



ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2017



Wollondilly Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



"Rural Living"

Wollondilly Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Wollondilly Shire Council.
- (ii) Wollondilly Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 16 October 2017. Council has the power to amend and reissue these financial statements.
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Wollondilly Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 2016/17 financial year can be found at Note 29 of the financial statements.

Wollondilly Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 16 October 2017.


Cr J Hannan
Mayor
Cr R Khan
Deputy Mayor
L Johnson
General Manager
A Christie
Responsible Accounting Officer

Wollondilly Shire Council

Income Statement

for the year ended 30 June 2017

| Budget 2017 | ¹ \$ '000 | Notes | Actual 2017 | Actual 2016 |
|----------------|--|-------|----------------|----------------|
| | Income from continuing operations | | | |
| | Revenue: | | | |
| 35,815 | Rates and annual charges | 3a | 36,415 | 32,724 |
| 4,867 | User charges and fees | 3b | 5,500 | 5,069 |
| 1,738 | Interest and investment revenue | 3c | 1,697 | 1,730 |
| 830 | Other revenues | 3d | 1,940 | 1,504 |
| 7,258 | Grants and contributions provided for operating purposes | 3e,f | 10,539 | 7,611 |
| 4,734 | Grants and contributions provided for capital purposes | 3e,f | 9,255 | 19,443 |
| | Other income: | | | |
| – | Net gains from the disposal of assets | 5 | 26 | 107 |
| 55,242 | Total income from continuing operations | | 65,372 | 68,188 |
| | Expenses from continuing operations | | | |
| 21,308 | Employee benefits and on-costs | 4a | 20,433 | 20,609 |
| 926 | Borrowing costs | 4b | 1,706 | 1,789 |
| 13,709 | Materials and contracts | 4c | 16,170 | 14,841 |
| 10,878 | Depreciation and amortisation | 4d | 12,581 | 12,572 |
| – | Impairment | 4d | – | 229 |
| 5,468 | Other expenses | 4e | 4,719 | 4,264 |
| 52,289 | Total expenses from continuing operations | | 55,609 | 54,304 |
| 2,953 | Operating result from continuing operations | | 9,763 | 13,884 |
| 2,953 | Net operating result for the year | | 9,763 | 13,884 |
| (1,781) | Net operating result for the year before grants and contributions provided for capital purposes | | 508 | (5,559) |

¹ Original budget as approved by Council – refer Note 16

Wollondilly Shire Council

Statement of Comprehensive Income for the year ended 30 June 2017

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|----------|----------------|----------------|
| Net operating result for the year (as per Income Statement) | | 9,763 | 13,884 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | — | 43,008 |
| Impairment (loss) reversal relating to I,PP&E | 20b (ii) | — | (176) |
| Total items which will not be reclassified subsequently to the operating result | | — | 42,832 |
| Amounts which will be reclassified subsequently to the operating result when specific conditions are met | | | |
| Nil | | | |
| Total other comprehensive income for the year | | — | 42,832 |
| Total comprehensive income for the year | | 9,763 | 56,716 |

Wollondilly Shire Council

Statement of Financial Position
as at 30 June 2017

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6a | 3,302 | 2,527 |
| Investments | 6b | 32,250 | 31,750 |
| Receivables | 7 | 4,093 | 4,549 |
| Inventories | 8 | 2,185 | 2,088 |
| Other | 8 | 246 | 143 |
| Total current assets | | 42,076 | 41,057 |
| Non-current assets | | | |
| Investments | 6b | 22,154 | 14,934 |
| Infrastructure, property, plant and equipment | 9 | 439,706 | 437,725 |
| Total non-current assets | | 461,860 | 452,659 |
| TOTAL ASSETS | | 503,936 | 493,716 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 10 | 6,255 | 4,444 |
| Income received in advance | 10 | 204 | 276 |
| Borrowings | 10 | 1,559 | 1,817 |
| Provisions | 10 | 6,400 | 6,628 |
| Total current liabilities | | 14,418 | 13,165 |
| Non-current liabilities | | | |
| Borrowings | 10 | 11,196 | 12,753 |
| Provisions | 10 | 13,855 | 13,094 |
| Total non-current liabilities | | 25,051 | 25,847 |
| TOTAL LIABILITIES | | 39,469 | 39,012 |
| Net assets | | 464,467 | 454,704 |
| EQUITY | | | |
| Retained earnings | 20 | 323,870 | 314,107 |
| Revaluation reserves | 20 | 140,597 | 140,597 |
| Total equity | | 464,467 | 454,704 |

Wollondilly Shire Council

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

| \$ '000 | Notes | 2017 | | | 2016 | | |
|--|----------|-------------------|--|----------------|-------------------|--|----------------|
| | | Retained earnings | Asset revaluation reserve (Refer 20b) | Total equity | Retained earnings | Asset revaluation reserve (Refer 20b) | Total equity |
| Opening balance (as per last year's audited accounts) | | 314,107 | 140,597 | 454,704 | 300,223 | 97,765 | 397,988 |
| Net operating result for the year | | 9,763 | – | 9,763 | 13,884 | – | 13,884 |
| Other comprehensive income | | | | | | | |
| – Revaluations: IPP&E asset revaluation rsve | 20b (ii) | – | – | – | – | 43,008 | 43,008 |
| – Impairment (loss) reversal relating to I,PP&E | 20b (ii) | – | – | – | – | (176) | (176) |
| Other comprehensive income | | – | – | – | – | 42,832 | 42,832 |
| Total comprehensive income | | 9,763 | – | 9,763 | 13,884 | 42,832 | 56,716 |
| Equity – balance at end of the reporting period | | 323,870 | 140,597 | 464,467 | 314,107 | 140,597 | 454,704 |

Wollondilly Shire Council

Statement of Cash Flows
for the year ended 30 June 2017

| Budget 2017 | \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|--|-------|-----------------|-----------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 36,042 | Rates and annual charges | | 36,652 | 32,260 |
| 4,099 | User charges and fees | | 5,181 | 5,846 |
| 1,466 | Investment and interest revenue received | | 1,675 | 1,760 |
| 12,106 | Grants and contributions | | 19,288 | 15,038 |
| – | Bonds, deposits and retention amounts received | | – | 229 |
| 1,070 | Other | | 4,712 | 4,124 |
| Payments: | | | | |
| (21,054) | Employee benefits and on-costs | | (21,085) | (19,638) |
| (13,655) | Materials and contracts | | (17,969) | (16,127) |
| (943) | Borrowing costs | | (923) | (1,044) |
| – | Bonds, deposits and retention amounts refunded | | (93) | – |
| (5,458) | Other | | (3,740) | (4,853) |
| 13,673 | Net cash provided (or used in) operating activities | 11b | 23,698 | 17,595 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| – | Sale of investment securities | | 29,780 | 30,304 |
| – | Sale of infrastructure, property, plant and equipment | | 42 | 107 |
| Payments: | | | | |
| – | Purchase of investment securities | | (37,500) | (36,000) |
| (12,540) | Purchase of infrastructure, property, plant and equipment | | (13,430) | (11,165) |
| (12,540) | Net cash provided (or used in) investing activities | | (21,108) | (16,754) |
| Cash flows from financing activities | | | | |
| Receipts: | | | | |
| Nil | | | | |
| Payments: | | | | |
| (1,818) | Repayment of borrowings and advances | | (1,815) | (2,024) |
| (1,818) | Net cash flow provided (used in) financing activities | | (1,815) | (2,024) |
| (685) | Net increase/(decrease) in cash and cash equivalents | | 775 | (1,183) |
| 1,843 | Plus: cash and cash equivalents – beginning of year | 11a | 2,527 | 3,710 |
| 1,158 | Cash and cash equivalents – end of the year | 11a | 3,302 | 2,527 |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] has not had any impact for the Council.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) Estimated fair values of infrastructure, property, plant and equipment
- (ii) Estimated tip remediation provisions.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

rateable property or, where earlier, upon receipt of the rates.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(c) Principles of consolidation

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

Due to their immaterial value and nature, Council's Management Committees have been excluded from this consolidation.

(d) Leases

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

(e) Impairment of assets

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

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

(f) Cash and cash equivalents

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

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

(h) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and receivables

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

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible 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.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations.

(i) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or disclosure purposes. The fair value of financial assets approximate their carrying values.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to Council for similar financial instruments.

(j) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Externally valued

- Operational land
- Community land (Valuer General valuation)
- Buildings – specialised/non-specialised

Internally valued

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

As approximated by depreciated historical cost

- Plant and equipment
- Land improvements
- Other structures
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

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 for that 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 can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

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

Plant and Equipment

| | |
|----------------------------------|---------------|
| - Vehicles | 5 to 8 years |
| - Heavy plant/road making equip. | 5 to 8 years |
| - Other plant and equipment | 5 to 15 years |

Office equipment

| | |
|-------------------------------|----------------|
| - Computer equipment | 5 years |
| - Other office equipment | 5 to 10 years |
| Furniture and fittings | 10 to 20 years |

Buildings

| | |
|----------------------|-----------------|
| - Buildings: masonry | 50 to 100 years |
| - Buildings: other | 20 to 40 years |

Infrastructure

| | |
|--|-------------|
| - Sealed surfacings | |
| • Asphalt | 25 years |
| • Flush Seal | 15 years |
| - Sealed pavement structure | 80 years |
| - Kerb and gutter | 70 years |
| - Paved footpaths | |
| • Concrete | 50 years |
| • Asphalt seal | 20 years |
| • Gravel | 10 years |
| - Unsealed pavement structure | 10 years |
| - Bulk earthworks | Infinite |
| - Concrete bridges | 100 years |
| - Timber bridges | 80 years |
| • Structure and girders | 60 years |
| • Deck | 30 years |
| - Swimming pools | 50 years |
| - Other open space/recreational assets | |
| • Playground equipment | 5-15 years |
| • Tennis courts | |
| ○ Concrete | 50 years |
| ○ Synthetic | 10 years |
| • Outdoor furniture | 10 years |
| • Shelters | 20 years |
| • Sporting equip (goal posts, etc) | 20-30 years |
| • Floodlighting | 10 years |
| • BBQ's | 20 years |

Wollondilly Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Other infrastructure

| | |
|---------------------------------|-------------|
| - Traffic facilities | |
| • LATM devices, traffic islands | 70 years |
| • Steel guard rails | 20 years |
| • Roadside fencing | 20 years |
| - Line marking | 5 years |
| - Signs | 10 years |
| - Roadside furniture | 10-20 years |

Stormwater drainage

| | |
|----------------------------------|-----------|
| - Culverts | |
| • Major | 100 years |
| • Steel | 50 years |
| - Pipes | 150 years |
| - Pits | 70 years |
| - Structures including headwalls | 70 years |
| - Detention basins | 100 years |
| - Gross pollutant traps | 60 years |

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.

(k) 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.

(l) 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 of probability 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.

(m) 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.

(n) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date,

calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

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

(o) 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.

Data in relation to land under roads acquired after 1 July 2008 has been collected, but is not recognised in these accounts because of the lack of a valid valuation methodology.

Council will review the recognition of land under roads when the valuation methodology has been determined by the industry. In the meantime, Council will continue collecting the necessary physical data to undertake the valuation.

(p) 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.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) New accounting standards and interpretations issued not yet effective

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

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

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

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

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

- AASB 9 Financial Instruments (December 2009)
- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

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

- AASB 16 Leases
- AASB 16 Leases (Appendix D)

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

(t) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(u) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(v) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| Functions/activities | Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b). | | | | | | | | | | | | |
|--|--|---------------|---------------|-------------------------------------|---------------|---------------|---|-----------------|-----------------|--|--------------|---|----------------|
| | Income from continuing operations | | | Expenses from continuing operations | | | Operating result from continuing operations | | | Grants included in income from continuing operations | | Total assets held (current & non-current) | |
| | Original budget | Actual | Actual | Original budget | Actual | Actual | Original budget | Actual | Actual | Actual | Actual | Actual | Actual |
| | 2017 | 2017 | 2016 | 2017 | 2017 | 2016 | 2017 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Governance | – | – | – | 1,114 | 1,026 | 997 | (1,114) | (1,026) | (997) | – | 86 | – | – |
| Administration | 1,772 | 2,876 | 1,284 | 3,877 | 4,425 | 4,760 | (2,105) | (1,549) | (3,476) | 1 | 8 | 63,433 | 54,977 |
| Public order and safety | 1,344 | 1,125 | 931 | 3,285 | 3,808 | 3,734 | (1,941) | (2,683) | (2,803) | 320 | 304 | 9,187 | 8,770 |
| Health | 175 | 338 | 499 | 373 | 3 | 3 | (198) | 335 | 496 | – | – | 17 | 19 |
| Environment | 8,168 | 9,187 | 11,989 | 8,679 | 8,975 | 9,155 | (511) | 212 | 2,834 | 378 | 271 | 1,948 | 1,884 |
| Community services and education | 785 | 1,072 | 945 | 2,557 | 2,683 | 2,466 | (1,772) | (1,611) | (1,521) | 452 | 349 | 354 | 356 |
| Housing and community amenities | 3,118 | 6,868 | 6,456 | 4,143 | 6,365 | 4,816 | (1,025) | 503 | 1,640 | 82 | 81 | 3,505 | 3,525 |
| Recreation and culture | 404 | 1,545 | 502 | 8,700 | 8,960 | 8,501 | (8,296) | (7,415) | (7,999) | 134 | 205 | 120,055 | 120,121 |
| Mining, manufacturing and construction | 605 | 780 | 592 | 1,187 | 1,288 | 1,381 | (582) | (508) | (789) | – | – | – | – |
| Transport and communication | 5,674 | 5,916 | 14,105 | 16,909 | 16,776 | 17,031 | (11,235) | (10,860) | (2,926) | 2,208 | 2,672 | 303,658 | 302,537 |
| Economic affairs | 322 | 401 | 402 | 1,465 | 1,300 | 1,460 | (1,143) | (899) | (1,058) | – | – | 1,779 | 1,527 |
| Total functions and activities | 22,367 | 30,108 | 37,705 | 52,289 | 55,609 | 54,304 | (29,922) | (25,501) | (16,599) | 3,575 | 3,976 | 503,936 | 493,716 |
| General purpose income ¹ | 32,875 | 35,264 | 30,483 | – | – | – | 32,875 | 35,264 | 30,483 | 5,619 | 3,664 | – | – |
| Operating result from continuing operations | 55,242 | 65,372 | 68,188 | 52,289 | 55,609 | 54,304 | 2,953 | 9,763 | 13,884 | 9,194 | 7,640 | 503,936 | 493,716 |

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

Wollondilly Shire Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Wollondilly Shire Council

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

Note 3. Income from continuing operations

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|--------------|------------------------|------------------------|
| (a) Rates and annual charges | | | |
| Ordinary rates | | | |
| Residential | | 25,067 | 22,023 |
| Farmland | | 837 | 910 |
| Mining | | 1,340 | 1,260 |
| Business | | 1,312 | 1,170 |
| Total ordinary rates | | 28,556 | 25,363 |
| Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic waste management services | | 7,441 | 6,959 |
| Stormwater management services | | 270 | 259 |
| Waste management services (non-domestic) | | 148 | 143 |
| Total annual charges | | 7,859 | 7,361 |
| <u>TOTAL RATES AND ANNUAL CHARGES</u> | | <u>36,415</u> | <u>32,724</u> |

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Wollondilly Shire Council

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

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|---------------------|---------------------|
| (b) User charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Animal registration fees | | 60 | 134 |
| Planning and building regulation | | 1,786 | 1,614 |
| Private works – section 67 | | – | 5 |
| Rezoning fees | | 153 | 79 |
| Section 149 certificates (EPA Act) | | 149 | 145 |
| Section 603 certificates | | 82 | 92 |
| Septic tank fees | | 212 | 191 |
| Other | | 160 | 182 |
| Total fees and charges – statutory/regulatory | | 2,602 | 2,442 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | | |
| Cemeteries | | 97 | 84 |
| Children services | | 449 | 443 |
| Development management | | 170 | 221 |
| Leaseback fees – Council vehicles | | 281 | 239 |
| Leisure centre | | 23 | 86 |
| Plan checking fees | | 418 | 217 |
| Restoration charges | | 46 | 58 |
| Royalties | | 309 | 303 |
| Waste disposal tipping fees | | 887 | 772 |
| Contract works | | 35 | 28 |
| Other | | 183 | 176 |
| Total fees and charges – other | | 2,898 | 2,627 |
| <u>TOTAL USER CHARGES AND FEES</u> | | <u>5,500</u> | <u>5,069</u> |

Wollondilly Shire Council

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

Note 3. Income from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|---------------------|---------------------|
| (c) Interest and investment revenue | | | |
| Interest | | | |
| – Interest on overdue rates and annual charges | | 207 | 191 |
| – Interest earned on investments | | 1,490 | 1,539 |
| <u>TOTAL INTEREST AND INVESTMENT REVENUE</u> | | <u>1,697</u> | <u>1,730</u> |
| (d) Other revenues | | | |
| Rental income – other council properties | | 567 | 526 |
| Fines | | 358 | 529 |
| Legal fees recovery – rates and charges (extra charges) | | 148 | 84 |
| Legal fees recovery – other | | 56 | 2 |
| Commissions and agency fees | | 34 | 34 |
| Diesel rebate | | 33 | 31 |
| Insurance claim recoveries | | 419 | 18 |
| Insurance premium rebate | | 111 | 89 |
| Reimbursements | | 117 | 77 |
| Other | | 97 | 114 |
| <u>TOTAL OTHER REVENUE</u> | | <u>1,940</u> | <u>1,504</u> |

Wollondilly Shire Council

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

Note 3. Income from continuing operations (continued)

| \$ '000 | 2017 Operating | 2016 Operating | 2017 Capital | 2016 Capital |
|---|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General purpose (untied) | | | | |
| Financial assistance* | 5,367 | 3,416 | – | – |
| Pensioners' rates subsidies – general component | 252 | 248 | – | – |
| Total general purpose | 5,619 | 3,664 | – | – |
| Specific purpose | | | | |
| Pensioners' rates subsidies: | | | | |
| – Domestic waste management | 84 | 86 | – | – |
| Bushfire and emergency services | 320 | 304 | – | – |
| Child care | 198 | 183 | – | – |
| Community services | 254 | 166 | – | – |
| Environmental management | 294 | 271 | – | – |
| Library | 134 | 91 | – | 44 |
| LIRS subsidy | 240 | 289 | – | – |
| Recreation and culture | – | 27 | – | 43 |
| Street lighting | 82 | 81 | – | – |
| Transport (roads to recovery) | – | – | 1,963 | 1,722 |
| Transport (other roads and bridges funding) | – | – | 5 | 661 |
| Other | 1 | 8 | – | – |
| Total specific purpose | 1,607 | 1,506 | 1,968 | 2,470 |
| Total grants | 7,226 | 5,170 | 1,968 | 2,470 |
| Grant revenue is attributable to: | | | | |
| – Commonwealth funding | 5,523 | 3,568 | 1,963 | 2,396 |
| – State funding | 1,688 | 1,598 | 5 | 74 |
| – Other funding | 15 | 4 | – | – |
| | 7,226 | 5,170 | 1,968 | 2,470 |

*Note: Council received 50% advance payment of 2017/18 Financial Assistance Grant allocation during 2016/17

Wollondilly Shire Council

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

Note 3. Income from continuing operations (continued)

| \$ '000 | 2017 Operating | 2016 Operating | 2017 Capital | 2016 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (f) Contributions | | | | |
| Developer contributions: | | | | |
| (s93 & s94 – EP&A Act, s64 of the LGA): | | | | |
| S 93F – contributions using planning agreements | – | – | 743 | 1,598 |
| S 94 – contributions towards amenities/services | – | – | 3,626 | 2,937 |
| S 94A – fixed development consent levies | – | – | 139 | 56 |
| Total developer contributions | 17 | – | 4,508 | 4,591 |
| Other contributions: | | | | |
| Bushfire services | 308 | 327 | 240 | 125 |
| Community services | 189 | 95 | – | – |
| Dedications (other than by S94) | – | – | 1,061 | 11,471 |
| Kerb and gutter | – | – | 30 | 14 |
| Recreation and culture | 7 | 155 | 89 | 41 |
| Roads and bridges | – | – | 830 | 63 |
| RMS contributions (regional roads, block grant) | 2,155 | 1,864 | 529 | 668 |
| Environmental Management | 654 | – | – | – |
| Total other contributions | 3,313 | 2,441 | 2,779 | 12,382 |
| Total contributions | 3,313 | 2,441 | 7,287 | 16,973 |
| TOTAL GRANTS AND CONTRIBUTIONS | 10,539 | 7,611 | 9,255 | 19,443 |

| \$ '000 | Actual 2017 | Actual 2016 |
|---------|----------------|----------------|
|---------|----------------|----------------|

(g) Unspent grants and contributions

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

| | | |
|--|---------------|---------------|
| Unexpended at the close of the previous reporting period | 18,953 | 16,785 |
| Add: grants and contributions recognised in the current period but not yet spent: | 5,909 | 5,456 |
| Add: grants and contributions received for the provision of goods and services in a future period | 1,826 | – |
| Less: grants and contributions recognised in a previous reporting period now spent: | (2,569) | (3,288) |
| Net increase (decrease) in restricted assets during the period | 5,166 | 2,168 |
| Unexpended and held as restricted assets | 24,119 | 18,953 |
| Comprising: | | |
| – Specific purpose unexpended grants | 3,118 | 1,274 |
| – Developer contributions | 20,233 | 17,223 |
| – Other contributions | 768 | 456 |
| | 24,119 | 18,953 |

Wollondilly Shire Council

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

Note 4. Expenses from continuing operations

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| (a) Employee benefits and on-costs | | | |
| Salaries and wages | | 19,139 | 18,275 |
| Employee leave entitlements (ELE) | | 7 | 941 |
| Superannuation | | 1,957 | 1,806 |
| Workers' compensation insurance | | 436 | 415 |
| Fringe benefit tax (FBT) | | 132 | 171 |
| Training costs (other than salaries and wages) | | 195 | 104 |
| Employment advertising | | 128 | 181 |
| Other | | 17 | 11 |
| Total employee costs | | 22,011 | 21,904 |
| Less: capitalised costs | | (1,578) | (1,295) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 20,433 | 20,609 |
| Number of 'full-time equivalent' employees (FTE) at year end | | 233 | 216 |
| (b) Borrowing costs | | | |
| (i) Interest bearing liability costs | | | |
| Interest on loans | | 913 | 1,031 |
| Total interest bearing liability costs expensed | | 913 | 1,031 |
| (ii) Other borrowing costs | | | |
| Discount adjustments relating to movements in provisions (other than ELE) | | | |
| – Remediation liabilities | 26 | 793 | 758 |
| Total other borrowing costs | | 793 | 758 |
| TOTAL BORROWING COSTS EXPENSED | | 1,706 | 1,789 |

Wollondilly Shire Council

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

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| (c) Materials and contracts | | | |
| Raw materials and consumables | | 6,269 | 5,790 |
| Contractor and consultancy costs | | | |
| – Environmental services | | 1,008 | 1,084 |
| – General maintenance | | 2,299 | 3,325 |
| – Leisure centre management | | 172 | 160 |
| – Planning and development consultants | | 166 | 106 |
| – Planning and development contractors/labour hire | | 774 | – |
| – Road maintenance and construction | | 6,735 | 3,614 |
| – Street and gutter cleaning contract | | 195 | 285 |
| – Waste contractors | | 6,386 | 6,356 |
| – Other | | 1,037 | 1,558 |
| Auditors remuneration ⁽¹⁾ | | 102 | 64 |
| Legal expenses: | | | |
| – Legal expenses: planning and development | | 790 | 535 |
| – Legal expenses: other | | 358 | 304 |
| Operating leases: | | | |
| – Operating lease rentals: minimum lease payments ⁽²⁾ | | 816 | 901 |
| Total materials and contracts | | 27,107 | 24,082 |
| Less: capitalised costs | | (10,937) | (9,241) |
| TOTAL MATERIALS AND CONTRACTS | | 16,170 | 14,841 |
| 1. Auditor remuneration | | | |
| a. During the year, the following fees were incurred for services provided by the Auditor-General: | | | |
| (i) Audit and other assurance services | | | |
| – Audit and review of financial statements: Auditor-General | | 44 | – |
| Remuneration for audit and other assurance services | | 44 | – |
| Total Auditor-General remuneration | | 44 | – |
| b. During the year, the following fees were incurred for services provided by Council's other Auditors: | | | |
| (i) Audit and other assurance services | | | |
| – Audit and review of financial statements: Council's Other Auditor | | – | 39 |
| – Internal audit services external provider | | 58 | 25 |
| Remuneration for audit and other assurance services | | 58 | 64 |
| Total remuneration of other Council's Other Auditors | | 58 | 64 |
| Total Auditor remuneration | | 102 | 64 |

Wollondilly Shire Council

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

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|--------|----------------|----------------|
| (d) Depreciation, amortisation and impairment | | | |
| Plant and equipment | | 462 | 579 |
| Office equipment | | 24 | 63 |
| Furniture and fittings | | 58 | 51 |
| Land improvements (depreciable) | | 50 | 49 |
| Infrastructure: | | | |
| – Buildings – non-specialised | | 722 | 668 |
| – Buildings – specialised | | 1,009 | 1,007 |
| – Roads | | 5,986 | 5,908 |
| – Bridges | | 724 | 715 |
| – Footpaths | | 324 | 322 |
| – Other road assets | | 2,145 | 2,118 |
| – Stormwater drainage | | 457 | 457 |
| – Swimming pools | | 75 | 75 |
| – Other open space/recreational assets | | 508 | 492 |
| Other assets | | | |
| – Other | | 37 | 25 |
| Asset reinstatement costs | 9 & 26 | – | 43 |
| Total gross depreciation and amortisation costs | | 12,581 | 12,572 |
| Less: capitalised costs | | – | – |
| Total depreciation and amortisation costs | | 12,581 | 12,572 |
| Impairment | | | |
| Infrastructure: | | | |
| – Bridges | | – | 229 |
| – Other open space/recreational assets | | – | 176 |
| Total gross impairment costs | | – | 405 |
| Less: IPP&E impairments (to)/from equity | 9 | – | (176) |
| Total impairment costs | | – | 229 |
| TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED | | 12,581 | 12,801 |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|---------------------|---------------------|
| (e) Other expenses | | | |
| Advertising | | 152 | 124 |
| Agency charges | | 64 | 63 |
| Bad and doubtful debts | | 13 | 2 |
| Bank charges | | 48 | 44 |
| Computer software charges | | 390 | 414 |
| Contributions/levies to other levels of government | | | |
| – Department of planning levy | | 51 | 50 |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | | 639 | 702 |
| – Section 88 waste and environment levy | | 364 | 265 |
| Councillor expenses – mayoral fee | | 35 | 40 |
| Councillor expenses – councillors' fees | | 162 | 166 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | | 29 | 23 |
| Donations, contributions and assistance to other organisations (Section 356) | | 146 | 150 |
| Election expenses | | 249 | – |
| Electricity and heating | | 241 | 275 |
| Insurance | | 569 | 555 |
| Photocopier charges | | 105 | 88 |
| Postage | | 191 | 158 |
| Street lighting | | 527 | 426 |
| Telephone and communications | | 138 | 128 |
| Valuation fees | | 110 | 105 |
| Vehicle registration / insurance | | 93 | 78 |
| Water charges | | 127 | 123 |
| Other | | 283 | 300 |
| Total other expenses | | 4,726 | 4,279 |
| Less: capitalised costs | | (7) | (15) |
| <u>TOTAL OTHER EXPENSES</u> | | <u>4,719</u> | <u>4,264</u> |

Note 5. Gains or losses from the disposal of assets

| | | | |
|--|--|------------------|-------------------|
| Plant and equipment | | | |
| Proceeds from disposal – plant and equipment | | 42 | 107 |
| Less: carrying amount of plant and equipment assets sold/written off | | (16) | – |
| Net gain/(loss) on disposal | | 26 | 107 |
| Financial assets | | | |
| Proceeds from disposal/redemptions/maturities – financial assets | | 29,780 | 30,304 |
| Less: carrying amount of financial assets sold/redeemed/matured | | (29,780) | (30,304) |
| Net gain/(loss) on disposal | | – | – |
| <u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u> | | <u>26</u> | <u>107</u> |

Wollondilly Shire Council

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

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

| | | 2017 | 2017 | 2016 | 2016 |
|--|-------|----------------------|-----------------------|----------------------|-----------------------|
| \$ '000 | Notes | Actual Current | Actual Non-current | Actual Current | Actual Non-current |
| Cash and cash equivalents (Note 6a) | | | | | |
| Cash on hand and at bank | | 3,302 | – | 2,527 | – |
| Total cash and cash equivalents | | 3,302 | – | 2,527 | – |
| Investments (Note 6b) | | | | | |
| – Long term deposits | | 30,250 | 6,000 | 28,750 | – |
| – NCD's, FRN's (with maturities > 3 months) | | – | 14,500 | 2,000 | 11,250 |
| – Mortgage backed securities | | – | 1,654 | – | 1,684 |
| – Other long term financial assets | | 2,000 | – | 1,000 | 2,000 |
| Total investments | | 32,250 | 22,154 | 31,750 | 14,934 |
| <u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u> | | <u>35,552</u> | <u>22,154</u> | <u>34,277</u> | <u>14,934</u> |
| Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows: | | | | | |
| Cash and cash equivalents | | | | | |
| a. 'At fair value through the profit and loss' | | 3,302 | – | 2,527 | – |
| Investments | | | | | |
| a. 'Held to maturity' | | 32,250 | 22,154 | 31,750 | 14,934 |
| Investments | | 32,250 | 22,154 | 31,750 | 14,934 |

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| | 2017 Actual Current | 2017 Actual Non-current | 2016 Actual Current | 2016 Actual Non-current |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| \$ '000 | | | | |
| Total cash, cash equivalents and investments | 35,552 | 22,154 | 34,277 | 14,934 |
| attributable to: | | | | |
| External restrictions (refer below) | 9,983 | 22,154 | 10,882 | 14,934 |
| Internal restrictions (refer below) | 20,388 | – | 21,190 | – |
| Unrestricted | 5,181 | – | 2,205 | – |
| | 35,552 | 22,154 | 34,277 | 14,934 |

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

| | | | | | |
|------------------------------------|-----|--------|-------|---------|--------|
| Developer contributions – general | (A) | 17,223 | 4,938 | (1,928) | 20,233 |
| Specific purpose unexpended grants | (B) | 1,274 | 2,320 | (475) | 3,118 |
| Domestic waste management | (C) | 6,322 | 1,033 | (8) | 7,347 |
| Stormwater management | (C) | 541 | 270 | (140) | 671 |
| Other contributions | (D) | 456 | 477 | (165) | 768 |
| External restrictions – other | | 25,816 | 9,038 | (2,716) | 32,137 |
| Total external restrictions | | 25,816 | 9,038 | (2,716) | 32,137 |

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- C** Domestic Waste Management (DWM) and Stormwater Management charges are externally restricted assets and must be applied for the purposes for which they were raised.
- D** Other Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

Wollondilly Shire Council

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

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

| 2017 \$ '000 | Opening balance | Transfers to restrictions | Transfers from restrictions | Closing balance |
|--------------------------------------|--------------------|------------------------------|--------------------------------|--------------------|
| Internal restrictions | | | | |
| Employees leave entitlement | 2,444 | – | (5) | 2,439 |
| Animal management | 19 | – | – | 19 |
| Effluent disposal | 216 | – | (2) | 214 |
| Election | 267 | 70 | (258) | 79 |
| Growth management strategy | 1,669 | 521 | (819) | 1,371 |
| Information technology | 70 | – | (21) | 49 |
| Infrastructure and asset maintenance | 7,946 | 4,558 | (4,088) | 8,416 |
| Legal claims | 991 | – | (644) | 347 |
| Organisational development | 676 | – | (149) | 527 |
| Plant and vehicle replacement | 1,456 | 367 | (503) | 1,320 |
| Property | 1,944 | 426 | (386) | 1,984 |
| Recreation | 474 | – | (1) | 473 |
| Risk management | 488 | 111 | (78) | 521 |
| Roads | 296 | 8 | – | 304 |
| Sportsgrounds | 834 | 278 | (198) | 914 |
| Swimming pool | 542 | – | – | 542 |
| Tourism and economic development | 368 | – | (21) | 347 |
| Work in progress | 490 | 36 | (4) | 522 |
| Total internal restrictions | 21,190 | 6,375 | (7,177) | 20,388 |
| TOTAL RESTRICTIONS | 47,006 | 15,413 | (9,893) | 52,525 |

Wollondilly Shire Council

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

Note 7. Receivables

| \$ '000 | Notes | 2017 | | 2016 | |
|---|-------|---------------------|-----------------|---------------------|-----------------|
| | | Current | Non-current | Current | Non-current |
| Purpose | | | | | |
| Rates and annual charges | | 1,495 | — | 1,732 | — |
| Interest and extra charges | | 534 | — | 536 | — |
| User charges and fees | | 825 | — | 386 | — |
| Accrued revenues | | | | | |
| – Interest on investments | | 515 | — | 491 | — |
| – Other income accruals | | 236 | — | 281 | — |
| Government grants and subsidies | | 287 | — | 833 | — |
| Net GST receivable | | 212 | — | 313 | — |
| Total | | 4,104 | — | 4,572 | — |
| Less: provision for impairment | | | | | |
| User charges and fees | | (11) | — | (23) | — |
| Total provision for impairment – receivables | | (11) | — | (23) | — |
| <u>TOTAL NET RECEIVABLES</u> | | <u>4,093</u> | <u>—</u> | <u>4,549</u> | <u>—</u> |
| Externally restricted receivables | | | | | |
| Domestic waste management | | 584 | — | 628 | — |
| Stormwater management | | 23 | — | 25 | — |
| Total external restrictions | | 607 | — | 653 | — |
| Unrestricted receivables | | 3,486 | — | 3,896 | — |
| TOTAL NET RECEIVABLES | | 4,093 | — | 4,549 | — |

Notes on debtors above:

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

Wollondilly Shire Council

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

Note 8. Inventories and other assets

| \$ '000 | Notes | 2017 | | 2016 | |
|--|-------|---------------------|-----------------|---------------------|-----------------|
| | | Current | Non-current | Current | Non-current |
| (a) Inventories | | | | | |
| (i) Inventories at cost | | | | | |
| Real estate for resale (refer below) | | 195 | – | 195 | – |
| Stores and materials | | 1,942 | – | 1,845 | – |
| Trading stock | | 2 | – | 2 | – |
| Total inventories at cost | | 2,139 | – | 2,042 | – |
| (ii) Inventories at net realisable value (NRV) | | | | | |
| Trading stock | | 46 | – | 46 | – |
| Total inventories at net realisable value (NRV) | | 46 | – | 46 | – |
| <u>TOTAL INVENTORIES</u> | | <u>2,185</u> | <u>–</u> | <u>2,088</u> | <u>–</u> |
| (b) Other assets | | | | | |
| Prepayments | | 246 | – | 143 | – |
| <u>TOTAL OTHER ASSETS</u> | | <u>246</u> | <u>–</u> | <u>143</u> | <u>–</u> |
| Externally restricted assets | | | | | |
| RFS stores and materials | | 1,808 | – | 1,721 | – |
| Unrestricted assets | | 623 | – | 510 | – |
| TOTAL INVENTORIES AND OTHER ASSETS | | 2,431 | – | 2,231 | – |

Wollondilly Shire Council

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

Note 8. Inventories and other assets (continued)

| \$ '000 | 2017 | | 2016 | |
|--|------------|-------------|------------|-------------|
| | Current | Non-current | Current | Non-current |
| Other disclosures | | | | |
| (a) Details for real estate development | | | | |
| Residential | 195 | – | 195 | – |
| Total real estate for resale | 195 | – | 195 | – |
| (Valued at the lower of cost and net realisable value) | | | | |
| Represented by: | | | | |
| Acquisition costs | 195 | – | 195 | – |
| Total costs | 195 | – | 195 | – |
| Total real estate for resale | 195 | – | 195 | – |
| Movements: | | | | |
| Real estate assets at beginning of the year | 195 | – | 230 | – |
| – Other | – | – | (35) | – |
| Total real estate for resale | 195 | – | 195 | – |

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

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

| | 2017 | 2016 |
|------------------------|------------|------------|
| Real estate for resale | 195 | 195 |
| | 195 | 195 |

(c) Inventories recognised as an expense for the year included:

| | | |
|------------------------|-----|-----|
| – Stores and materials | 559 | 398 |
| – Trading stock | – | 4 |

(d) Inventory write downs

\$1,141 was recognised as an expense relating to the write down of inventory balances held during the year.

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

Wollondilly Shire Council

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

Note 9. Infrastructure, property, plant and equipment

| Asset class \$ '000 | as at 30/6/2016 | | | Asset movements during the reporting period | | | | | | as at 30/6/2017 | | |
|--|-----------------------|---|---------------------|---|----------------------|---|-----------------------------|----------------------|---------------|-----------------------|---|---------------------|
| | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount | Additions renewals | Additions new assets | Reinstatement costs for impaired assets | Carrying value of disposals | Depreciation expense | WIP transfers | Gross carrying amount | Accumulated depreciation and impairment | Net carrying amount |
| Capital work in progress | 2,217 | – | 2,217 | 247 | 159 | – | – | – | (1,970) | 653 | – | 653 |
| Plant and equipment | 12,945 | 11,356 | 1,589 | – | 506 | – | (16) | (462) | – | 13,397 | 11,780 | 1,617 |
| Office equipment | 3,882 | 3,767 | 115 | – | 57 | – | – | (24) | – | 3,939 | 3,791 | 148 |
| Furniture and fittings | 1,044 | 557 | 487 | 51 | 37 | – | – | (58) | – | 1,132 | 615 | 517 |
| Land: | | | | | | | | | | | | |
| – Operational land | 12,972 | – | 12,972 | – | 343 | – | – | – | – | 13,315 | – | 13,315 |
| – Community land | 50,342 | – | 50,342 | – | – | – | – | – | – | 50,342 | – | 50,342 |
| Land improvements – depreciable | 2,473 | 326 | 2,147 | 37 | – | – | – | (50) | – | 2,510 | 376 | 2,134 |
| Infrastructure: | | | | | | | | | | | | |
| – Buildings – non-specialised | 26,414 | 15,138 | 11,276 | 593 | – | – | – | (722) | 1,970 | 28,978 | 15,861 | 13,117 |
| – Buildings – specialised | 48,199 | 21,846 | 26,353 | 409 | – | – | – | (1,009) | – | 48,609 | 22,856 | 25,753 |
| – Roads | 219,890 | 103,416 | 116,474 | 7,347 | – | – | – | (5,986) | – | 227,237 | 109,402 | 117,835 |
| – Bridges | 62,361 | 27,452 | 34,909 | 1,591 | – | 178 | – | (724) | – | 63,590 | 27,636 | 35,954 |
| – Footpaths | 14,793 | 3,269 | 11,524 | 138 | 73 | – | – | (324) | – | 15,003 | 3,592 | 11,411 |
| – Other road assets | 76,109 | 24,951 | 51,158 | 1,259 | 132 | – | – | (2,145) | – | 77,500 | 27,096 | 50,404 |
| – Bulk earthworks (non-depreciable) | 44,331 | – | 44,331 | – | – | – | – | – | – | 44,331 | – | 44,331 |
| – Stormwater drainage | 53,948 | 11,921 | 42,027 | 58 | – | – | – | (457) | – | 54,006 | 12,378 | 41,628 |
| – Swimming pools | 3,000 | 1,200 | 1,800 | – | – | – | – | (75) | – | 3,000 | 1,275 | 1,725 |
| – Other open space/recreational assets | 31,798 | 4,277 | 27,521 | 153 | 1,061 | 149 | – | (508) | – | 32,936 | 4,560 | 28,376 |
| Other assets: | | | | | | | | | | | | |
| – Library books | 1,025 | 1,025 | – | – | – | – | – | – | – | 1,025 | 1,025 | – |
| – Other | 763 | 280 | 483 | – | – | – | – | (37) | – | 763 | 317 | 446 |
| Reinstatement, rehabilitation and restoration assets (refer Note 26): | | | | | | | | | | | | |
| – Tip assets | 8,054 | 8,054 | – | – | – | – | – | – | – | 8,054 | 8,054 | – |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP. | 676,560 | 238,835 | 437,725 | 11,883 | 2,368 | 327 | (16) | (12,581) | – | 690,320 | 250,614 | 439,706 |

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Wollondilly Shire Council

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

Note 10a. Payables, borrowings and provisions

| \$ '000 | Notes | 2017 | | 2016 | |
|--|-------|--------------|---------------|--------------|---------------|
| | | Current | Non-current | Current | Non-current |
| Payables | | | | | |
| Goods and services | | 2,756 | – | 1,768 | – |
| Accrued expenses: | | | | | |
| – Borrowings | | 64 | – | 74 | – |
| – Salaries and wages | | – | – | 297 | – |
| – Other expenditure accruals | | 2,479 | – | 1,487 | – |
| Security bonds, deposits and retentions | | 464 | – | 557 | – |
| Other | | 492 | – | 261 | – |
| Total payables | | 6,255 | – | 4,444 | – |
| Income received in advance | | | | | |
| Payments received in advance | | 204 | – | 276 | – |
| Total income received in advance | | 204 | – | 276 | – |
| Borrowings | | | | | |
| Loans – secured ¹ | | 1,559 | 11,196 | 1,817 | 12,753 |
| Total borrowings | | 1,559 | 11,196 | 1,817 | 12,753 |
| Provisions | | | | | |
| Employee benefits: | | | | | |
| Annual leave | | 1,585 | – | 1,621 | – |
| Sick leave | | 187 | – | 193 | – |
| Long service leave | | 4,172 | 148 | 4,360 | 163 |
| Time in Lieu | | 158 | – | 172 | – |
| Sub-total – aggregate employee benefits | | 6,102 | 148 | 6,346 | 163 |
| Asset remediation/restoration (future works) | 26 | 298 | 13,707 | 282 | 12,931 |
| Total provisions | | 6,400 | 13,855 | 6,628 | 13,094 |
| TOTAL PAYABLES, BORROWINGS AND PROVISIONS | | | | | |
| | | 14,418 | 25,051 | 13,165 | 25,847 |

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Wollondilly Shire Council

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

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

| | Actual 2017 | Actual 2016 |
|---------|----------------|----------------|
| \$ '000 | | |

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

| | | |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 4,558 | 4,953 |
| | 4,558 | 4,953 |

Note 10b. Description of and movements in provisions

| Class of provision | 2016 | 2017 | | | | Closing balance as at 30/6/17 |
|--------------------|---------------------------------|-----------------------|--------------------------|--|-------------------------|----------------------------------|
| | Opening balance as at 1/7/16 | Additional provisions | Decrease due to payments | Remeasurement effects due to discounting | Unused amounts reversed | |
| Annual leave | 1,621 | 1,157 | (1,193) | – | – | 1,585 |
| Sick leave | 193 | 7 | (13) | – | – | 187 |
| Long service leave | 4,523 | 357 | (224) | (336) | – | 4,320 |
| Time in Lieu | 172 | 72 | (86) | – | – | 158 |
| Asset remediation | 13,213 | 793 | (1) | – | – | 14,005 |
| TOTAL | 19,722 | 2,386 | (1,517) | (336) | – | 20,255 |

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Wollondilly Shire Council

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

Note 11. Statement of cash flows – additional information

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| (a) Reconciliation of cash assets | | | |
| Total cash and cash equivalent assets | 6a | 3,302 | 2,527 |
| Less bank overdraft | 10 | – | – |
| Balance as per the Statement of Cash Flows | | 3,302 | 2,527 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | | |
| Net operating result from Income Statement | | 9,763 | 13,884 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 12,581 | 12,572 |
| Net losses/(gains) on disposal of assets | | (26) | (107) |
| Non-cash capital grants and contributions | | (1,148) | (11,500) |
| Impairment losses recognition – I,PP&E | | – | 229 |
| Losses/(gains) recognised on fair value re-measurements through the P&L | | – | 99 |
| Unwinding of discount rates on reinstatement provisions | | 793 | 758 |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | 468 | (402) |
| Increase/(decrease) in provision for doubtful debts | | (12) | (12) |
| Decrease/(increase) in inventories | | (97) | (3) |
| Decrease/(increase) in other assets | | (103) | 21 |
| Increase/(decrease) in payables | | 988 | 755 |
| Increase/(decrease) in accrued interest payable | | (10) | (13) |
| Increase/(decrease) in other accrued expenses payable | | 695 | 304 |
| Increase/(decrease) in other liabilities | | 66 | 287 |
| Increase/(decrease) in employee leave entitlements | | (259) | 898 |
| Increase/(decrease) in other provisions | | (1) | (175) |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 23,698 | 17,595 |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|----------------|----------------|
| (c) Non-cash investing and financing activities | | | |
| Bushfire grants | | 87 | 6 |
| Dedicated Infrastructure Assets | | 1,061 | 11,471 |
| Revaluation of propagated nursery stock | | – | 23 |
| Total non-cash investing and financing activities | | 1,148 | 11,500 |
| (d) Financing arrangements | | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | | |
| Bank overdraft facilities ⁽¹⁾ | | 300 | 300 |
| Credit cards/purchase cards | | 100 | 100 |
| Total financing arrangements | | 400 | 400 |
| Amounts utilised as at balance date: | | | |
| – Bank overdraft facilities | | 300 | 300 |
| – Credit cards/purchase cards | | 82 | 90 |
| Total financing arrangements utilised | | 382 | 390 |

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|---|-------|----------------|----------------|
| (a) Capital commitments (exclusive of GST) | | | |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: (includes both 'contractually committed' and 'major works commenced' as at the reporting date.) | | | |
| Property, plant and equipment | | | |
| Buildings ¹ | | 845 | 361 |
| Plant and equipment | | — | 59 |
| Recreation ² | | 1,012 | 66 |
| Major road and bridge works ³ | | 2,218 | 654 |
| Tip remediation ⁴ | | 96 | 96 |
| Total commitments | | 4,171 | 1,236 |
| These expenditures are payable as follows: | | | |
| Within the next year | | 4,171 | 1,236 |
| Total payable | | 4,171 | 1,236 |
| Sources for funding of capital commitments: | | | |
| Unrestricted general funds | | 3,601 | 1,236 |
| Internally restricted reserves | | 570 | — |
| Total sources of funding | | 4,171 | 1,236 |

Details of capital commitments

1. Buildings \$845k - Bargo RFS Building (\$544.8k); Tahmoor RFS (\$91.1k); Bargo Sportsground (\$46k); Old Post Office Clock (\$35k); Colden St (\$34k); Library (\$25k); Buxton RFS (\$23.9k); Menangle RFS (\$20.5k); Douglas Park RFS (\$9.7k); F McKay Building CCTV (\$7k); Tahmoor Sportsground (\$3.7k); Victoria Park Sportsground (\$3.5k);

2. Recreation \$1,017k - Picton Sportsground (\$261.9k); Wilton Sportsground (\$231k); Kennedy St Cycleway (\$147k); Warragamba Civic Park (\$96.7k); Antill Park Dam Wall (\$30.3k); Bin Enclosures (\$63k); Douglas Park Sportsground (\$25.9k); Leisure Centre Upgrade (\$19.8k); Picton Botanic Gardens (\$3.2k).

3. Major Road & Bridge Works \$2,226k - Broughton Pass Embankment restoration (\$746.8k); Werombi Rd (\$524.9k); Bus Shelter Program (\$121.1k); Margaret St signals (\$118.4k); Thirlmere Way (\$93.6k); Montpelier Drive (\$79.7k); Remembrance Drive Rockfall (\$77k); Burns Rd (\$63.7k); Bridge St (\$56.8k); Stonequarry Creek Handrail replacement (\$37.8k); Argyle St widening (\$35k); Noongah St Bargo (\$33.4k); Fairleys Rd to Abbotsford Rd (\$30.2k); Prince St Bridge (\$17.5k); Silverdale Rd (\$18.7k); Estonian Rd improvements (\$16.3k).

4. Tip Remediation \$96k - Warragamba Tip

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|-------|----------------|----------------|
| (b) Finance lease commitments | | | |
| Nil | | | |
| (c) Operating lease commitments (non-cancellable) | | | |
| a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable: | | | |
| Within the next year | | 378 | 548 |
| Later than one year and not later than 5 years | | 433 | 472 |
| Later than 5 years | | – | 45 |
| Total non-cancellable operating lease commitments | | 811 | 1,065 |

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

Motor Vehicles and IT Equipment

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

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.

(d) Investment property commitments

Nil

Wollondilly Shire Council

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

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

| \$ '000 | Amounts 2017 | Indicator 2017 | Prior periods 2016 | Prior periods 2015 | Benchmark |
|--|-----------------|-------------------|-----------------------|-----------------------|------------|
| Local government industry indicators – consolidated | | | | | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses | 482 | 0.86% | -11.65% | -12.00% | >0.00% |
| Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions | 56,091 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions | 45,552 | 69.71% | 60.26% | 60.44% | >60.00% |
| Total continuing operating revenue ⁽¹⁾ | 65,346 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions ⁽²⁾ | 29,483 | 2.99x | 3.36x | 3.42x | >1.5x |
| Current liabilities less specific purpose liabilities ^(3, 4) | 9,860 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation | 14,769 | 4.19x | 2.34x | 2.00x | >2x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 3,521 | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 2,029 | 5.20% | 6.49% | 6.14% | < 5% Metro |
| Rates, annual and extra charges collectible | 39,038 | | | | <10% Rural |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 39,552 | 10.40 mths | 8.6 mths | 8.7 mths | > 3 mths |
| Payments from cash flow of operating and financing activities | 3,802 | | | | |

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

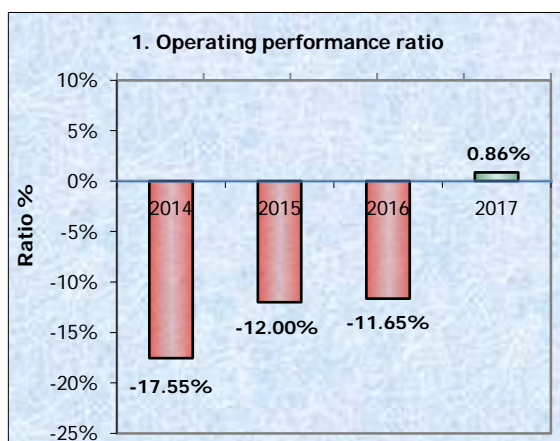
⁽³⁾ Refer to Note 10(a).

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

Wollondilly Shire Council

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

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



Purpose of operating performance ratio

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



Commentary on 2016/17 result

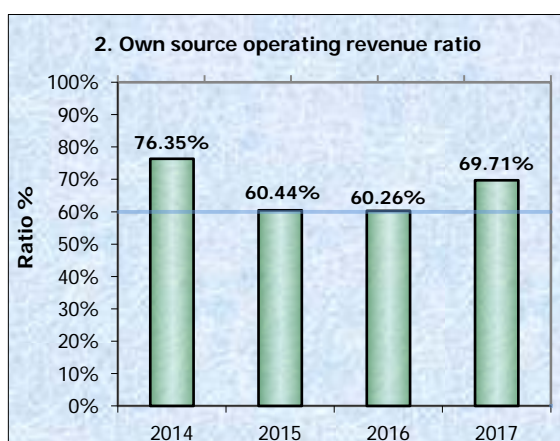
2016/17 ratio 0.86%

This positive result reflects a favourable outcome compared to the adopted budget, primarily as a result of Council receiving additional operating grant revenue during the year. A number of other cost savings and efficiency gains also contributed to this pleasing result. Council's forward projections originally predicted a positive operating result to not be achieved for another two years.

Benchmark: — Minimum $\geq 0.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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



Commentary on 2016/17 result

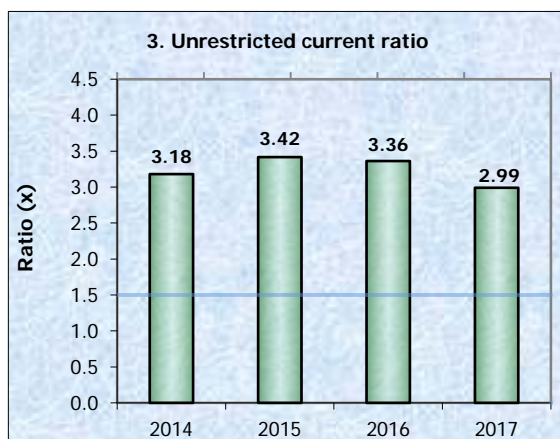
2016/17 ratio 69.71%

Council is comfortably exceeding this minimum benchmark for this ratio, indicating an acceptably low degree of reliance on external funding.

Benchmark: — Minimum $\geq 60.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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



Commentary on 2016/17 result

2016/17 ratio 2.99x

Council's unrestricted current ratio has continued to remain well above the target ratio of 1.5:1. This indicates that Council has the ability to easily meet all of its short term obligations.

Benchmark: — Minimum ≥ 1.50

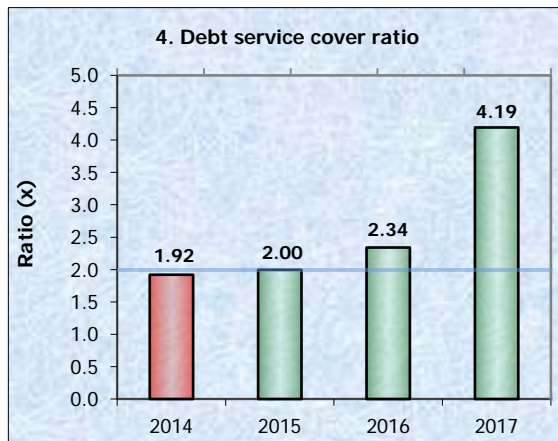
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Wollondilly Shire Council

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

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



Benchmark: — Minimum ≥ 2.00

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

Purpose of debt service cover ratio

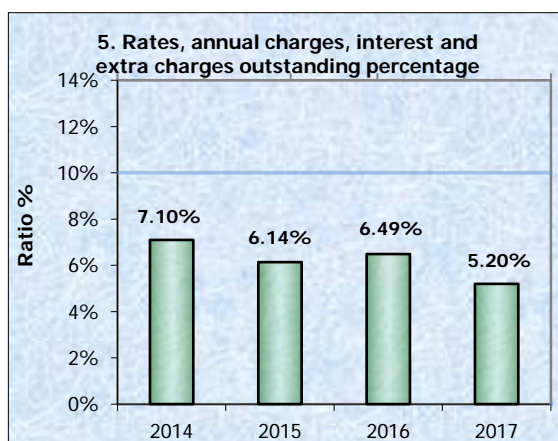
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2016/17 result

2016/17 ratio 4.19x

This ratio has continued to improve each year, reflective of Council's improving operating results. The ratio indicates that Council has sufficient operating cash with which to meet its debt servicing obligations.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

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

Purpose of rates and annual charges outstanding ratio

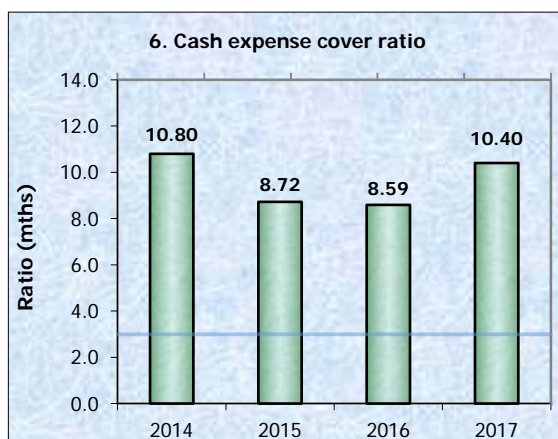
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2016/17 result

2016/17 ratio 5.20%

This ratio has been trending downwards over recent years as a result of improved debt recovery procedures. Even though the industry benchmark for Rural Councils is 10%, Wollondilly has set itself a target to achieve a ratio of less than 5% in line with the benchmark for metropolitan Councils.

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 10.40 mths

Council's short term financial position is very sound, as evidenced by this ratio being more than 3 times above the minimum benchmark. This indicates that Council has the ability to easily meet all of its short term obligations.

Ratio achieves benchmark
 Ratio is outside benchmark

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

| | Carrying value | | Fair value | |
|------------------------------------|----------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Financial assets | | | | |
| Cash and cash equivalents | 3,302 | 2,527 | 4,678 | 2,527 |
| Investments | | | | |
| – 'Held to maturity' | 54,404 | 46,684 | 54,441 | 46,548 |
| Receivables | 4,093 | 4,549 | 4,093 | 4,520 |
| Total financial assets | 61,799 | 53,760 | 63,212 | 53,595 |
| Financial liabilities | | | | |
| Payables | 6,255 | 4,444 | 6,255 | 4,468 |
| Loans/advances | 12,755 | 14,570 | 12,755 | 14,570 |
| Total financial liabilities | 19,010 | 19,014 | 19,010 | 19,038 |

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

| | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|--------|--------------------------|--------|
| | Profit | Equity | Profit | Equity |
| 2017 | | | | |
| Possible impact of a 10% movement in market values | – | – | – | – |
| Possible impact of a 1% movement in interest rates | 544 | 544 | (544) | (544) |
| 2016 | | | | |
| Possible impact of a 10% movement in market values | – | – | – | – |
| Possible impact of a 1% movement in interest rates | 488 | 488 | (488) | (488) |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

| | | 2017 | 2017 | 2016 | 2016 |
|---|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| | | Rates and annual charges | Other receivables | Rates and annual charges | Other receivables |
| (i) Ageing of receivables – % | | | | | |
| Current (not yet overdue) | | 83% | 88% | 83% | 77% |
| Overdue | | 17% | 12% | 17% | 23% |
| | | 100% | 100% | 100% | 100% |
| (ii) Ageing of receivables – value | | | | | |
| Rates and annual charges | Other receivables | Rates and annual charges | Other receivables | Rates and annual charges | Other receivables |
| Current | Current | 1,243 | 2,304 | 1,446 | 2,182 |
| < 1 year overdue | 0 – 30 days overdue | 252 | 190 | 286 | 553 |
| 1 – 2 years overdue | 31 – 60 days overdue | – | 25 | – | 3 |
| 2 – 5 years overdue | 61 – 90 days overdue | – | 3 | – | 11 |
| > 5 years overdue | > 91 days overdue | – | 87 | – | 91 |
| | | 1,495 | 2,609 | 1,732 | 2,840 |

Wollondilly Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

| \$ '000 | Subject to no maturity | payable in: | | | | | | Total cash outflows | Actual carrying values |
|-----------------------------|------------------------------|-------------|---------|---------|---------|---------|---------|---------------------------|------------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 2017 | | | | | | | | | |
| Trade/other payables | 464 | 5,791 | – | – | – | – | – | 6,255 | 6,255 |
| Loans and advances | – | 2,378 | 2,389 | 2,346 | 2,082 | 1,908 | 9,120 | 20,223 | 12,755 |
| Total financial liabilities | 464 | 8,169 | 2,389 | 2,346 | 2,082 | 1,908 | 9,120 | 26,478 | 19,010 |
| 2016 | | | | | | | | | |
| Trade/other payables | 557 | 3,887 | – | – | – | – | – | 4,444 | 4,444 |
| Loans and advances | – | 2,738 | 2,378 | 2,389 | 2,346 | 2,082 | 7,422 | 19,355 | 14,570 |
| Total financial liabilities | 557 | 6,625 | 2,378 | 2,389 | 2,346 | 2,082 | 7,422 | 23,799 | 19,014 |

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

| | 2017 | | 2016 | |
|--|-------------------|--------------------------|-------------------|--------------------------|
| | Carrying value | Average interest rate | Carrying value | Average interest rate |
| Trade/other payables | 6,255 | 0.00% | 4,444 | 0.00% |
| Loans and advances – fixed interest rate | 12,755 | 6.75% | 14,570 | 6.70% |
| | <u>19,010</u> | | <u>19,014</u> | |

Wollondilly Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 20 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the 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 | 2017 Budget | 2017 Actual | 2017 Variance* ----- | |
|---|----------------|----------------|-------------------------|---------------|
| REVENUES | | | | |
| User charges and fees | 4,867 | 5,500 | 633 | 13% F |
| Development related income exceeded expectations due to increased development in the Shire. Waste disposal income also increased significantly due to increased dumping at Bargo Waste Management Centre. Other areas where income increased include Children's Services due to increased use of the service, cemetery income and royalty income. Income from the Wollondilly Leisure Centre was lower than originally budgeted as a result of the new centre management contract. | | | | |
| Other revenues | 830 | 1,940 | 1,110 | 134% F |
| Other revenue exceeded the original budget primarily due to insurance claims received as a result of: damage to Council property in the June 2016 storm event; the reimbursement of expenses including legal expenses and staff secondments to other government agencies; insurance premium rebate as a result of Council's good claims history; increased property rental income and events income (including sponsorship income). | | | | |
| Operating grants and contributions | 7,258 | 10,539 | 3,281 | 45% F |
| The additional grant and contribution income was due mainly to the receipt of a part-prepayment of the 2017/18 Financial Assistance Grant. Council also received a contribution from the Department of Planning towards growth management costs and additional RMS funding was received in relation to the June 2016 storm event. Other additional funding included an increased streetlighting subsidy, funding for environmental projects, Wollondilly Health Alliance contributions for various projects and a contribution from the State government towards costs in relation to the (now deferred) Fire & Emergency Services Levy implementation. | | | | |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

| \$ '000 | 2017 Budget | 2017 Actual | 2017 Variance* | |
|--|----------------|----------------|-------------------|----------------|
| REVENUES (continued) | | | | |
| Capital grants and contributions | 4,734 | 9,255 | 4,521 | 96% F |
| Additional developer contributions were received due to the accelerated level of development in the Shire. Council also received a contribution from RMS towards the reconstruction of the Broughton Pass bridge and embankment. Other additional funding included an increase in Roads to Recovery grants; Rural Fire Service contributions towards improvements at Rural Fire Service stations; ratepayer contributions towards kerb and guttering and other contributions towards park and playground equipment. | | | | |
| EXPENSES | | | | |
| Borrowing costs | 926 | 1,706 | (780) | (84%) U |
| Borrowing costs exceeded budget due to the non-cash entry required to recognise the unwinding of a present value discount in relation to the remediation of Council's tip assets. | | | | |
| Materials and contracts | 13,709 | 16,170 | (2,461) | (18%) U |
| The increase in materials and contracts is due mainly to the increased road and building maintenance program resulting in a higher than budgeted use of raw materials, contractors and plant and equipment hire. Other areas where costs increased include waste contractors, leisure centre management contractors, tree maintenance contractors. Labour hire for planning and development was not included in the original budget but was required due to the large number of development related matters to be assessed and staff vacancies. Legal expenses were also higher than originally budgeted due to some large development and compliance legal matters that were not known at the time of developing the original budget. Areas where costs decreased include vehicle running costs, internet costs, memberships and subscriptions and equipment repairs and maintenance. | | | | |
| Depreciation and amortisation | 10,878 | 12,581 | (1,703) | (16%) U |
| The 2016/17 budget was developed prior to the end of the 2015/16 financial year and at that time, the depreciation was calculated based on existing asset valuations at that time. The end of year result recognises the increased asset base after taking into account 30 June 2016 asset revaluations and 2016/17 capitalisations. | | | | |
| Other expenses | 5,468 | 4,719 | 749 | 14% F |
| The original budget for streetlighting and other electricity costs were based on an estimated significant increase in electricity costs (per industry predictions), however the actual increase was lower than expected. Council also originally budgeted for a steep increase in insurance premiums also based on industry predictions, however the actual increase was lower than expected, resulting in budgetary savings in this area. Councillor expenses were lower than expected as some Councillor training was deferred and travel and conference costs were lower than originally anticipated. Contributions to the RFS & SES were budgeted for based on an expected increase from the previous year's contributions, however the actual increase was not as high as expected. Postage costs increased due to increases from Australia Post. Council paid more in donations, sponsorships, contributions and financial assistance payments than were included in the original budget as Councillors determined that the increase was warranted to provide a greater amount of support to community organisations and events. | | | | |

Wollondilly Shire Council

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

Note 16. Material budget variations (continued)

| | 2017 | 2017 | 2017 | |
|---------|--------|--------|-----------|--|
| \$ '000 | Budget | Actual | Variance* | |

Budget variations relating to Council's Cash Flow Statement include:

| | | | | | |
|---|---------------|---------------|---------------|--------------|----------|
| Cash flows from operating activities | 13,673 | 23,698 | 10,025 | 73.3% | F |
|---|---------------|---------------|---------------|--------------|----------|

The increase in cash flows from operating activities was due mainly to additional developer contributions and grant funding received during the year. A portion of the 2018 Financial Assistance grant was paid to Council in 2017 and Council received more grants and contributions towards road maintenance than was originally expected. There was also an increase in development related income and reimbursements received. Outgoings for utility costs, insurance premiums and other expenses were lower than expected as the original budget was based on industry predictions of significant increases in both insurance and utility costs. The actual increase during the year was less than originally budgeted.

| | | | | | |
|---|-----------------|-----------------|----------------|--------------|----------|
| Cash flows from investing activities | (12,540) | (21,108) | (8,568) | 68.3% | U |
|---|-----------------|-----------------|----------------|--------------|----------|

A significant reduction in the expected cash inflows from investing activities was primarily due to the original expectation that Council would be required to reduce the size of its investment portfolio in order to accommodate the proposed schedule of major works. Due to the revised number of major projects completed during the year funded from restricted cash and increased grant and contribution funding received, including developer contributions, Council managed to increase its investment portfolio.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

| PURPOSE | Opening balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | | Cash | Non-cash | | | | | |
| Traffic facilities | 3,946 | 891 | – | 87 | (858) | – | 4,066 | – |
| Open space | 3,189 | 2,123 | – | 86 | (94) | – | 5,304 | – |
| Community facilities | 2,645 | 604 | – | 75 | – | – | 3,324 | – |
| Bushfire protection | 21 | 7 | – | 1 | – | – | 29 | – |
| Animal Management | 2 | – | – | – | (2) | – | – | – |
| Other | 6 | 1 | – | – | – | – | 7 | – |
| S94 contributions – under a plan | 9,809 | 3,626 | – | 249 | (954) | – | 12,730 | – |
| S94A levies – under a plan | 523 | 139 | – | 6 | (295) | – | 373 | – |
| Total S94 revenue under plans | 10,332 | 3,765 | – | 255 | (1,249) | – | 13,103 | – |
| S93F planning agreements | 6,891 | 743 | – | 175 | (679) | – | 7,130 | – |
| Total contributions | 17,223 | 4,508 | – | 430 | (1,928) | – | 20,233 | – |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 2005

| 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 | | | | | |
| Traffic facilities | 2,604 | 867 | – | 73 | – | – | 3,544 | |
| Open space | 2,572 | 2,117 | – | 70 | (76) | – | 4,683 | |
| Community facilities | 1,663 | 599 | – | 47 | – | – | 2,309 | |
| Bushfire protection | 21 | 7 | – | 1 | – | – | 29 | |
| Total | 6,860 | 3,590 | – | 191 | (76) | – | 10,565 | – |

CONTRIBUTION PLAN - PRIOR YEARS

| 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 | | | | | |
| Traffic facilities | 1,342 | 24 | – | 14 | (858) | – | 522 | |
| Open space | 617 | 6 | – | 16 | (18) | – | 621 | |
| Community facilities | 982 | 5 | – | 28 | – | – | 1,015 | |
| Animal Management | 2 | – | – | – | (2) | – | – | |
| Other | 6 | 1 | – | – | – | – | 7 | |
| Total | 2,949 | 36 | – | 58 | (878) | – | 2,165 | – |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - 2005

| 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 | | | | | |
| Other | 523 | 139 | – | 6 | (295) | – | 373 | |
| Total | 523 | 139 | – | 6 | (295) | – | 373 | – |

S93F planning agreements

| 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 | | | | | |
| Traffic facilities | 3,319 | – | – | 75 | (661) | – | 2,733 | |
| Open space | 2,416 | – | – | 68 | (13) | – | 2,471 | |
| Community facilities | 1,002 | 743 | – | 28 | – | – | 1,773 | |
| Animal Management | 25 | – | – | 1 | (6) | – | 20 | |
| Bushfire Protection | 115 | – | – | 3 | – | – | 118 | |
| Tree Planting | 14 | – | – | – | – | – | 14 | |
| Total | 6,891 | 743 | – | 175 | (680) | – | 7,129 | – |

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) StateCover Limited

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

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

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

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

Wollondilly Shire Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities (continued)

(ii) S94 plans (continued)

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

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

(iii) Legal Expenses

Council is currently defending its position before the Land & Environment Court in relation to a planning matter. As the outcome of this matter is currently unknown, no liability has been recognised in these financial statements. Council's current costs to date in relation to this dispute are \$472K.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

| \$ '000 | Notes | Actual 2017 | Actual 2016 |
|--|----------|-----------------------|-----------------------|
| (a) Retained earnings | | | |
| Movements in retained earnings were as follows: | | | |
| Balance at beginning of year (from previous years audited accounts) | | 314,107 | 300,223 |
| a. Net operating result for the year | | 9,763 | 13,884 |
| Balance at end of the reporting period | | <u>323,870</u> | <u>314,107</u> |
| (b) Revaluation reserves | | | |
| (i) Reserves are represented by: | | | |
| – Infrastructure, property, plant and equipment revaluation reserve | | 140,597 | 140,597 |
| Total | | <u>140,597</u> | <u>140,597</u> |
| (ii) Reconciliation of movements in reserves: | | | |
| Infrastructure, property, plant and equipment revaluation reserve | | | |
| – Opening balance | | 140,597 | 97,765 |
| – Revaluations for the year | 9(a) | – | 43,008 |
| – (Impairment of revalued assets)/impairment reversals | 9(a),(c) | – | (176) |
| – Balance at end of year | | <u>140,597</u> | <u>140,597</u> |
| TOTAL VALUE OF RESERVES | | <u>140,597</u> | <u>140,597</u> |

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

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

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Wollondilly Shire Council

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

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

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Council is unaware of any material or significant events that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

| Asset/operation | Estimated year of restoration | NPV of provision | |
|---|-------------------------------------|------------------|---------------|
| | | 2017 | 2016 |
| Tip site – Bargo | 2022 | 4,765 | 4,496 |
| Tip site – Warragamba (closed) | In progress | 298 | 282 |
| Tip site – Picton (closed) | Undetermined | 6,071 | 5,727 |
| Tip site – Appin (closed) | Undetermined | 2,396 | 2,260 |
| Effluent ponds - Bargo (closed) | Undetermined | 475 | 448 |
| Balance at end of the reporting period | 10(a) | 14,005 | 13,213 |

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The last comprehensive assessment of costs was undertaken in 2008. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

| | | |
|--|---------------|---------------|
| Balance at beginning of year | 13,213 | 12,630 |
| Amounts capitalised to new or existing assets: | | |
| Amortisation of discount (expensed to borrowing costs) | 793 | 758 |
| Expenditure incurred attributable to provisions | (1) | (175) |
| Total – reinstatement, rehabilitation and restoration provision | 14,005 | 13,213 |

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Wollondilly Shire Council

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

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

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

Restoration

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

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

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

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

| | | Fair value measurement hierarchy | | | |
|---|-----------|----------------------------------|-------------|--------------|---------|
| 2017 | | Level 1 | Level 2 | Level 3 | Total |
| | Date | Quoted | Significant | Significant | |
| | of latest | prices in | observable | unobservable | |
| | valuation | active mkts | inputs | inputs | |
| Recurring fair value measurements | | | | | |
| Infrastructure, property, plant and equipment | | | | | |
| Work in progress | 30/06/17 | — | 653 | — | 653 |
| Plant and equipment | | — | — | 1,617 | 1,617 |
| Office equipment | 30/06/16 | — | — | 148 | 148 |
| Furniture and fittings | 30/06/16 | — | — | 517 | 517 |
| Operational land | 30/06/13 | — | — | 13,315 | 13,315 |
| Community land | 30/06/16 | — | — | 50,342 | 50,342 |
| Land improvements – depreciable | | — | — | 2,134 | 2,134 |
| Buildings | 30/06/13 | — | — | 38,870 | 38,870 |
| Swimming pools and other recreational assets | 30/06/16 | — | — | 30,101 | 30,101 |
| Road infrastructure | 30/06/15 | — | — | 259,935 | 259,935 |
| Stormwater drainage | 30/06/15 | — | — | 41,628 | 41,628 |
| Other assets | | — | — | 446 | 446 |
| Total infrastructure, property, plant and equipment | | — | 653 | 439,053 | 439,706 |

Wollondilly Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

| | | Fair value measurement hierarchy | | | |
|---|--------------------------------|------------------------------------|-------------------------------------|---------------------------------------|---------|
| 2016 | | Level 1 | Level 2 | Level 3 | Total |
| | Date of latest valuation | Quoted prices in active mkts | Significant observable inputs | Significant unobservable inputs | |
| Recurring fair value measurements | | | | | |
| Financial assets | | | | | |
| Investments | | | | | |
| – ‘Held to maturity’ | 30/06/16 | – | – | 46,684 | 46,684 |
| Total financial assets | | – | – | 46,684 | 46,684 |
| Infrastructure, property, plant and equipment | | | | | |
| Work in progress | 30/06/16 | – | 2,217 | – | 2,217 |
| Plant and equipment | | – | – | 1,589 | 1,589 |
| Office equipment | 30/06/16 | – | – | 115 | 115 |
| Furniture and fittings | 30/06/16 | – | – | 487 | 487 |
| Operational land | 30/06/13 | – | – | 12,972 | 12,972 |
| Community land | 30/06/16 | – | – | 50,342 | 50,342 |
| Land improvements – depreciable | | – | – | 2,147 | 2,147 |
| Buildings | 30/06/13 | – | – | 37,629 | 37,629 |
| Swimming pools and other recreational assets | 30/06/16 | – | – | 29,321 | 29,321 |
| Road infrastructure | 30/06/15 | – | – | 258,396 | 258,396 |
| Stormwater drainage | 30/06/15 | – | – | 42,027 | 42,027 |
| Other assets | | – | – | 483 | 483 |
| Total infrastructure, property, plant and equipment | | – | 2,217 | 435,508 | 437,725 |

Wollondilly Shire Council

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

Note 27. Fair value measurement (continued)

(2) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Work in Progress

Work in Progress is disclosed at cost in the notes. Separate valuation of these assets is not deemed necessary due to the small period of time that has elapsed between the incurring of the expenditure and the reported valuation in the financial statements.

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

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the value of these assets against quoted prices for the gross replacement cost of similar assets and by taking account of the pattern of consumption, the remaining useful life and residual value are able to be estimated. There has been no change to the valuation process during the reporting period.

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The valuation of Council's operational land was undertaken at 30 June 2013 by Scott Fullarton Valuations Pty Ltd, FAPI, Certified Practising Valuer, Registration No. VAL2144. Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price. 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. There has been no change to the valuation process during the reporting period.

Community Land

Valuations of all Council's Community Land and Council managed land were based on either the land values provided by the Valuer-General or an average unit rate based on the land values for similar properties where the Valuer-General did not provide a land value having regard to the highest and best use for this land. As these rates were not considered to be observable market evidence they have been classified as Level 3. There has been no change to the valuation process during the reporting period.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Land Improvements - depreciable

This asset class comprises land improvements such as gardens, mulched areas, streetscaping and landscaping. These assets may be located on parks, reserves and also within road reserves.

Council carries fair value of land improvements using Level 3 valuation inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Buildings – Non Specialised and Specialised

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2013. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

Swimming Pools & Other Open Space/Recreational Assets

Council's Swimming Pools & Other Open Space/Recreational Assets were valued using the cost approach. Council carries fair value of these assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the structure.

The unobservable Level 3 inputs used include as estimated pattern of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Road Infrastructure

This asset class includes roads, bridges, car parks, kerb and gutter, traffic facilities, footpaths and bulk earthworks undertaken in the course of construction. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based primarily on unit rates determined in collaboration with sixteen neighbouring Councils. Other inputs (such as estimated pattern of consumption, residual value, asset condition and useful life) required extensive professional judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

judgement and impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no change to the valuation process during the reporting period.

Other Assets

Council's Other Assets were valued using the cost approach. Council carries fair value of Other Assets using Level 3 inputs. Such valuations are undertaken by Council Staff or by an external valuer depending upon the asset. The unobservable Level 3 inputs used include estimated patterns of consumption, residual value, asset condition and useful life. There has been no change to the valuation techniques during the reporting period.

Tip Assets

Council is obligated to restore/rehabilitate closed former landfill sites at Warragamba, Picton and Appin and the closed Bargo Effluent Ponds. Council will also eventually be required to remediate the existing active landfill site at Bargo. It has been recognised that there will be significant costs associated with the closure and remediation or post closure management of these sites. Remediation of the sites to meet the requirements of the stringent standards and guidelines will involve a wide range of activities including preparation of a Landfill Closure and Management Plans, as well as environmental assessments with appropriate remediation works. In some instances this remediation may involve extensive re-profiling or shaping works, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure.

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

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

a. Changes in level 3 fair values

There were no fair value measurement movements during the reporting period. Other movements such as purchases, disposals and depreciation have been reported in Note 9.

b. Information relating to the transfers into and out of the level 3 fair value hierarchy

Prior to 2016/17, council recorded \$1,970,457 of work in progress for the refurbishment of Council's Library building. The refurbishment project was completed in 2016/17 and therefore the work in progress amount was capitalised. The capitalisation had the effect of moving the work in progress (level 2) to the Buildings asset category (level 3).

(4) Highest and best use

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

| | Actual |
|--------------------------|--------------|
| Compensation: | 2017 |
| Short-term benefits | 1,064 |
| Post-employment benefits | 86 |
| Total | 1,150 |

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 |
|---|-----------------------------------|---|--------------------------|---|-----------------------------------|
| | \$'000 | \$'000 | | \$'000 | \$'000 |
| Purchase of grocery items on account at local store owned by a Councillor | 34 | — | 30-day terms on invoices | — | — |
| Final payment for street sweeping services under Contract with Councillor. Contract terminated at end of 2015/16 financial year | 7 | — | 15-day terms on invoices | — | — |
| Advertsing with a business owned by the spouse of a Councillor | 32 | — | 30-day terms on invoices | — | — |

Wollondilly Shire Council

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

Note 29. Financial review

\$ '000

Key financial figures of Council over the past 5 years

| Financial performance figures | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|----------------|-------------|-------------|-------------|-------------|
| Inflows: | | | | | |
| Rates and annual charges revenue | 36,415 | 32,724 | 29,321 | 28,059 | 26,356 |
| User charges revenue | 5,500 | 5,069 | 5,322 | 4,645 | 3,533 |
| Interest and investment revenue (losses) | 1,697 | 1,730 | 1,793 | 1,802 | 1,781 |
| Grants income – operating and capital | 9,194 | 7,640 | 7,218 | 4,354 | 5,910 |
| Total income from continuing operations | 65,372 | 68,188 | 63,018 | 47,595 | 45,920 |
| Sale proceeds from I,PP&E | 42 | 107 | 121 | 348 | 1,567 |
| New loan borrowings and advances | – | – | – | 9,000 | 2,750 |
| Outflows: | | | | | |
| Employee benefits and on-cost expenses | 20,433 | 20,609 | 19,412 | 17,688 | 16,193 |
| Borrowing costs | 1,706 | 1,789 | 1,961 | 1,702 | 1,458 |
| Materials and contracts expenses | 16,170 | 14,841 | 15,190 | 14,982 | 13,113 |
| Total expenses from continuing operations | 55,609 | 54,304 | 55,546 | 49,631 | 44,897 |
| Total cash purchases of I,PP&E | 13,430 | 11,165 | 9,267 | 10,714 | 10,256 |
| Total loan repayments (incl. finance leases) | 1,815 | 2,024 | 1,725 | 1,134 | 747 |
| Operating surplus/(deficit) (excl. capital income) | 508 | (5,559) | (9,657) | (7,149) | (3,942) |
| Financial position figures | 2017 | 2016 | 2015 | 2014 | 2013 |
| Current assets | 42,076 | 41,057 | 40,379 | 38,102 | 31,752 |
| Current liabilities | 14,418 | 13,165 | 11,319 | 11,245 | 9,145 |
| Net current assets | 27,658 | 27,892 | 29,060 | 26,857 | 22,607 |
| Cash and investments – unrestricted | 5,181 | 2,205 | 1,148 | 2,044 | 1,476 |
| Cash and investments – internal restrictions | 20,388 | 21,190 | 20,076 | 18,383 | 13,975 |
| Cash and investments – total | 57,706 | 49,211 | 44,698 | 43,168 | 35,086 |
| Total borrowings outstanding (Loans, advances and finance leases) | 12,755 | 14,570 | 16,594 | 18,319 | 10,453 |
| Total value of I,PP&E (excl. land and earthworks) | 582,332 | 568,915 | 528,072 | 465,656 | 454,740 |
| Total accumulated depreciation | 250,614 | 238,835 | 228,020 | 173,232 | 162,427 |
| Indicative remaining useful life (as a % of GBV) | 57% | 58% | 57% | 63% | 64% |

Source: published audited financial statements of Council (current year and prior year)

Wollondilly Shire Council

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

Note 30. Council information and contact details

Principal place of business:

62-64 Menangle Street
Picton NSW 2571

Contact details**Mailing address:**

PO Box 21
Picton NSW 2571

Telephone: (02) 4677 1100

Facsimile: (02) 4677 2339

Internet: www.wollondilly.nsw.gov.au

Email: council@wollondilly.nsw.gov.au

Officers**GENERAL MANAGER**

L Johnson

RESPONSIBLE ACCOUNTING OFFICER

A Christie

PUBLIC OFFICER

J Sproule

AUDITORS

Audit Office of New South Wales

**Elected members (as at the date these statements
were authorised for issue - 16/10/17)****MAYOR**

Cr J Hannan

COUNCILLORS

Cr R Khan (Deputy Mayor)

Cr M Banasik

Cr B Briggs

Cr M Deeth

Cr M Gould

Cr S Landow

Cr N Lowry

Other information

ABN: 93 723 245 808



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wollondilly Shire Council

To the Councillors of the Wollondilly Shire Council

Opinion

I have audited the accompanying financial statements of Wollondilly Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 17 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan
Director, Financial Audit Services

16 October 2017
SYDNEY

Cr Judith Hannan
Mayor
Wollondilly Shire Council
Frank McKay Building
62-64 Menangle Street
PICTON NSW 2571

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D1724897/1810

16 October 2017

Dear Cr Hannan

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

I have audited the general purpose financial statements of the Wollondilly Shire Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

| | 2017 \$m | 2016 \$m | Variance % |
|---|-------------|-------------|---------------|
| Rates and annual charges revenue | 36.4 | 32.7 | 11.3 ↑ |
| Grants and contributions revenue | 19.8 | 27.1 | 26.9 ↓ |
| Operating result for the year | 9.8 | 13.9 | 29.5 ↓ |
| Net operating result before capital amounts | 0.5 | (5.6) | 108.9 ↑ |

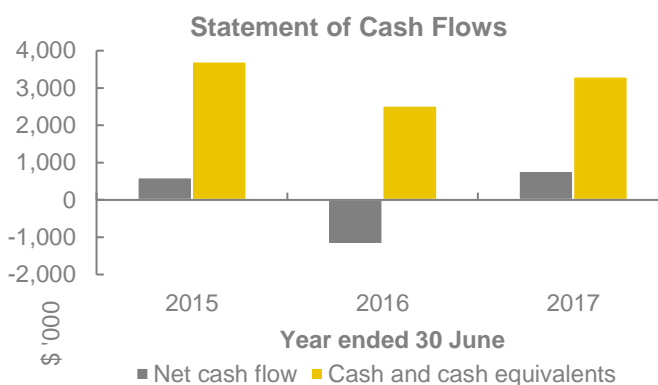
The following comments are made in respect of Council's operating result for the year:

- Rates and annual charges revenue has increased in line with the IPART approved special rate variation of 10.8 per cent. The remaining variance is attributable to an increase in the number of rateable properties in the 2016/17 financial year.
- Grants and contributions revenue has decreased primarily due to non-cash infrastructure dedications of \$11.5 million that were received in the 2015/16 financial year (2016/17: \$1.1 million). This is offset by the receipt of \$1.8 million (50%) of 2017-18 Financial Assistance Grants in advance from the Commonwealth Government.
- Council's operating result for the year was a surplus of \$9.8 million. This has decreased compared with the prior year due to the reduction of non-cash infrastructure dedications of \$11.5 million, which has been offset by the receipt of 2017-18 Financial Assistance Grants in advance. The Council budgeted for a surplus of \$2.9 million.
- The net operating result for the year before capital grants and contributions was a surplus of \$0.5 million. This was driven by the increase in rates and annual charges arising from the special rate variation and the receipt of \$1.8 million (50%) of 2017-18 Financial Assistance Grants in advance.
- Total expenses of \$55.6 million were consistent with the prior year, increasing by 2.3%. Total expenses included depreciation (a non-cash expense) of \$12.6 million.

STATEMENT OF CASH FLOWS

The following comments are made in respect of Council's statement of cash flows:

- Council has generated consistent cash flows in the past 3 years. Council's cash and cash equivalents balance at 30 June 2017 is \$3.3 million compared with \$2.5 million in the prior year.
- The net increase in cash and cash equivalents of \$0.78 million are due to increased rates and annual charges as a result of the special rate variation (\$4.4 million) and grants and contributions (\$4.3 million). This has been offset by purchases of infrastructure, property, plant and equipment (\$2.3 million), investment securities (\$2 million), employee benefit and on-cost payments (\$1.5 million) and materials and contracts (\$1.2 million).
- Council maintains borrowing facilities requiring annual repayments of \$1.7 million to \$2.0 million each year.



FINANCIAL POSITION

Cash and Investments

| Restricted Cash and Investments | 2017 | 2016 | Commentary |
|---------------------------------|-------------|-------------|---|
| | \$m | \$m | |
| External restrictions | 32.1 | 25.8 | <ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$6.3 million in externally restricted cash is driven by developer contributions (\$3.0 million), special purpose unexpended grants (\$1.8 million) and domestic waste management (\$1 million). There is significant growth within the Wollondilly local government area. Developer contributions continue to drive the growth of external restrictions on cash and investments. Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash remains steady. Council has grown its unrestricted cash and investments balance by \$3.0 million (136 per cent) from the prior year due to the improved operating result before capital amounts. |
| Internal restrictions | 20.4 | 21.2 | |
| Unrestricted | 5.2 | 2.2 | |
| Cash and investments | 57.7 | 49.2 | |

PERFORMANCE RATIOS

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

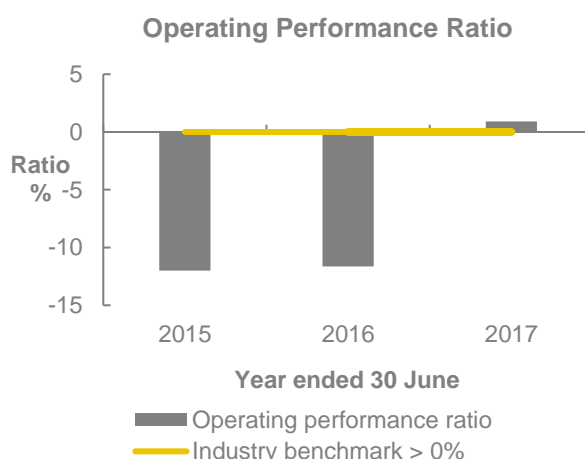
Operating performance ratio

Council has met the benchmark of zero per cent for the first time in recent years.

Council's improved result has been primarily driven by the:

- increase in rates and annual charges revenue (arising from the special rate variation of 10.8 per cent);
- additional \$1.8 million arising from a partial pre-payment of the 2017/18 Financial Assistance Grant by the Commonwealth Government; and
- consistency of expenses with the prior year.

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



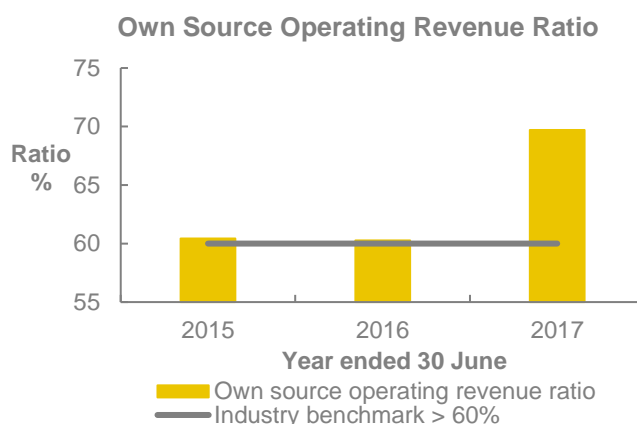
Own source operating revenue ratio

Council has consistently met the benchmark of 60 per cent in recent years.

Council's improved result in 2016/17 has been primarily driven by the:

- increase in rates and annual charges revenue (arising from the special rate variation of 10.8 per cent)
- receipt of \$1.8 million (50 per cent) Financial Assistance Grants for 2017–18 in advance.

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.



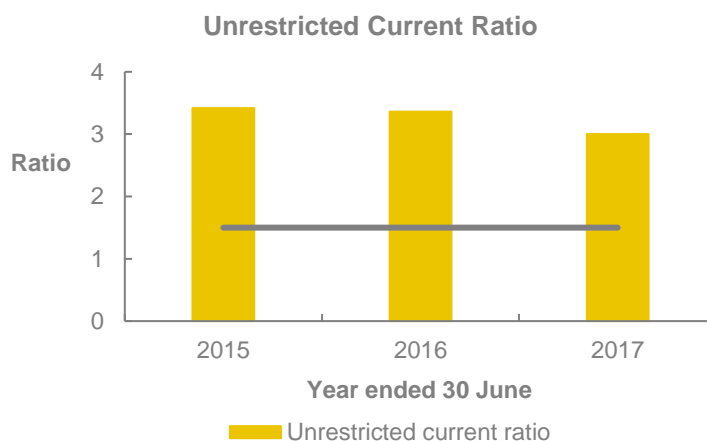
Unrestricted current ratio

Council has consistently met the benchmark minimum ratio of 1.5x. This indicates that the Council has sufficient liquidity to meet its current liabilities when they fall due.

The slight decrease in this ratio has been primarily driven by the:

- significant growth management areas within the Wollondilly local government area and the corresponding developer contributions which continue to drive the growth of external restrictions on cash and investments
- Council's investment of surplus cash in long term investment (non-current asset) balances to increase interest income

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.



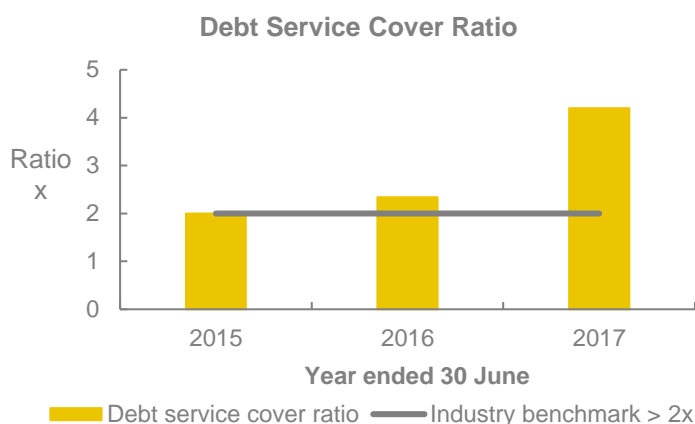
Debt service cover ratio

Council has met the benchmark minimum ratio of 2 times (x). The debt cover ratio of 4.2x indicates the Council has adequate revenue to cover the principal repayments and borrowing costs.

Council's improved result has been primarily driven by:

- the improvement in the operating result (as further outlined above); and
- Council not entering into any new borrowing facilities in recent years.

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.



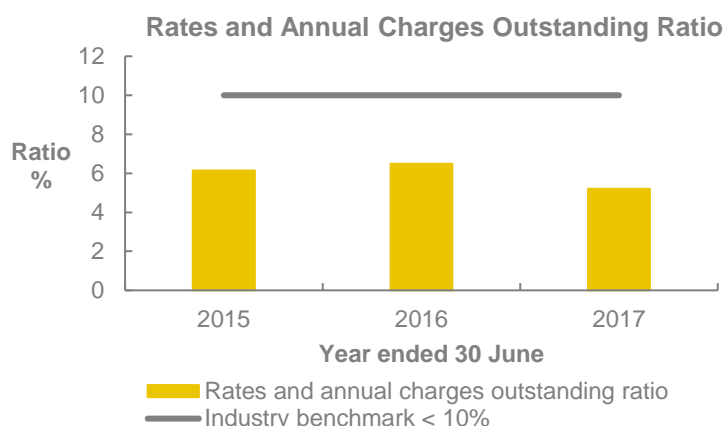
Rates and annual charges outstanding ratio

Council has consistently met the rural council benchmark of 10 per cent in recent years.

Council's improved result has been primarily driven by:

- improved debt recovery procedures; and
- favourable economic conditions in the local government area affecting the agricultural, construction, industrial and mining industries.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils and less than 5 per cent for metropolitan councils.



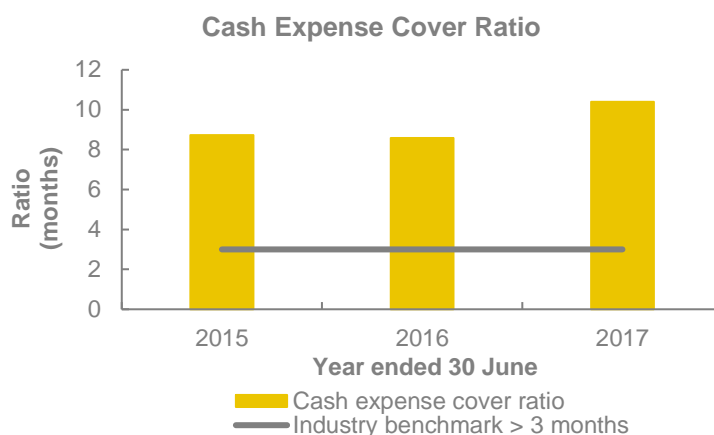
Cash expense cover ratio

Council has consistently met the benchmark minimum ratio of > 3 months in recent years. At 30 June 2017, the Council had the capacity to cover 10.4 months of cash expenditure without additional cash inflows.

Council's improved result in 2016/17 has been primarily driven by the:

- improvement in the operating result (as further outlined above)
- consistency of expenses with the prior year; and
- Council not entering into any new borrowing facilities in recent years.

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

Council has not met the benchmark of 100 per cent in recent years.

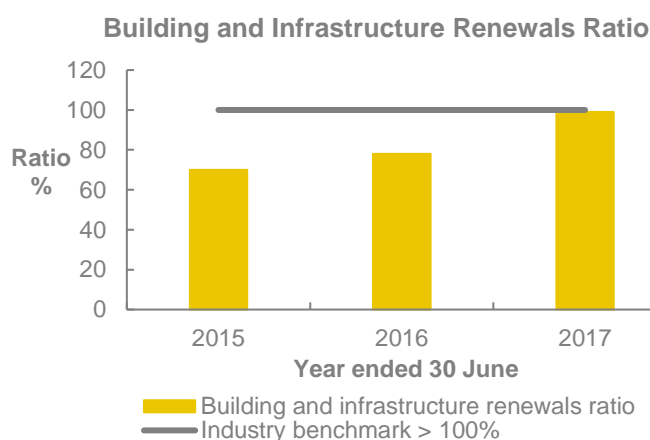
However, Council has made substantial improvement achieving a result of 99% for the ratio in 2016/17.

This improvement has been primarily driven by:

- the improvement in the operating result for the year due to the increase in rates and annual charges revenue (arising from the special rate variation); and
- the use of additional income to invest in infrastructure renewal projects totalling \$11.9 million in 2016/17.

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 information contained in council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

16 October 2017
SYDNEY

cc: Mr Luke Johnson, General Manager
Stephen Horne, Chair of Audit Committee
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Wollondilly Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



"Rural Living"

Wollondilly Shire Council

Special Purpose Financial Statements for the year ended 30 June 2017

Council has no reportable Business Activities

Wollondilly Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017



"Rural Living"

Wollondilly Shire Council

Special Schedules for the year ended 30 June 2017

| Contents | | Page |
|---|--|------|
| Special Schedules¹ | | |
| Special Schedule 1 | Net Cost of Services | 2 |
| Special Schedule 2(a) | Statement of Long Term Debt (all purposes) | 4 |
| Special Schedule 2(b) | Statement of Internal Loans (Sect. 410(3) LGA 1993) | n/a |
| Special Schedule 3 | Water Supply Operations – incl. Income Statement | n/a |
| Special Schedule 4 | Water Supply – Statement of Financial Position | n/a |
| Special Schedule 5 | Sewerage Service Operations – incl. Income Statement | n/a |
| Special Schedule 6 | Sewerage Service – Statement of Financial Position | n/a |
| Notes to Special Schedules 3 and 5 | | n/a |
| Special Schedule 7 | Report on Infrastructure Assets | 5 |
| Special Schedule 8 | Permissible Income Calculation | 9 |

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Wollondilly Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|--|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non-capital | Capital | |
| Governance | 1,026 | – | – | (1,026) |
| Administration | 4,425 | 2,876 | – | (1,549) |
| Public order and safety | | | | |
| Fire service levy, fire protection, emergency services | 2,005 | 775 | 240 | (990) |
| Beach control | – | – | – | – |
| Enforcement of local government regulations | 1,753 | 52 | – | (1,701) |
| Animal control | 50 | 58 | – | 8 |
| Other | – | – | – | – |
| Total public order and safety | 3,808 | 885 | 240 | (2,683) |
| Health | 3 | 338 | – | 335 |
| Environment | | | | |
| Noxious plants and insect/vermin control | – | 4 | – | 4 |
| Other environmental protection | 1,537 | 1,165 | – | (372) |
| Solid waste management | 7,162 | 7,748 | – | 586 |
| Street cleaning | 239 | – | – | (239) |
| Drainage | – | – | – | – |
| Stormwater management | 37 | 270 | – | 233 |
| Total environment | 8,975 | 9,187 | – | 212 |
| Community services and education | | | | |
| Administration and education | 1,832 | 428 | – | (1,404) |
| Social protection (welfare) | – | – | – | – |
| Aged persons and disabled | – | – | – | – |
| Children's services | 851 | 644 | – | (207) |
| Total community services and education | 2,683 | 1,072 | – | (1,611) |
| Housing and community amenities | | | | |
| Public cemeteries | 63 | 99 | – | 36 |
| Public conveniences | – | – | – | – |
| Street lighting | 527 | 82 | – | (445) |
| Town planning | 4,715 | 1,967 | 4,508 | 1,760 |
| Other community amenities | 1,060 | 212 | – | (848) |
| Total housing and community amenities | 6,365 | 2,360 | 4,508 | 503 |
| Water supplies | – | – | – | – |
| Sewerage services | – | – | – | – |

Wollondilly Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

| Function or activity | Expenses from continuing operations | Income from continuing operations | | Net cost of services |
|---|-------------------------------------|-----------------------------------|--------------|----------------------|
| | | Non-capital | Capital | |
| Recreation and culture | | | | |
| Public libraries | 1,468 | 144 | — | (1,324) |
| Museums | — | — | — | — |
| Art galleries | — | — | — | — |
| Community centres and halls | 2,903 | 158 | — | (2,745) |
| Performing arts venues | — | — | — | — |
| Other performing arts | — | — | — | — |
| Other cultural services | — | — | — | — |
| Sporting grounds and venues | 203 | 36 | 12 | (155) |
| Swimming pools | 444 | 23 | — | (421) |
| Parks and gardens (lakes) | 52 | 18 | 25 | (9) |
| Other sport and recreation | 3,890 | 16 | 1,113 | (2,761) |
| Total recreation and culture | 8,960 | 395 | 1,150 | (7,415) |
| Fuel and energy | — | — | — | — |
| Agriculture | — | — | — | — |
| Mining, manufacturing and construction | | | | |
| Building control | 1,288 | 780 | — | (508) |
| Other mining, manufacturing and construction | — | — | — | — |
| Total mining, manufacturing and const. | 1,288 | 780 | — | (508) |
| Transport and communication | | | | |
| Urban roads (UR) – local | 16,776 | 2,559 | 3,357 | (10,860) |
| Urban roads – regional | — | — | — | — |
| Sealed rural roads (SRR) – local | — | — | — | — |
| Sealed rural roads (SRR) – regional | — | — | — | — |
| Unsealed rural roads (URR) – local | — | — | — | — |
| Unsealed rural roads (URR) – regional | — | — | — | — |
| Bridges on UR – local | — | — | — | — |
| Bridges on SRR – local | — | — | — | — |
| Bridges on URR – local | — | — | — | — |
| Bridges on regional roads | — | — | — | — |
| Parking areas | — | — | — | — |
| Footpaths | — | — | — | — |
| Aerodromes | — | — | — | — |
| Other transport and communication | — | — | — | — |
| Total transport and communication | 16,776 | 2,559 | 3,357 | (10,860) |
| Economic affairs | | | | |
| Camping areas and caravan parks | — | — | — | — |
| Other economic affairs | 1,300 | 401 | — | (899) |
| Total economic affairs | 1,300 | 401 | — | (899) |
| Totals – functions | 55,609 | 20,853 | 9,255 | (25,501) |
| General purpose revenues ⁽¹⁾ | | 35,264 | | 35,264 |
| Share of interests – joint ventures and associates using the equity method | — | — | | — |
| NET OPERATING RESULT ⁽²⁾ | 55,609 | 56,117 | 9,255 | 9,763 |

(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

Wollondilly Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

| Classification of debt | Principal outstanding at beginning of the year | | | New loans raised during the year | Debt redemption during the year | | Transfers to sinking funds | Interest applicable for year | Principal outstanding at the end of the year | | |
|--------------------------|--|---------------|---------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|---------------|---------------|
| | Current | Non-current | Total | | From revenue | Sinking funds | | | Current | Non-current | Total |
| Loans (by source) | | | | | | | | | | | |
| Financial institutions | 1,817 | 12,753 | 14,570 | – | 1,815 | – | – | 913 | 1,559 | 11,196 | 12,755 |
| Total debt | 1,817 | 12,753 | 14,570 | – | 1,815 | – | – | 913 | 1,559 | 11,196 | 12,755 |

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Wollondilly Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2016/17 Required maintenance ^a | 2016/17 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|-------------|-------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|--------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Buildings | Buildings | 7,536 | 7,536 | 1,415 | 3,264 | 38,868 | 80,600 | 7% | 12% | 70% | 11% | 0% |
| | Sub-total | 7,536 | 7,536 | 1,415 | 3,264 | 38,870 | 80,600 | 7.0% | 12.0% | 70.0% | 11.0% | 0.0% |
| Roads | | | | | | | | | | | | |
| | Sealed roads | 35,027 | 35,027 | 4,737 | 8,276 | 115,921 | 224,284 | 32% | 23% | 35% | 7% | 3% |
| | Unsealed roads | 242 | 242 | 242 | 320 | 1,914 | 2,953 | 0% | 9% | 68% | 18% | 5% |
| | Bridges | 3,055 | 3,055 | 843 | 1,958 | 35,954 | 63,590 | 8% | 29% | 46% | 14% | 3% |
| | Footpaths | 223 | 223 | 445 | 225 | 11,411 | 15,003 | 2% | 4% | 84% | 9% | 1% |
| | Other road assets | 2,761 | 2,761 | 2,505 | 2,138 | 50,404 | 77,500 | 21% | 46% | 19% | 13% | 1% |
| | Bulk earthworks | – | – | – | 480 | 44,331 | 44,331 | | | | | |
| | Sub-total | 41,308 | 41,308 | 8,772 | 13,397 | 259,935 | 427,661 | 21.8% | 24.9% | 32.1% | 8.5% | 2.3% |

Wollondilly Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

| Asset class | Asset category | Estimated cost to bring assets to satisfactory standard | Estimated cost to bring to the agreed level of service set by Council | 2016/17 Required maintenance ^a | 2016/17 Actual maintenance | Net carrying amount | Gross replacement cost (GRC) | Assets in condition as a percentage of gross replacement cost | | | | |
|--------------------------------|---------------------------|---|---|---|----------------------------|---------------------|------------------------------|---|--------------|--------------|-------------|-------------|
| | | | | | | | | 1 | 2 | 3 | 4 | 5 |
| Stormwater drainage | Stormwater drainage | 1,083 | 1,083 | 445 | 152 | 41,628 | 54,049 | 27% | 58% | 10% | 5% | 0% |
| | Sub-total | 1,083 | 1,083 | 445 | 152 | 41,628 | 54,049 | 27.0% | 58.0% | 10.0% | 5.0% | 0.0% |
| Open space/recreational assets | Swimming pools | – | – | 60 | 296 | 1,715 | 3,750 | 86% | 14% | 0% | 0% | 0% |
| | Other | 246 | 246 | 5,639 | 3,133 | 28,386 | 32,311 | 6% | 70% | 20% | 4% | 0% |
| | Sub-total | 246 | 246 | 5,699 | 3,429 | 30,101 | 36,061 | 14.3% | 64.2% | 17.9% | 3.6% | 0.0% |
| | TOTAL – ALL ASSETS | 50,173 | 50,173 | 16,331 | 20,242 | 370,534 | 598,371 | 19.9% | 28.5% | 34.3% | 8.3% | 1.6% |

Notes:

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

Infrastructure asset condition assessment 'key'

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

Wollondilly Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

| \$ '000 | Amounts 2017 | Indicator 2017 | Benchmark | Prior periods 2016 | 2015 |
|--|-----------------|-------------------|-------------------|-----------------------|---------------|
| Infrastructure asset performance indicators * consolidated | | | | | |
| 1. Infrastructure renewals ratio | | | | | |
| Asset renewals ⁽¹⁾ | 11,883 | 99.44% | >= 100% | 78.24% | 70.44% |
| Depreciation, amortisation and impairment | 11,950 | | | | |
| 2. Infrastructure backlog ratio | | | | | |
| Estimated cost to bring assets to a satisfactory standard | 50,173 | 15.28% | < 2% | 16.16% | 15.91% |
| Net carrying amount of infrastructure assets | 328,337 | | | | |
| 3. Asset maintenance ratio | | | | | |
| Actual asset maintenance | 20,242 | 1.24 | > 1.00 | 0.92 | 0.57 |
| Required asset maintenance | 16,331 | | | | |
| 4. Cost to bring assets to agreed service level | | | | | |
| Estimated cost to bring assets to an agreed service level set by Council | 50,173 | 8.38% | | 9.03% | 8.71% |
| Gross replacement cost | 598,371 | | | | |

Notes

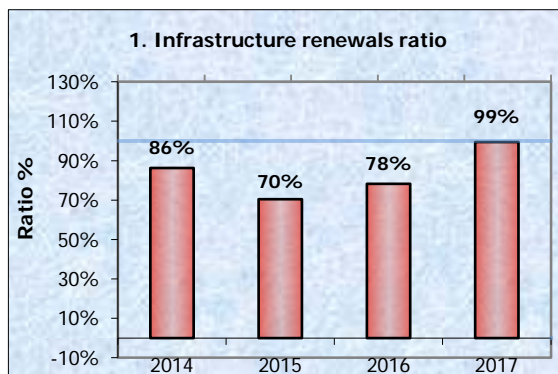
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Wollondilly Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017



Benchmark: — Minimum $\geq 100.00\%$

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

Purpose of asset renewals ratio

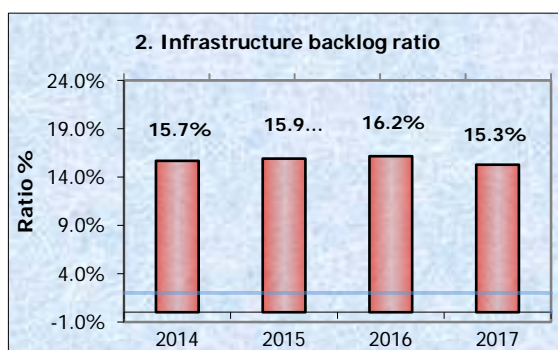
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2016/17 result

2016/17 Ratio 99.44%

Historically, this ratio has been below the benchmark and the insufficient renewals have led to the large infrastructure backlog. This issue is being addressed with the current special rate variation that was sought for the purpose of renewing Council's infrastructure assets. Council came very close to meeting the benchmark this year & expects to exceed it in future years.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

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

Purpose of infrastructure backlog ratio

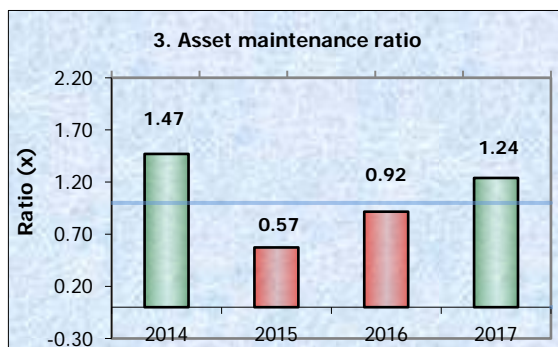
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2016/17 result

2016/17 Ratio 15.28%

This ratio is currently not meeting the required benchmark due to many years of insufficient funding for asset maintenance and renewal. To address this issue, Council successfully applied for a special rate variation in 2015/16 - the effects of which are now starting to be seen with the ratio beginning to fall.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

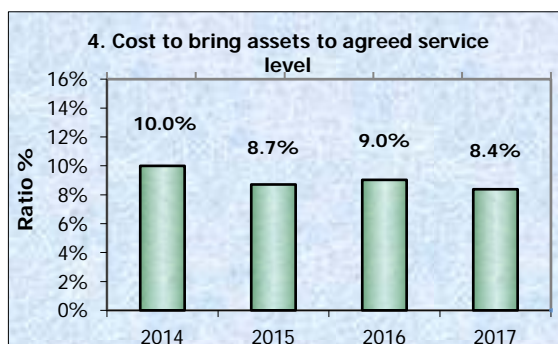
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2016/17 result

2016/17 Ratio 1.24 x

2013/14 was the final year of the previous special rate variation (SRV) which saw a significant investment in the maintenance of Council's assets. The ratio dropped away in the following year but has been steadily increasing since the commencement of the current SRV in 2015/16. The 2016/17 ratio of 1.24 has exceeded the benchmark.

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2016/17 result

2016/17 Ratio 8.38%

Similar to the Infrastructure Backlog ratio, this ratio has historically been too high due to years of insufficient funding for asset maintenance and renewal. The effects of the recent special rate variation are now starting to be seen with the ratio beginning to fall. Future projections indicate this ratio will continue to fall each year.

Wollondilly Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

| \$'000 | | Calculation 2016/17 | Calculation 2017/18 |
|---|---|------------------------|------------------------|
| Notional general income calculation ⁽¹⁾ | | | |
| Last year notional general income yield | a | 25,902 | 29,159 |
| Plus or minus adjustments ⁽²⁾ | b | 402 | 230 |
| Notional general income | c = (a + b) | 26,304 | 29,389 |
| Permissible income calculation | | | |
| Special variation percentage ⁽³⁾ | d | 10.80% | 10.80% |
| Or rate peg percentage | e | 1.80% | 1.50% |
| Or crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% |
| Less expiring special variation amount | g | — | — |
| Plus special variation amount | $h = d \times (c - g)$ | 2,841 | 3,174 |
| Or plus rate peg amount | $i = c \times e$ | — | — |
| Or plus Crown land adjustment and rate peg amount | $j = c \times f$ | — | — |
| Sub-total | $k = (c + g + h + i + j)$ | 29,145 | 32,563 |
| Plus (or minus) last year's carry forward total | l | 10 | 0 |
| Less valuation objections claimed in the previous year | m | — | (5) |
| Sub-total | $n = (l + m)$ | 10 | (5) |
| Total permissible income | $o = k + n$ | 29,154 | 32,558 |
| Less notional general income yield | p | 29,159 | 32,556 |
| Catch-up or (excess) result | $q = o - p$ | (5) | 2 |
| Plus income lost due to valuation objections claimed ⁽⁴⁾ | r | 5 | — |
| Less unused catch-up ⁽⁵⁾ | s | — | — |
| Carry forward to next year | $t = q + r - s$ | 0 | 2 |

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Wollondilly Shire Council

To the Councillors of Wollondilly Shire Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Wollondilly Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Wollondilly Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2016 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 17 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Lawrissa Chan
Director, Financial Audit Services

16 October 2017
SYDNEY