Work In Progress (WIP)

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

# Wingecarribee Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

<p><b>1. Buildings and infrastructure renewals ratio</b></p> <p>Benchmark: — Minimum <math>\geq 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 63.97%</b></p> <p>The ratio has improved when compared to last year. It is expected to continue to improve in the coming years with the implementation of the Special Rate Variation. Council has recently increased resources in the project delivery team which will contribute to the delivery of infrastructure renewal projects across the shire.</p>
<p><b>2. Infrastructure backlog ratio</b></p> <p>Benchmark: — Maximum <math>&lt; 2.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 1.62%</b></p> <p>The ratio has improved with the completion of renewal projects aimed to clear the backlog. Council expects that this ratio will continue to improve with the ongoing implementation of the Special Rate Variation.</p>
<p><b>3. Asset maintenance ratio</b></p> <p>Benchmark: — Minimum <math>&gt; 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset maintenance ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 85.65%</b></p> <p>The ratio in 2016/17 was distorted due to the major repair works completed as a result of the June 2016 east coast low storm event and is not a fair comparison. The ratio has improved when compared with 2015/16 and is expected to continue to improve with the ongoing implementation of the Special Rate Variation</p>
<p><b>4. Cost to bring assets to agreed service level</b></p>	<p><b>Purpose of agreed service level ratio</b></p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 1.08%</b></p> <p>This ratio has improved as a result of completion of renewal projects. Council expects that this ratio will continue to improve with the ongoing implementation of the Special Rate Variation.</p>

## Wingecarribee Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>	<b>82.06%</b>	86.58%	<b>47.07%</b>	11.64%	<b>27.11%</b>	14.61%	>= 100%
Depreciation, amortisation and impairment							
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>1.38%</b>	2.11%	<b>1.35%</b>	1.44%	<b>2.60%</b>	2.71%	< 2.00%
Net carrying amount of infrastructure assets							
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance	<b>90.59%</b>	108.16%	<b>68.95%</b>	105.53%	<b>68.29%</b>	87.48%	> 100%
Required asset maintenance							
<b>4. Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>0.96%</b>	1.02%	<b>0.76%</b>	0.82%	<b>1.81%</b>	1.90%	
Gross replacement cost							

## Notes

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

(2) Excludes Work In Progress (WIP)

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