



Wollondilly
Shire Council



WOLLONDILLY SHIRE COUNCIL

Annual Financial Statements for the
year ended 30 June 2016

Wollondilly Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016



"Rural Living"

Wollondilly Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	80
– On the Conduct of the Audit (Sect 417 [3])	82

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated 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 Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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 17 October 2016. Council has the power to amend and reissue these financial statements.
-

Wollondilly Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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 2016.

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

This 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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). 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 15/16 financial year can be found at Note 28 of the financial statements.

Wollondilly Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

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 17 October 2016.



Clr J Hannan
Mayor

Clr R Khan
Councillor

L Johnson
General Manager

A Christie
Responsible Accounting Officer

Wollondilly Shire Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016 \$ '000		Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
32,342	Rates and annual charges	3a	32,581	29,321
4,440	User charges and fees	3b	5,212	5,322
1,233	Interest and investment revenue	3c	1,730	1,793
818	Other revenues	3d	1,504	1,608
7,391	Grants and contributions provided for operating purposes	3e,f	7,611	7,772
3,798	Grants and contributions provided for capital purposes	3e,f	19,443	17,129
Other income:				
–	Net gains from the disposal of assets	5	107	73
50,022	Total income from continuing operations		68,188	63,018
Expenses from continuing operations				
20,250	Employee benefits and on-costs	4a	20,609	19,412
1,049	Borrowing costs	4b	1,789	1,961
14,827	Materials and contracts	4c	14,841	15,190
11,141	Depreciation and amortisation	4d	12,572	10,899
–	Impairment	4d	229	–
4,917	Other expenses	4e	4,264	8,084
52,184	Total expenses from continuing operations		54,304	55,546
(2,162)	Operating result from continuing operations		13,884	7,472
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
(2,162)	Net operating result for the year		13,884	7,472
(2,162)	Net operating result attributable to Council		13,884	7,472
–	Net operating result attributable to non-controlling interests		–	–
(5,960)	Net operating result for the year before grants and contributions provided for capital purposes		(5,559)	(9,657)

¹ Original budget as approved by Council – refer Note 16

Wollondilly Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		13,884	7,472
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	33,312
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	33,312
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	33,312
Total comprehensive income for the year		56,716	40,784
Total comprehensive income attributable to Council		56,716	40,784
Total comprehensive income attributable to non-controlling interests		–	–

Wollondilly Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	2,527	3,710
Investments	6b	31,750	30,250
Receivables	7	4,549	4,135
Inventories	8	2,088	2,120
Other	8	143	164
Total current assets		41,057	40,379
Non-current assets			
Investments	6b	14,934	10,738
Infrastructure, property, plant and equipment	9	437,725	385,093
Total non-current assets		452,659	395,831
TOTAL ASSETS		493,716	436,210
LIABILITIES			
Current liabilities			
Payables	10	4,720	3,387
Borrowings	10	1,817	2,024
Provisions	10	6,628	5,908
Total current liabilities		13,165	11,319
Non-current liabilities			
Borrowings	10	12,753	14,570
Provisions	10	13,094	12,333
Total non-current liabilities		25,847	26,903
TOTAL LIABILITIES		39,012	38,222
Net assets		454,704	397,988
EQUITY			
Retained earnings	20	314,107	300,223
Revaluation reserves	20	140,597	97,765
Total equity		454,704	397,988

Wollondilly Shire Council

Statement of Changes in Equity for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		300,223	97,765	397,988	—	397,988
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		300,223	97,765	397,988	—	397,988
c. Net operating result for the year		13,884	—	13,884	—	13,884
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	43,008	43,008	—	43,008
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(176)	(176)	—	(176)
Other comprehensive income		—	42,832	42,832	—	42,832
Total comprehensive income (c&d)		13,884	42,832	56,716	—	56,716
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		314,107	140,597	454,704	—	454,704

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		292,638	64,453	357,091	—	357,091
a. Correction of prior period errors	20 (c)	113	—	113	—	113
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		292,751	64,453	357,204	—	357,204
c. Net operating result for the year		7,472	—	7,472	—	7,472
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	33,312	33,312	—	33,312
Other comprehensive income		—	33,312	33,312	—	33,312
Total comprehensive income (c&d)		7,472	33,312	40,784	—	40,784
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		300,223	97,765	397,988	—	397,988

Wollondilly Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
32,395	Rates and annual charges		32,260	29,513
3,937	User charges and fees		5,846	5,173
1,124	Investment and interest revenue received		1,760	1,907
10,493	Grants and contributions		15,038	16,976
–	Bonds, deposits and retention amounts received		229	–
3,826	Other		4,124	3,826
Payments:				
(19,921)	Employee benefits and on-costs		(19,638)	(18,730)
(13,578)	Materials and contracts		(16,127)	(20,099)
(1,086)	Borrowing costs		(1,044)	(1,154)
–	Bonds, deposits and retention amounts refunded		–	(40)
(4,917)	Other		(4,853)	(4,971)
12,273	Net cash provided (or used in) operating activities	11b	17,595	12,401
Cash flows from investing activities				
Receipts:				
3,217	Sale of investment securities		30,304	33,074
–	Sale of infrastructure, property, plant and equipment		107	121
Payments:				
–	Purchase of investment securities		(36,000)	(34,000)
(13,787)	Purchase of infrastructure, property, plant and equipment		(11,165)	(9,267)
(10,570)	Net cash provided (or used in) investing activities		(16,754)	(10,072)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(2,024)	Repayment of borrowings and advances		(2,024)	(1,725)
(2,024)	Net cash flow provided (used in) financing activities		(2,024)	(1,725)
(321)	Net increase/(decrease) in cash and cash equivalents		(1,183)	604
3,710	Plus: cash and cash equivalents – beginning of year	11a	3,710	3,106
3,389	Cash and cash equivalents – end of the year	11a	2,527	3,710
Additional Information:				
	plus: Investments on hand – end of year	6b	46,684	40,988
	Total cash, cash equivalents and investments		49,211	44,698

Please refer to Note 11 for additional cash flow information

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	27
2(b)	Council functions/activities – component descriptions	28
3	Income from continuing operations	29
4	Expenses from continuing operations	34
5	Gains or losses from the disposal of assets	37
6(a)	Cash and cash equivalent assets	38
6(b)	Investments	38
6(c)	Restricted cash, cash equivalents and investments – details	39
7	Receivables	41
8	Inventories and other assets	42
9(a)	Infrastructure, property, plant and equipment	44
9(b)	Externally restricted infrastructure, property, plant and equipment	45 n/a
9(c)	Infrastructure, property, plant and equipment – current year impairments	45
10(a)	Payables, borrowings and provisions	46
10(b)	Description of (and movements in) provisions	47
11	Statement of cash flows – additional information	48
12	Commitments for expenditure	50
13	Statement of performance measures:	
13a (i)	Local government industry indicators (consolidated)	52
13a (ii)	Local government industry graphs (consolidated)	53
14	Investment properties	55 n/a
15	Financial risk management	55
16	Material budget variations	59
17	Statement of developer contributions	61
18	Contingencies and other liabilities/assets not recognised	64
19	Interests in other entities	65 n/a
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	66
21	Financial result and financial position by fund	67 n/a
22	'Held for sale' non-current assets and disposal groups	68 n/a
23	Events occurring after the reporting date	68 n/a
24	Discontinued operations	68 n/a
25	Intangible assets	68 n/a
26	Reinstatement, rehabilitation and restoration liabilities	69
27	Fair value measurement	71
Additional council disclosures		
28	Financial review	78
29	Council information and contact details	79

n/a – not applicable

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(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 it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any 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:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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 undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

A detailed note relating to developer contributions can be found at Note 17.

User charges, fees and other income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

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.

Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, 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.

(ii) The trust fund

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

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Council does not currently have any finance leases.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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 is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- **loans and receivables,**
- **held-to-maturity investments, and**
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

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

(ii) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value

adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise 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 arising from the Cole Inquiry recommendations.

(g) Fair value estimation – financial instruments

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be

able to collect all amounts due according to the original terms of each receivable.

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

Impairment losses are 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.

(i) Inventories

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

(ii) Inventory held for distribution

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

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment** (as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (VG valuation)
- **Land improvements** (as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised** (external valuation)
- **Other structures** (as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets** (internal valuation)
- **Other infrastructure** (internal valuation)
- **Other assets** (as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Plant and equipment	> \$2,000
Office equipment	> \$2,000
Furniture and fittings	> \$2,000

Land

- Operational land	100% Capitalised
- Community land	100% Capitalised
- Land under roads (purchases before 30/6/08)	Not capitalised
- Land under roads (purchases after 30/6/08)	Data collected and will be capitalised when valuation methodology is determined

Land improvements	> \$10,000
--------------------------	------------

Buildings (specialised and non-specialised)

- Construction/extensions	100% Capitalised
- Renovations	> \$10,000

Other structures	> \$10,000
-------------------------	------------

Infrastructure

- Road construction and reconstruction	100% Capitalised
- Reseal/re-sheet and major repairs:	> \$10,000
- Bridge construction and reconstruction	100% Capitalised
- Stormwater drainage	100% Capitalised

Other infrastructure assets

Swimming pools	> \$10,000
Other open space/recreational assets	> \$5,000

Other infrastructure	> \$10,000
----------------------	------------

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life. Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

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

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

• 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	
o Concrete	50 years
o 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
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

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on asset impairment.

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

(l) 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.

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.

(m) Intangible assets

Council has not classified any assets as intangible.

(n) 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.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, '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'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

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

Council doesn't currently own any investment properties.

(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the 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 that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation 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.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation 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.

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date. These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property,

plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Non-financial assets that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and

- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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.

(x) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(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 balance sheet, 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 which 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 can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on the 24th February 2016 and covers the period ended 30th June 2015.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$434,586.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$330,231 as at 30 June 2016.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined contribution plans

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

(y) Self-insurance

Council does not self-insure.

(z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

(aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

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

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

(ac) Rounding of amounts

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

(ad) 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.

(ae) 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 2016

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
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	930	997	730	(930)	(997)	(730)	–	–	–	–
Administration	1,365	1,284	1,077	3,258	4,760	4,681	(1,893)	(3,476)	(3,604)	8	10	54,977	50,911
Public order and safety	981	931	966	3,587	3,734	3,161	(2,606)	(2,803)	(2,195)	304	297	8,770	8,209
Health	170	499	233	337	3	2	(167)	496	231	–	–	19	10
Environment	7,885	11,989	8,248	8,718	9,155	8,379	(833)	2,834	(131)	271	454	1,884	1,891
Community services and education	730	945	799	2,617	2,466	1,811	(1,887)	(1,521)	(1,012)	349	349	356	357
Housing and community amenities	2,548	6,456	7,651	3,685	4,816	4,659	(1,137)	1,640	2,992	81	79	3,525	3,504
Recreation and culture	592	502	921	8,312	8,501	8,423	(7,720)	(7,999)	(7,502)	205	637	120,121	77,068
Mining, manufacturing and construction	517	592	684	1,289	1,381	1,027	(772)	(789)	(343)	–	–	–	–
Transport and communication	5,326	14,105	14,362	17,842	17,031	21,525	(12,516)	(2,926)	(7,163)	2,672	1,632	302,537	292,695
Economic affairs	351	402	337	1,609	1,460	1,148	(1,258)	(1,058)	(811)	–	–	1,527	1,565
Total functions and activities	20,465	37,705	35,278	52,184	54,304	55,546	(31,719)	(16,599)	(20,268)	3,890	3,458	493,716	436,210
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	29,557	30,483	27,740	–	–	–	29,557	30,483	27,740	3,750	3,760	–	–
Operating result from continuing operations	50,022	68,188	63,018	52,184	54,304	55,546	(2,162)	13,884	7,472	7,640	7,218	493,716	436,210

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 2016

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

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

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 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		22,023	19,560
Farmland		910	906
Mining		1,260	1,063
Business		1,170	1,035
Total ordinary rates		25,363	22,564
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,959	6,502
Stormwater management services		259	255
Total annual charges		7,218	6,757
TOTAL RATES AND ANNUAL CHARGES		32,581	29,321

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 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		143	120
Total user charges		143	120
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Animal registration fees		134	139
Planning and building regulation		1,614	1,612
Private works – section 67		5	22
Rezoning fees		79	–
Septic tank fees		191	327
Section 149 certificates (EPA Act)		145	150
Section 603 certificates		92	95
Other		182	139
Total fees and charges – statutory/regulatory		2,442	2,484
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries		84	79
Children services		443	370
Development management		221	353
Leaseback fees – Council vehicles		239	216
Leisure centre		86	80
Plan checking fees		217	257
Restoration charges		58	57
Royalties		303	379
Waste disposal tipping fees		772	658
Contract works		28	134
Other		176	135
Total fees and charges – other		2,627	2,718
TOTAL USER CHARGES AND FEES		5,212	5,322

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		191	193
– Interest earned on investments (interest and coupon payment income)		1,539	1,600
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,730</u>	<u>1,793</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		191	193
General Council cash and investments		952	1,155
Restricted investments/funds – external:			
Development contributions			
– Section 94		314	227
Domestic waste management operations		46	150
Restricted investments/funds – internal:			
Internally restricted assets		227	68
<u>Total interest and investment revenue recognised</u>		<u>1,730</u>	<u>1,793</u>
(d) Other revenues			
Rental income – other council properties		526	489
Fines		529	269
Legal fees recovery – rates and charges (extra charges)		84	120
Legal fees recovery – other		2	34
Commissions and agency fees		34	35
Diesel rebate		31	40
Insurance claim recoveries		18	5
Insurance premium rebate		89	161
Reimbursements		77	240
Sales – general		31	60
Other		83	155
<u>TOTAL OTHER REVENUE</u>		<u>1,504</u>	<u>1,608</u>

Wollondilly Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	3,416	3,432	–	–
Pensioners' rates subsidies – general component	334	328	–	–
Total general purpose	3,750	3,760	–	–
Specific purpose				
Bushfire and emergency services	304	297	–	–
Child care	183	160	–	–
Community services	166	189	–	–
Environmental management	271	454	–	–
Library	91	130	44	200
LIRS subsidy	289	332	–	–
Recreation and culture	27	–	43	307
Street lighting	81	79	–	–
Transport (roads to recovery)	–	–	1,722	603
Transport (other roads and bridges funding)	–	–	661	697
Other	8	10	–	–
Total specific purpose	1,420	1,651	2,470	1,807
Total grants	5,170	5,411	2,470	1,807
Grant revenue is attributable to:				
– Commonwealth funding	3,568	3,563	2,396	1,223
– State funding	1,598	1,848	74	584
– Other funding	4	–	–	–
	5,170	5,411	2,470	1,807

Wollondilly Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	1,598	5,582
S 94 – contributions towards amenities/services	–	–	2,937	1,274
S 94A – fixed development consent levies	–	–	56	298
Total developer contributions 17	–	–	4,591	7,154
Other contributions:				
Bushfire services	327	496	125	4
Community services	95	43	–	–
Dedications (other than by S94)	–	–	11,471	7,526
Kerb and gutter	–	–	14	–
Recreation and culture	155	–	41	105
Roads and bridges	–	–	63	25
RMS contributions (regional roads, block grant)	1,864	1,822	668	508
Total other contributions	2,441	2,361	12,382	8,168
Total contributions	2,441	2,361	16,973	15,322
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>7,611</u>	<u>7,772</u>	<u>19,443</u>	<u>17,129</u>

\$ '000	Actual 2016	Actual 2015
---------	----------------	----------------

(g) Restrictions relating to 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	16,785	9,915
Add: grants and contributions recognised in the current period but not yet spent:	5,456	7,069
Less: grants and contributions recognised in a previous reporting period now spent:	(3,288)	(199)
Net increase (decrease) in restricted assets during the period	2,168	6,870
Unexpended and held as restricted assets	18,953	16,785
Comprising:		
– Specific purpose unexpended grants	1,274	1,597
– Developer contributions	17,223	14,866
– Other contributions	456	322
	18,953	16,785

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		18,275	17,452
Employee leave entitlements (ELE)		941	590
Superannuation		1,806	1,675
Workers' compensation insurance		415	386
Fringe benefit tax (FBT)		171	157
Training costs (other than salaries and wages)		104	213
Employment advertising		181	110
Other		11	9
Total employee costs		21,904	20,592
Less: capitalised costs		(1,295)	(1,180)
TOTAL EMPLOYEE COSTS EXPENSED		20,609	19,412
Number of 'full-time equivalent' employees (FTE) at year end		216	221
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,031	1,144
Total interest bearing liability costs expensed		1,031	1,144
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	758	817
Total other borrowing costs		758	817
TOTAL BORROWING COSTS EXPENSED		1,789	1,961

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		5,790	6,653
Contractor and consultancy costs			
– Environmental services		1,084	2,342
– General maintenance		3,325	2,271
– Leisure centre management		160	188
– Planning and development consultants		106	99
– Property consultants		–	27
– Road maintenance and construction		3,614	4,611
– Street and gutter cleaning contract		285	271
– Waste contractors		6,356	5,309
– Other		1,558	1,181
Auditors remuneration ⁽¹⁾		64	71
Legal expenses:			
– Legal expenses: planning and development		535	262
– Legal expenses: other		304	448
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		901	794
Total materials and contracts		24,082	24,527
Less: capitalised costs		(9,241)	(9,337)
TOTAL MATERIALS AND CONTRACTS		14,841	15,190

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):

Audit and other assurance services

- Audit and review of financial statements: Council's Auditor
- Internal audit services | external provider

Remuneration for audit and other assurance services

Total Auditor remuneration

39	38
25	33
64	71
64	71

2. Operating lease payments are attributable to:

Computers	299	249
Motor vehicles	521	521
Other	81	24
	901	794

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	579	507
Office equipment		—	—	63	91
Furniture and fittings		—	—	51	64
Land improvements (depreciable)		—	—	49	40
Infrastructure:					
– Buildings – non-specialised		—	—	668	626
– Buildings – specialised		—	—	1,007	996
– Other structures		—	—	—	623
– Roads		—	—	5,908	4,671
– Bridges		229	—	715	518
– Footpaths		—	—	322	246
– Other road assets		—	—	2,118	1,862
– Stormwater drainage		—	—	457	379
– Swimming pools		—	—	75	—
– Other open space/recreational assets		176	—	492	—
Other assets					
– Other		—	—	25	27
Asset reinstatement costs	9 & 26	—	—	43	249
Total depreciation and impairment costs		405	—	12,572	10,899
Less: IPP&E impairments (to)/from equity	9a	(176)	—	—	—
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		229	—	12,572	10,899

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		124	149
Agency charges		63	64
Bad and doubtful debts		2	18
Bank charges		44	41
Computer software charges		414	209
Contributions/levies to other levels of government			
– Bushfire Fighting Fund		583	490
– Department of Planning levy		50	48
– NSW Rural Fire Service levy		45	44
– Section 88 waste and environment levy		265	281
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		166	163
Councillors' expenses (incl. mayor) – other (excluding fees above)		23	21
Donations, contributions and assistance to other organisations (Section 356)		224	145
Electricity and heating		275	322
Fair value decrements – I,PP&E	9(a)	–	4,230
Insurance		555	521
Photocopier charges		88	88
Postage		158	133
Street lighting		426	509
Telephone and communications		128	129
Valuation fees		105	102
Vehicle registration / insurance		78	91
Water charges		123	113
Other		300	166
Total other expenses		4,279	8,116
Less: capitalised costs		(15)	(32)
TOTAL OTHER EXPENSES		4,264	8,084

Note 5. Gains or losses from the disposal of assets

Plant and equipment			
Proceeds from disposal – plant and equipment		107	121
Less: carrying amount of plant and equipment assets sold/written off		–	(48)
Net gain/(loss) on disposal		107	73
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		30,304	33,074
Less: carrying amount of financial assets sold/redeemed/matured		(30,304)	(33,074)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		107	73

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

		2016	2016	2015	2015
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non-current	Current	Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		2,527	–	3,710	–
Total cash and cash equivalents		2,527	–	3,710	–
Investments (Note 6b)					
– Long term deposits		28,750	–	30,250	–
– NCD's, FRN's (with maturities > 3 months)		2,000	11,250	–	6,000
– Mortgage backed securities		–	1,684	–	1,738
– Other long term financial assets		1,000	2,000	–	3,000
Total investments		31,750	14,934	30,250	10,738
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		34,277	14,934	33,960	10,738

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		2,527	–	3,710	–
--	--	--------------	----------	--------------	----------

Investments

a. 'Held to maturity'	6(b-i)	31,750	14,934	30,250	10,738
Investments		31,750	14,934	30,250	10,738

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		30,250	10,738	28,250	11,812
Additions		28,750	7,250	30,000	4,000
Disposals (sales and redemptions)		(30,250)	(54)	(33,000)	(74)
Transfers between current/non-current		3,000	(3,000)	5,000	(5,000)
Balance at end of year		31,750	14,934	30,250	10,738

Comprising:

– Long term deposits		28,750	–	30,250	–
– NCD's, FRN's (with maturities > 3 months)		2,000	11,250	–	6,000
– Mortgage backed securities		–	1,684	–	1,738
– Other long term financial assets		1,000	2,000	–	3,000
Total		31,750	14,934	30,250	10,738

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 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	34,277	14,934	33,960	10,738
attributable to:				
External restrictions (refer below)	10,882	14,934	12,736	10,738
Internal restrictions (refer below)	21,190	–	20,076	–
Unrestricted	2,205	–	1,148	–
	34,277	14,934	33,960	10,738

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	451	–	(451)	–
External restrictions – included in liabilities	451	–	(451)	–

External restrictions – other

Developer contributions – general (B)	14,866	4,905	(2,548)	17,223
Specific purpose unexpended grants (C)	1,597	357	(678)	1,274
Domestic waste management (D)	5,914	652	(244)	6,322
Stormwater management (D)	324	260	(43)	541
Other contributions (E)	322	195	(61)	456
External restrictions – other	23,023	6,369	(3,574)	25,816
Total external restrictions	23,474	6,369	(4,025)	25,816

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** Domestic Waste Management (DWM) and Stormwater Management Charges are externally restricted assets and must be applied for the purposes for which they were raised.
- E** 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 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	1,732	712	–	2,444
Animal management	20	–	(1)	19
Effluent disposal	234	–	(18)	216
Election	205	65	(3)	267
Growth management strategy	1,356	546	(233)	1,669
Information technology	136	–	(66)	70
Infrastructure and asset maintenance	7,041	4,641	(3,736)	7,946
Legal claims	1,089	200	(298)	991
Library	192	–	(192)	–
Organisational development	527	303	(154)	676
Plant and vehicle replacement	1,481	373	(398)	1,456
Property	2,696	68	(820)	1,944
Recreation	283	200	(9)	474
Risk management	473	89	(74)	488
Roads	288	8	–	296
Sinking fund	200	–	(200)	–
Special rate variation	166	1,959	(2,125)	–
Sportsgrounds	618	256	(40)	834
Swimming pool	542	–	–	542
Tourism and economic development	133	250	(15)	368
Work in progress	664	14	(188)	490
Total internal restrictions	20,076	9,684	(8,570)	21,190
TOTAL RESTRICTIONS	43,550	16,053	(12,595)	47,006

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		1,732	—	1,411	—
Interest and extra charges		536	—	541	—
User charges and fees		386	—	846	—
Accrued revenues					
– Interest on investments		491	—	516	—
– Other income accruals		281	—	521	—
Government grants and subsidies		833	—	195	—
Net GST receivable		313	—	140	—
Total		4,572	—	4,170	—
Less: provision for impairment					
User charges and fees		(23)	—	(35)	—
Total provision for impairment – receivables		(23)	—	(35)	—
<u>TOTAL NET RECEIVABLES</u>		<u>4,549</u>	<u>—</u>	<u>4,135</u>	<u>—</u>
Externally restricted receivables					
Domestic waste management		628	—	560	—
Stormwater management		25	—	26	—
Total external restrictions		653	—	586	—
Internally restricted receivables					
Nil					
Unrestricted receivables		3,896	—	3,549	—
TOTAL NET RECEIVABLES		4,549	—	4,135	—

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% (2015 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 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	195	–	230	–
Stores and materials	1,845	–	1,818	–
Trading stock	2	–	3	–
Total inventories at cost	2,042	–	2,051	–

(ii) Inventories at net realisable value (NRV)

Trading stock	46	–	69	–
Total inventories at net realisable value (NRV)	46	–	69	–

TOTAL INVENTORIES

	2,088	–	2,120	–
--	--------------	----------	--------------	----------

(b) Other assets

Prepayments	143	–	164	–
<u>TOTAL OTHER ASSETS</u>	143	–	164	–

Externally restricted assets

Water

Nil

Sewerage

Nil

Domestic waste management

Nil

Other

RFS Stores and materials	1,721	–	1,715	–
Total other	1,721	–	1,715	–

Total externally restricted assets

	1,721	–	1,715	–
--	-------	---	-------	---

Total internally restricted assets

	–	–	–	–
--	---	---	---	---

Total unrestricted assets

	510	–	569	–
--	-----	---	-----	---

TOTAL INVENTORIES AND OTHER ASSETS

	2,231	–	2,284	–
--	--------------	----------	--------------	----------

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	195	—	230	—
Total real estate for resale	195	—	230	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	195	—	76	—
Development costs	—	—	154	—
Total real estate for resale	195	—	230	—
Movements:				
Real estate assets at beginning of the year	230	—	230	—
– Other	(35)	—	—	—
Total real estate for resale	195	—	230	—

(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;

	2016	2015
Real estate for resale	195	195
	195	195

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

– Stores and materials	398	320
– Trading stock	4	6

(d) Inventory write downs

\$32,392 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 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Depreciation expense	Impairment loss (recognised in P/L)	Impairment loss (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	386	–	–	–	386	1,885	207	–	–	–	(226)	(35)	–	2,217	–	–	–	2,217
Plant and equipment	–	12,613	10,857	–	1,756	–	412	(579)	–	–	–	–	–	–	12,945	11,356	–	1,589
Office equipment	–	3,810	3,705	–	105	–	73	(63)	–	–	–	–	–	–	3,882	3,767	–	115
Furniture and fittings	–	791	505	–	286	36	216	(51)	–	–	–	–	–	–	1,044	557	–	487
Land:																		
– Operational land	–	12,972	–	–	12,972	–	–	–	–	–	–	–	–	–	12,972	–	–	12,972
– Community land	–	27,738	–	–	27,738	–	–	–	–	–	–	–	22,604	–	50,342	–	–	50,342
Land improvements – depreciable	–	2,443	277	–	2,166	30	–	(49)	–	–	–	–	–	–	2,473	326	–	2,147
Infrastructure:																		
– Buildings – non-specialised	–	25,563	14,470	–	11,093	625	–	(668)	–	–	226	–	–	–	26,414	15,138	–	11,276
– Buildings – specialised	–	48,157	20,839	–	27,318	42	–	(1,007)	–	–	–	–	–	–	48,199	21,846	–	26,353
– Roads	–	208,537	97,508	–	111,029	6,534	4,819	(5,908)	–	–	–	–	–	–	219,890	103,416	–	116,474
– Bridges	–	62,163	26,508	–	35,655	198	–	(715)	(229)	–	–	–	–	–	62,361	27,223	229	34,909
– Footpaths	–	14,079	2,946	–	11,133	–	713	(322)	–	–	–	–	–	–	14,793	3,269	–	11,524
– Other road assets	–	72,790	22,828	–	49,962	–	3,194	(2,118)	–	–	–	120	–	–	76,109	24,951	–	51,158
– Bulk earthworks (non-depreciable)	–	44,331	–	–	44,331	–	–	–	–	–	–	–	–	–	44,331	–	–	44,331
– Stormwater drainage	–	50,496	11,464	–	39,032	–	3,452	(457)	–	–	–	–	–	–	53,948	11,921	–	42,027
– Swimming pools	–	3,000	1,125	–	1,875	–	–	(75)	–	–	–	–	–	–	3,000	1,200	–	1,800
– Other open space/recreational assets	–	13,275	5,692	–	7,583	169	33	(492)	–	(176)	–	–	20,404	–	31,798	4,101	176	27,521
Other assets:																		
– Library books	–	1,025	1,025	–	–	–	–	–	–	–	–	–	–	–	1,025	1,025	–	–
– Other	–	889	261	–	628	–	–	(25)	–	–	–	(120)	–	–	763	280	–	483
Reinstatement, rehabilitation and restoration assets (refer Note 26):																		
– Tip assets	–	8,055	8,010	–	45	–	–	(43)	–	–	–	–	–	–	8,054	8,054	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	386	612,727	228,020	–	385,093	9,519	13,119	(12,572)	(229)	(176)	–	(35)	43,008	2,217	674,343	238,430	405	437,725

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 2016

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2016	Actual 2015
(i) Impairment losses recognised in the Income Statement:			
Cataract River Bridge (Broughton Pass) - Storm damage (5/6/16)		(178)	–
Blaxland's Crossing Bridge - Storm damage (5/6/16)		(11)	–
Rockford Bridge - Storm damage (5/6/16)		(40)	–
Total impairment losses		(229)	–
<u>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</u>	4(d)	<u>(229)</u>	<u>–</u>
(ii) Impairment losses recognised direct to equity (ARR):			
Hume Oval Tennis Courts - Storm Damage (5/6/16)		(176)	–
Total impairment losses		(176)	–
<u>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</u>	20 (ii)	<u>(176)</u>	<u>–</u>

Wollondilly Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services		1,768	—	1,013	—
Payments received In advance		276	—	258	—
Accrued expenses:					
– Borrowings		74	—	87	—
– Salaries and wages		297	—	132	—
– Other expenditure accruals		1,487	—	1,348	—
Security bonds, deposits and retentions		557	—	328	—
Other		261	—	221	—
Total payables		4,720	—	3,387	—
Borrowings					
Loans – secured ¹		1,817	12,753	2,024	14,570
Total borrowings		1,817	12,753	2,024	14,570
Provisions					
Employee benefits:					
Annual leave		1,793	—	1,845	—
Sick leave		193	—	196	—
Long service leave		4,360	163	3,435	135
Sub-total – aggregate employee benefits		6,346	163	5,476	135
Asset remediation/restoration (future works)	26	282	12,931	432	12,198
Total provisions		6,628	13,094	5,908	12,333
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		13,165	25,847	11,319	26,903

(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 2016

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

	Actual 2016	Actual 2015
\$ '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	4,953	3,958
	4,953	3,958

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Other adjustments	
Annual leave	1,845	1,003	(1,055)	–	–	1,793
Sick leave	196	4	–	–	(7)	193
Long service leave	3,570	429	(231)	755	–	4,523
Asset remediation	12,630	758	(175)	–	–	13,213
TOTAL	18,241	2,194	(1,461)	755	(7)	19,722

- 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 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	2,527	3,710
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		2,527	3,710
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		13,884	7,472
Adjust for non-cash items:			
Depreciation and amortisation		12,572	10,899
Net losses/(gains) on disposal of assets		(107)	(73)
Non-cash capital grants and contributions		(11,500)	(8,962)
Impairment losses recognition – I,PP&E		229	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Write offs relating to the fair valuation of I,PP&E		–	4,230
Unwinding of discount rates on reinstatement provisions		758	817
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(402)	420
Increase/(decrease) in provision for doubtful debts		(12)	(19)
Decrease/(increase) in inventories		(3)	(120)
Decrease/(increase) in other assets		21	46
Increase/(decrease) in payables		755	(2,361)
Increase/(decrease) in accrued interest payable		(13)	(10)
Increase/(decrease) in other accrued expenses payable		304	1,159
Increase/(decrease) in other liabilities		287	(39)
Increase/(decrease) in employee leave entitlements		898	637
Increase/(decrease) in other provisions		(175)	(1,695)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		17,595	12,401

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Bushfire grants		6	67
S94 contributions 'in kind'		–	7,526
S93F Contributions 'in kind'		–	1,300
Dedicated Infrastructure Assets		11,471	–
Revaluation of propagated nursery stock		23	69
Total non-cash investing and financing activities		11,500	8,962
(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		90	71
Total financing arrangements utilised		390	371

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 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings ¹		361	275
Plant and equipment ²		59	342
Corporate information system ³		—	39
Recreation ⁴		66	38
Major road and bridge works ⁵		654	161
Tip remediation ⁶		96	261
Other ⁷		—	8
Total commitments		1,236	1,124
These expenditures are payable as follows:			
Within the next year		—	1,124
Later than one year and not later than 5 years		1,236	—
Later than 5 years		—	—
Total payable		1,236	1,124
Sources for funding of capital commitments:			
Unrestricted general funds		1,236	161
Internally restricted reserves		—	963
Total sources of funding		1,236	1,124

Details of capital commitments

- Buildings \$361k - Antill Park Fire Safety (\$5k) Bargo RFS Building (\$18.7k); Library (\$275k); Colden St (\$17.9k); Old Picton Post Office (\$44.9)
- Plant & Equipment \$59k - Isuzu Truck NLR45/150 (\$56k); Mobile Power Generator (\$3k)
- Corporate Information System - nil
- Recreation \$66k - Leisure Centre Upgrade (\$64k), Botanic Gardens Bin Enclosures (\$2k)
- Major Road & Bridge Works \$654k - Bridge St (\$335k); Fairleys Road Abbotsford Rd to Abbotsford Ck (Stage 1) (\$3.5k); Silverdale Rd Big Hill to Garlicks Range (\$30k); Douglas Park Drive Retaining Wall (\$20k); Spring Creek Rd (\$2k); Blaxland Crossing Bridge Bearing Replacement (\$103k)
- Tip Remediation \$96k - Warragamba Tip
- Other - nil

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(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		548	713
Later than one year and not later than 5 years		472	784
Later than 5 years		45	90
Total non-cancellable operating lease commitments		1,065	1,587

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 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(5,666)	-11.65%	-12.00%	-17.55%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	48,638			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	41,027	60.26%	60.44%	76.35%
Total continuing operating revenue ⁽¹⁾	68,081			
3. Unrestricted Current Ratio				
Current assets less all external restrictions ⁽²⁾	27,606	3.36x	3.42x	3.18x
Current liabilities less specific purpose liabilities ^(3, 4)	8,212			
4. Debt Service Cover Ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	8,924	2.34x	2.00x	1.92x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	3,813			
5. Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage				
Rates, annual and extra charges outstanding	2,268	6.52%	6.14%	7.10%
Rates, annual and extra charges collectible	34,808			
6. Cash Expense Cover Ratio				
Current year's cash and cash equivalents plus all term deposits	31,277	8.59 mths	8.7 mths	10.8 mths
Payments from cash flow of operating and financing activities	3,641			

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 2016

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

<h3>1. Operating Performance Ratio</h3> <table border="1"><thead><tr><th>Year</th><th>Ratio %</th></tr></thead><tbody><tr><td>2013</td><td>-12.55%</td></tr><tr><td>2014</td><td>-17.55%</td></tr><tr><td>2015</td><td>-12.00%</td></tr><tr><td>2016</td><td>-11.65%</td></tr></tbody></table> <p>Ratio %</p>		Year	Ratio %	2013	-12.55%	2014	-17.55%	2015	-12.00%	2016	-11.65%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio -11.65%</p> <p>The negative results for this ratio each year are of concern as it shows that Council has not been generating sufficient revenue to fund the increasing cost of providing its wide range of services to the community. The need for additional funding sources was addressed with the recent approval of a 4 year special rate variation that commenced in 2015/16. Projections indicate that this ratio will achieve positive results (ie: above benchmark) by 2018/19.</p>
Year	Ratio %												
2013	-12.55%												
2014	-17.55%												
2015	-12.00%												
2016	-11.65%												
<p>Benchmark: Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>											
<h3>2. Own Source Operating Revenue Ratio</h3> <table border="1"><thead><tr><th>Year</th><th>Ratio %</th></tr></thead><tbody><tr><td>2013</td><td>73.40%</td></tr><tr><td>2014</td><td>76.35%</td></tr><tr><td>2015</td><td>60.44%</td></tr><tr><td>2016</td><td>60.26%</td></tr></tbody></table> <p>Ratio %</p>		Year	Ratio %	2013	73.40%	2014	76.35%	2015	60.44%	2016	60.26%	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 60.26%</p> <p>Council has historically exceeded the minimum benchmark for this ratio, indicating an acceptably low degree of reliance on external funding. The result has dropped close to the benchmark minimum over the past 2 years due to the recognition of (non-cash) contributed assets being handed over into Council's control (\$8.8m in 2014/15 and \$11.5m in 2015/16).</p>
Year	Ratio %												
2013	73.40%												
2014	76.35%												
2015	60.44%												
2016	60.26%												
<p>Benchmark: Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>											
<h3>3. Unrestricted Current Ratio</h3> <table border="1"><thead><tr><th>Year</th><th>Ratio (x)</th></tr></thead><tbody><tr><td>2013</td><td>2.76</td></tr><tr><td>2014</td><td>3.18</td></tr><tr><td>2015</td><td>3.42</td></tr><tr><td>2016</td><td>3.36</td></tr></tbody></table> <p>Ratio (x)</p>		Year	Ratio (x)	2013	2.76	2014	3.18	2015	3.42	2016	3.36	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.36x</p> <p>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.</p>
Year	Ratio (x)												
2013	2.76												
2014	3.18												
2015	3.42												
2016	3.36												
<p>Benchmark: Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>											

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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

<h3>4. Debt Service Cover Ratio</h3> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2013</td><td>2.90</td></tr><tr><td>2014</td><td>1.92</td></tr><tr><td>2015</td><td>2.00</td></tr><tr><td>2016</td><td>2.34</td></tr></table>		Year	Ratio (x)	2013	2.90	2014	1.92	2015	2.00	2016	2.34	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 2.34x</p> <p>This ratio has improved on last year's result, showing Council to have sufficient operating cash in order to meet its debt servicing obligations.</p>
Year	Ratio (x)												
2013	2.90												
2014	1.92												
2015	2.00												
2016	2.34												
<p>Benchmark: ——— Minimum ≥ 1.99</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>											
<h3>5. Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage</h3> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2013</td><td>7.64%</td></tr><tr><td>2014</td><td>7.10%</td></tr><tr><td>2015</td><td>6.14%</td></tr><tr><td>2016</td><td>6.52%</td></tr></table>		Year	Ratio %	2013	7.64%	2014	7.10%	2015	6.14%	2016	6.52%	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 6.52%</p> <p>This ratio had been steadily increasing over recent years and was on track to again show an improvement in 2015/16, however following the major storm event in June, Council deferred chasing up overdue amounts until those impacted by the storm had time to recover from its effects.</p>
Year	Ratio %												
2013	7.64%												
2014	7.10%												
2015	6.14%												
2016	6.52%												
<p>Benchmark: ——— Maximum $< 10.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>		<p> Ratio is within Benchmark</p> <p> Ratio is outside Benchmark</p>											
<h3>6. Cash Expense Cover Ratio</h3> <table><tr><th>Year</th><th>Ratio (mths)</th></tr><tr><td>2013</td><td>9.08</td></tr><tr><td>2014</td><td>10.79</td></tr><tr><td>2015</td><td>8.72</td></tr><tr><td>2016</td><td>8.59</td></tr></table>		Year	Ratio (mths)	2013	9.08	2014	10.79	2015	8.72	2016	8.59	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 8.59 mths</p> <p>Council's short term financial position is very sound, as evidenced by this ratio being almost 3 times above the minimum benchmark. This indicates that Council has the ability to easily meet all of its short term obligations.</p>
Year	Ratio (mths)												
2013	9.08												
2014	10.79												
2015	8.72												
2016	8.59												
<p>Benchmark: ——— Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>		<p> Ratio achieves benchmark</p> <p> Ratio is outside benchmark</p>											

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	2,527	3,710	2,527	4,007
Investments				
– 'Held to maturity'	46,684	40,988	44,624	41,081
Receivables	4,549	4,135	4,520	4,095
Total financial assets	53,760	48,833	51,671	49,183
Financial liabilities				
Payables	4,444	3,129	4,468	3,441
Loans/advances	14,570	16,594	14,570	16,594
Total financial liabilities	19,014	19,723	19,038	20,035

Fair value is determined as follows:

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

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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
2016				
Possible impact of a 10% movement in market values	160	160	(160)	(160)
Possible impact of a 1% movement in interest rates	488	488	(488)	(488)
2015				
Possible impact of a 10% movement in market values	182	182	(182)	(182)
Possible impact of a 1% movement in interest rates	446	446	(446)	(446)

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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:

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		100%	77%	100%	84%
Overdue		0%	23%	0%	16%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	1,732	2,182	1,411	2,307
< 1 year overdue	0 – 30 days overdue	–	553	–	309
1 – 2 years overdue	30 – 60 days overdue	–	3	–	4
2 – 5 years overdue	60 – 90 days overdue	–	11	–	27
> 5 years overdue	> 90 days overdue	–	91	–	112
		1,732	2,840	1,411	2,759
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				35	54
+ new provisions recognised during the year				3	18
– amounts already provided for and written off this year				(15)	(37)
Balance at the end of the year				23	35

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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		
2016									
Trade/other payables	557	—	—	—	—	—	—	557	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	2,738	2,378	2,389	2,346	2,082	7,422	19,912	19,014
2015									
Trade/other payables	328	—	—	—	—	—	—	328	3,129
Loans and advances	—	3,069	2,738	2,378	2,389	2,345	9,506	22,425	16,594
Total financial liabilities	328	3,069	2,738	2,378	2,389	2,345	9,506	22,753	19,723

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:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	4,444	0.00%	3,129	0.00%
Loans and advances – fixed interest rate	14,570	6.70%	16,594	6.60%
	<u>19,014</u>		<u>19,723</u>	

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 15 June 2015.

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	2016 Budget	2016 Actual	2016 Variance*	
REVENUES				
Rates and annual charges	32,342	32,581	239	1% F
User charges and fees	4,440	5,212	772	17% F
Development related income exceeded expectations due to increased development in the Shire. There was also a substantial increase in income from both domestic and commercial tipping fees due to increased dumping at Bargo Waste Management Centre.				
Interest and investment revenue	1,233	1,730	497	40% F
Income from Investments exceeded original budget levels due to a higher than expected balance of invested funds from an increase in development related income and a delay in the commencement and/or completion of some major projects				
Other revenues	818	1,504	686	84% F
Other revenue exceeded the original budget primarily due to the reimbursement of legal expenses and the receipt of an insurance premium rebate as a result of Council's good claims history.				
Operating grants and contributions	7,391	7,611	220	3% F
Capital grants and contributions	3,798	19,443	15,645	412% F
A higher than budgeted amount of Developer Contributions were received due to accelerated level of development within the Shire. Just over \$11m of non-cash infrastructure dedications were also recognised in the 2015/16 year. Additional Roads to Recovery funding received from the Federal Government.				
Net gains from disposal of assets	–	107	107	0% F
Council does not budget for any gains or losses from asset sales, however during the year Council traded in several vehicle and plant items resulting in a \$107K profit.				

Wollondilly Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	20,250	20,609	(359)	(2%) U
Borrowing costs	1,049	1,789	(740)	(71%) U
Borrowing costs exceeded budget due to the non-cash entry required to recognise the \$758K unwinding of a present value discount in relation to the remediation of Council's Tip asset.				
Materials and contracts	14,827	14,841	(14)	(0%) U
Depreciation and amortisation	11,141	12,572	(1,431)	(13%) U
The 2015/16 budget was developed prior to the end of the 2014/15 financial year and at that time, the depreciation estimate based on existing asset valuations was \$11.14m. Council's infrastructure assets were revalued in 2015/16 resulting in an increase in Council's annual depreciation charge for 2015/16.				
Impairment expenses	–	229	(229)	0% U
A storm event on the 5th June 2016 caused damage to three of Council's bridge assets, resulting in unbudgeted impairment losses being recorded against the written down value of these assets.				
Other expenses	4,917	4,264	653	13% F
The reduction in Other Expenses was a result of lower than expected utility costs, including streetlighting charges and telephone charges. Insurance premiums, tipping fees and licence fees were also lower than expected.				

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

Cash flows from operating activities	12,273	17,595	5,322	43.4%	F
The increase in cash flows from operating activities was due mainly to additional developer contribution funding received during the year. There was also an increase in development related income and reimbursements received. Outgoings for utility costs and insurance premiums were lower than expected.					
Cash flows from investing activities	(10,570)	(16,754)	(6,184)	58.5%	U
The 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 and the additional Developer Contributions received, Council managed to increase its investment portfolio.					
Cash flows from financing activities	(2,024)	(2,024)	–	0.0%	F

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	3,015	1,148	–	70	(287)	–	3,946	–
Open space	1,915	1,259	–	48	(33)	–	3,189	–
Community facilities	2,677	515	–	53	(600)	–	2,645	–
Bushfire protection	13	8	–	–	–	–	21	–
Animal Management	–	2	–	–	–	–	2	–
Other	1	5	–	–	–	–	6	–
S94 contributions – under a plan	7,621	2,937	–	171	(920)	–	9,809	–
S94A levies – under a plan	1,545	56	–	12	(1,090)	–	523	–
Total S94 revenue under plans	9,166	2,993	–	183	(2,010)	–	10,332	–
S93F planning agreements	5,700	1,598	–	131	(538)	–	6,891	–
Total contributions	14,866	4,591	–	314	(2,548)	–	17,223	–

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	1,630	932	–	42	–	–	2,604	–
Open space	1,342	1,196	–	34	–	–	2,572	–
Community facilities	1,494	475	–	30	(336)	–	1,663	–
Bushfire protection	13	8	–	–	–	–	21	–
Total	4,479	2,611	–	106	(336)	–	6,860	–

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	1,385	216	–	28	(287)	–	1,342	–
Open space	573	63	–	14	(33)	–	617	–
Community facilities	1,183	40	–	23	(264)	–	982	–
Animal Management	–	2	–	–	–	–	2	–
Other	1	5	–	–	–	–	6	–
Total	3,142	326	–	65	(584)	–	2,949	–

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	1,545	56	–	12	(1,090)	–	523	–
Total	1,545	56	–	12	(1,090)	–	523	–

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	2,737	751	–	64	(233)	–	3,319	–
Open space	1,655	719	–	42	–	–	2,416	–
Community facilities	1,187	92	–	23	(300)	–	1,002	–
Animal Management	21	9	–	–	(5)	–	25	–
Bushfire Protection	95	18	–	2	–	–	115	–
Tree Planting	5	9	–	–	–	–	14	–
Total	5,700	1,598	–	131	(538)	–	6,891	–

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Data in relation to land under roads acquired after 1 July 2008 has been collected, but 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 and is, in the meantime will continue collecting the necessary physical data to undertake the valuation.

(ii) Infringement notices/fines

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

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

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

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

Note 19. Interests in other entities

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		300,223	292,638
a. Correction of prior period errors	20 (c)	—	113
b. Net operating result for the year		13,884	7,472
Balance at end of the reporting period		314,107	300,223

(b) Revaluation reserves**(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve	140,597	97,765
Total	140,597	97,765

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Opening balance	97,765	64,453
– Revaluations for the year	9(a) 43,008	33,312
– (Impairment of revalued assets)/impairment reversals	9(a),(c) (176)	—
– Balance at end of year	140,597	97,765

TOTAL VALUE OF RESERVES

140,597	97,765
----------------	---------------

(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.

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
---------	-------	----------------	----------------

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

Correction of errors as disclosed in last year's financial statements:

During 2014/15, Council identified an error in the prior year accounts whereby costs associated with the rehabilitation of Warragamba tip had incorrectly been capitalised as land improvements, rather than being applied against the provision for tip rehabilitation. The error has now been rectified, however the effect on the 2013/14 financial statements was that Council's 'infrastructure, property plant and equipment' in Note 9 and 'provision for asset remediation' in Note 10 were both overstated. The adjustments made to the 2013/14 accounts are as follows:

Provision for asset remediation (debit)	–	204
Land improvement assets - at fair value (credit)	–	(204)
Land improvement assets - accumulated depreciation (debit)	–	113
Equity (credit)	–	(113)

In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.

These amounted to the following equity adjustments:

– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)	–	113
Total prior period adjustments – prior period errors	–	113

(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 2016

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

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 17/10/16.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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	
		2016	2015
Tip site – Bargo	2022	4,496	4,241
Tip site – Warragamba (closed)	In progress	282	432
Tip site – Picton (closed)	Undetermined	5,727	5,403
Tip site – Appin (closed)	Undetermined	2,260	2,132
Effluent ponds - Bargo (closed)	Undetermined	448	422
Balance at end of the reporting period	10(a)	13,213	12,630

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 discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year	12,630	13,508
Amortisation of discount (expensed to borrowing costs)	758	817
Expenditure incurred attributable to provisions	(175)	(1,695)
Total – reinstatement, rehabilitation and restoration provision	13,213	12,630

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 2016

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.

Rehabilitation

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

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

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

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

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

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
- Investment property
- Financial assets and liabilities

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
2016	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	30/06/15	–	2,217	–	2,217
Plant and equipment	30/06/15	–	–	1,589	1,589
Office equipment	30/06/15	–	–	115	115
Furniture and fittings	30/06/15	–	–	487	487
Operational land	30/06/15	–	–	12,972	12,972
Community land	30/06/15	–	–	50,342	50,342
Land improvements – depreciable	30/06/15	–	–	2,147	2,147
Buildings	30/06/15	–	–	37,629	37,629
Swimming pools and other recreational assets	30/06/15	–	–	29,321	29,321
Road infrastructure	30/06/15	–	–	258,396	258,396
Stormwater drainage	30/06/15	–	–	42,027	42,027
Other assets	30/06/15	–	–	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 2016

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			
2015		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’	30/06/15	–	–	40,988	40,988
Total financial assets		–	–	40,988	40,988
Infrastructure, property, plant and equipment					
Work in progress	30/06/15	–	386	–	386
Plant and equipment	30/06/15	–	–	1,756	1,756
Office equipment	30/06/15	–	–	105	105
Furniture and fittings	30/06/15	–	–	286	286
Operational land	30/06/15	–	–	12,972	12,972
Community land	30/06/15	–	–	27,738	27,738
Land improvements – depreciable	30/06/15	–	–	2,166	2,166
Buildings	30/06/15	–	–	38,411	38,411
Swimming pools and other recreational assets	30/06/15	–	–	9,458	9,458
Road infrastructure	30/06/15	–	–	252,110	252,110
Stormwater drainage	30/06/15	–	–	39,032	39,032
Other assets	30/06/15	–	–	628	628
Tip assets	30/06/15	–	–	45	45
Total infrastructure, property, plant and equipment		–	386	384,707	385,093

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

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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (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 2016

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. There has been no change to the valuation process 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 standard industry unit rates. 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

Wollondilly Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

of the 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 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.

Wollondilly Shire Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/14	1,773	164	336	12,972	15,245
Transfers from/(to) another asset class	–	–	(7)	–	(7)
Purchases (GBV)	538	32	21	–	591
Disposals (WDV)	(48)	–	–	–	(48)
Depreciation and impairment	(507)	(91)	(64)	–	(662)
Closing balance – 30/6/15	1,756	105	286	12,972	15,119
Purchases (GBV)	412	73	252	–	737
Depreciation and impairment	(579)	(63)	(51)	–	(693)
Closing balance – 30/6/16	1,589	115	487	12,972	15,163

	Community land	Land improv's	Buildings	Open space & recreational assets	Total
Opening balance – 1/7/14	27,469	1,393	39,153	10,062	78,077
Transfers from/(to) another asset class	–	815	484	(623)	676
Purchases (GBV)	269	89	396	642	1,396
Depreciation and impairment	–	(40)	(1,622)	(623)	(2,285)
Prior period adjustment	–	(91)	–	–	(91)
Closing balance – 30/6/15	27,738	2,166	38,411	9,458	77,773
Transfers from/(to) level 2 FV hierarchy 27.4(b)	–	–	226	–	226
Purchases (GBV)	–	30	667	202	899
Depreciation and impairment	–	(49)	(1,675)	(743)	(2,467)
FV gains – other comprehensive income	22,604	–	–	20,404	43,008
Closing balance – 30/6/16	50,342	2,147	37,629	29,321	119,439

Wollondilly Shire Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Road infrastruct.	Stormwater drainage	Other assets	Tip assets	Total
Opening balance – 1/7/14	225,431	27,549	576	294	253,850
Transfers from/(to) another asset class	851	4	–	–	855
Purchases (GBV)	13,044	2,857	79	–	15,980
Depreciation and impairment	(7,297)	(379)	(27)	(249)	(7,952)
FV gains – other comprehensive income	24,311	9,001	–	–	33,312
FV decrements - Income Statement	(4,230)	–	–	–	(4,230)
Closing balance – 30/6/15	252,110	39,032	628	45	291,815
Transfers from/(to) another asset class	120	–	(120)	–	–
Purchases (GBV)	15,458	3,452	–	–	18,910
Depreciation and impairment	(9,292)	(457)	(25)	(45)	(9,819)
Closing balance – 30/6/16	258,396	42,027	483	–	300,906

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Prior to 2015/16, council recorded \$225,818 of work in progress for the refurbishment of a building (Colden St, Picton). The refurbishment project was completed in 2015/16 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).

(5). 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 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years (consolidated)

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	32,581	29,321	28,059	26,356	24,599
User charges revenue	5,212	5,322	4,645	3,533	4,011
Interest and investment revenue (losses)	1,730	1,793	1,802	1,781	1,835
Grants income – operating and capital	7,640	7,218	4,354	5,910	8,221
Total income from continuing operations	68,188	63,018	47,595	45,920	45,116
Sale proceeds from I,PP&E	107	121	348	1,567	972
New loan borrowings and advances	–	–	9,000	2,750	–
Outflows:					
Employee benefits and on-cost expenses	20,609	19,412	17,688	16,193	16,096
Borrowing costs	1,789	1,961	1,702	1,458	1,421
Materials and contracts expenses	14,841	15,190	14,982	13,113	11,790
Total expenses from continuing operations	54,304	55,546	49,631	44,897	42,744
Total cash purchases of I,PP&E	11,165	9,267	10,714	10,256	8,070
Total loan repayments (incl. finance leases)	2,024	1,725	1,134	747	664
Operating surplus/(deficit) (excl. capital income)	(5,559)	(9,657)	(7,149)	(3,942)	(2,275)
Financial position figures	2016	2015	2014	2013	2012
Current assets	41,057	40,379	38,102	31,752	29,464
Current liabilities	13,165	11,319	11,245	9,145	9,114
Net current assets	27,892	29,060	26,857	22,607	20,350
Cash and investments – unrestricted	2,205	1,148	2,044	1,476	32
Cash and investments – internal restrictions	21,190	20,076	18,383	13,975	12,355
Cash and investments – total	49,211	44,698	43,168	35,086	29,109
Total borrowings outstanding (Loans, advances and finance leases)	14,570	16,594	18,319	10,453	8,450
Total value of I,PP&E (excl. land and earthworks)	568,915	528,072	465,656	454,740	433,035
Total accumulated depreciation	238,835	228,020	173,232	162,427	161,617
Indicative remaining useful life (as a % of GBV)	58%	57%	63%	64%	63%

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 2016

Note 29. 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

Opening hours:

Monday to Friday
8.00am to 4.00pm

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

Warton Thompson & Co
PO Box 2754
Carlingford NSW 2118
ph: (02) 9872 5199

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

Clr J Hannan

COUNCILLORS

Clr R Khan (Deputy Mayor)

Clr M Banasik

Clr B Briggs

Clr M Deeth

Clr M Gould

Clr S Landow

Clr R Law

Clr N Lowry

Other information

ABN: 93 723 245 808

Wollondilly Council

INDEPENDENT AUDIT REPORT

S417 (2) – Report on the general purpose financial statements

In my opinion,

- a) Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- b) the financial statements:
 - (i) have been presented in accordance with the requirements of this Division;
 - (ii) are consistent with Council's accounting records;
 - (iii) present fairly Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

This opinion must be read in conjunction with the rest of our audit report.

Scope and summary of our role

The financial report and Council's responsibility

The financial statements comprises the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, accompanying notes to the financial statements, and the Statement by Councillors and Management in the approved form as required by Section 413 (2) of the Local Government Act 1993 for Wollondilly Council, for the year ended 30 June 2016.

The council is responsible for the preparation and true and fair presentation of the financial statements in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial statements.

Audit approach

We conducted an independent audit of the financial statements in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Councillors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



PA Webster FCA
Warton Thompson & Co

Dated: 17 October 2016

Warton Thompson & Co

ABN 67 161 637 181

Chartered Accountants

Phillip A. Webster, FCA

1st Floor, 821-825 Pennant Hills Road
CARLINGFORD NSW 2118

PO Box 2754

Carlingford NSW 2118

Phone: (02) 9872 5199

Fax: (02) 9872 5634

Email: phillip@wartonthompson.com.au

17 October 2016

The Mayor and Councillors
Wollondilly Council
PO Box 21
Picton NSW 2571

Ladies and Gentlemen,

Report on the Conduct of the 2016 Audit

I report completion of the audit of the financial records of Council for the year ended 30 June 2016 and advise that I have received all information and explanations required by me.

In accordance with Section 417(3) of the Local Government Act 1993, I now comment on Council's Financial Statements and list relevant performance indicators that may assist Council in determining its Financial Position at 30 June 2016 and Operating Result for the year.

General Purpose Financial Statements

The report includes Notes to the Accounts and Special Schedules with the Principal Statements being: -

- a) **Income Statement for the year ended 30 June 2016**
- b) **Statement of Comprehensive Income for the year ended 30 June 2016**
- c) **Statement of Financial Position as at 30 June 2016**
- d) **Statement of Changes in Equity for the year ended 30 June 2016**
- e) **Statement of Cash Flows for the year ended 30 June 2016**

Performance Indicators

In assessing the financial strength of a Council it is necessary to produce and examine financial data extracted from Council's financial statements, which will provide information concerning the performance of Council throughout the year and its financial position at 30 June 2016.

Those performance indicators that I believe offer assistance in the evaluation of Council's financial position and performance are:

- **The Level of Working Funds; and**
- **The amount held as Internal Restrictions (Reserves); and**
- **The Debt Servicing Cost to Council; and**
- **The Level of Rate Arrears, Annual Charges and Other Debts due to Council.**

The above-mentioned performance indicators are now analysed in greater detail.

Operating Result

The Income Statement shows a Net Operating Result (surplus) for the year of \$13,884k and compares with a surplus of \$7,472k for year 2014/2015. The result for the year compares with an original budgeted deficit of \$2.16m. Material budget variances are explained in greater detail in Note 16 of the Financial Statements.

Working Funds

The level of Working Funds is an important measure of Council's financial position as it reflects its equity in the net current assets held and represents the working capital used to meet day to day commitments and finance debtors, stores, etc. A healthy balance of Working Funds provides a buffer against unforeseen increases in expenditure and also allows Council to operate without undue reliance on bank overdraft accommodation and trade credit.

In order to make some comparison with Council's Budget for year 2015/2016 the above figure needs to be adjusted back to a **"Fund Accounting" surplus or deficit**. After making the appropriate adjustments for Capital movements, Government Grants, Section 94 Contributions, etc, **the surplus for the year was \$12k**. This surplus compares with a Working Funds balanced budget for year 2015/2016. The Revenue result of General Fund for the year and "Working Funds" at 1 July 2015 and at 30 June 2016 would therefore be as shown in the table below: -

	<u>Working Funds</u>	<u>Revenue Results</u>	<u>Working Funds</u>
	1.7.2015	2016	30.06.2016
	Surplus (+)	Surplus (+)	Surplus (+)
	<u>Deficiency (-)</u>	<u>Deficit (-)</u>	<u>Deficiency (-)</u>
General Fund	+\$1,684k	+\$12k	+\$1,696k

Council's available working capital is summarised as follows:

	30.06.2015	30.06.2016
	\$K	\$K
Net Current Assets	39798	42826
Less: External Restrictions	24060	26469
Less: Internal Restrictions	20076	21190
Less: Current Real Estate Assets	195	195
Less: Current Restricted Inventories	1715	1721
	(6248)	(6749)
Add: Current Liabilities to be funded from 2016/2017 Budget	7932	8445
Available Working Capital	\$1684	\$1696

The surplus of \$12k has increased accumulated Working Funds at 30 June 2016 to a balance of \$1.69m, which I believe is adequate for Council's needs. The adequacy of working funds is further supported by the Unrestricted Current Ratio (Current Assets to Current Liabilities) shown on Note 13 of the financial statements which calculates as 3.36:1. This ratio exceeds the industry benchmark of 1.50:1. Council has earmarked two properties, for sale at a cost value of \$195k. Whilst it is not anticipated that these properties will be sold during 2016/2017 year any sales will further increase Council's working funds position.

Council has recorded Rural Fire Services Inventories of \$1,721k as a Current Asset. Since Council does not have control over these inventories they have been excluded from the balance of Working Funds at 30 June 2016.

Internal Restrictions (Reserves)

Reserves held at 30 June 2016 totalled \$21,190k, an increase of \$1,114k during the year. **The creation of reserves to plan for future major expenditure is highly recommended.**

Reserves held at 30 June 2015 and 30 June 2016 were as follows: -

	2015	2016
• Improvement Programs	664k	490k
• Employees' Leave Entitlements	1732k	2444k
• Organisational Development	527k	676k
• Tourist and Economic Development	133k	368k
• Plant & Vehicles	1481k	1456k
• Sinking Funds	200k	
• Effluent	234k	216k
• Infrastructure & Asset Maintenance	7041k	7946k
• Library	192k	
• Acquisition of Property	2696k	1944k
• Technology	136k	70k
• Recreation & Facilities	1443k	1850k
• Legal & Risk	1562k	1479k
• Wilton Junction Planning	1356k	1669k
• Special Rate Variation	166k	
• Roads	288k	296k
• Election	205k	267k
• Other	20k	19k
	<hr/>	<hr/>
	\$20,076k	\$21,190k

Accrued Leave Entitlements and Reserves Held

The liability for Employees' Leave Entitlements increased by \$898k during the year to a balance of \$6.51m and the Reserve held to meet these commitments amounted to \$2,444k (\$1,732k at 30 June 2015).

The Employees Leave Entitlements Reserve is considered adequate to meet potential retirement payouts within the next three years as well as to provide for any major unscheduled or unexpected employee retirements.

Loan Repayments

Loan Repayment Commitments in 2015 and 2016 are set out hereunder as a percentage to rate revenue and untied grants for General Fund: -

<u>Fund</u>	<u>Untied Revenue</u>	<u>Principal & Interest Repaid</u>	<u>2015</u>	<u>2016</u>
General	\$44,884k	\$3,055k	6.85%	6.81%.

The Debt Servicing Percentage decreased by 0.04% during 2015/2016 year to a satisfactory level of 6.81%. This percentage (6.81%) is below the industry benchmark of 10%. No new loans were received during the year.

Outstanding Rates and Annual Charges

Collection of rates and charges represented 99.04% (100.76 in 2015) of the Rates and Annual Charges Revenue for the year. Net arrears totalled \$2,268k and represented 6.52% (6.14% at 30 June 2015) of the collectible Rates and Annual Charges of \$34,808k for the year.

Rates and Annual Charges of \$2,268k outstanding at 30 June 2016 have increased by \$316k during year 2015/2016 and compares with a balance of \$1,952k at 30 June 2015. Whilst the Rates and Annual Charges are less than 10% of the collectible Rates and Annual Charges, the percentage of 6.52% is still too high and it is considered that a debt level of less than 5% would be more satisfactory.

Cash Position

At year end, Council held in cash and on investment, funds totalling \$49.21m of which \$25.82m is regarded as externally restricted assets, i.e., assets the use of which are restricted, wholly or partially, by regulations or other externally imposed requirements.

The total externally Restricted Investments were held for the following purposes: -

• Unexpended Grants	1.28m
• Developer Contributions - Section 94	17.22m
• Other Contributions	0.46m
• Stormwater Management	0.54m
• Domestic Waste Management Services	6.32m

<u>Restricted Cash and Investments</u>	<u>\$25.82m</u>
--	-----------------

The balance of Cash and Investments, after financing the above external restrictions, totalled \$23.39m and was held to fund Internal Restrictions (Reserves) to the value of \$21.19m. The balance of \$2.20m represented unrestricted cash and investments which were held to assist in financing Council's current commitments. The cash position at 30 June 2015 and 30 June 2016 is summarised as follows:

	30.06.2015	30.06.2016
	\$m	\$m
Externally Restricted	23.47m	25.82m
Internally Restricted (Reserves)	20.07m	21.19m
Unrestricted	1.15m	2.20m
	<u>44.69m</u>	<u>49.21m</u>

Conclusion

In my opinion Council's short-term financial position is very sound with working capital and debt servicing commitment in excess of accepted industry benchmarks. Council's internal restrictions (reserves) at 30 June 2016 totalled \$21.19m, which should enable Council to finance future expenditure on those capital projects as shown in Note 6 of the Financial Report, as and when required. There has been an increase of \$316k in the level of rates and annual charges debts due to Council and stringent debt recovery procedures need to be applied to ensure that debts due to Council are reduced to a more satisfactory level.

As mentioned in my Audit Reports for years 2014 and 2015, Council's short-term financial position is very sound. However, Council's long-term financial position needs to be constantly monitored. Council recorded an Operating Deficit before Capital Grants and Contributions for year 2015/2016 of \$5.56m. This compares with Deficits of \$9.65m and \$7.154m for years 2015 and 2014 respectively. Since Capital Grants and Contributions are applied to the acquisition or construction of new assets, the maintenance of Council's existing assets, especially its infrastructure assets, needs to be financed from its Operating Budget.

If Council continues to incur Operating Deficits, it may be difficult to raise funds in the future to replace existing assets whose condition is unsatisfactory and their useful lives have almost expired. As shown on Special Schedule 7 of the Financial Report, Council has estimated that the costs to improve Infrastructure Assets and Buildings to a satisfactory standard total \$52.5m (\$47.2m at 30 June 2015). This Schedule, I believe, reaffirms the need to plan and budget for the future maintenance and replacement of Council's infrastructure assets and buildings. It is pleasing to note that at 30 June 2016 Council had provided, by way of reserve funds, \$7.95m (\$7.04m at 30 June 2015) for future infrastructure and asset maintenance.

The audit of Council's books and financial records for the year ended 30 June 2016 was conducted progressively throughout year 2016. Our interim audits dealt with reviews of Council's accounting systems and internal control procedures and examinations of transactions and data, on a test basis, to ensure that records were been adequately maintained in accordance with legislation and systems implemented.

I wish to record my appreciation for the co-operation and assistance rendered to my staff and I by Council staff during the conduct of the year 2016 audit.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P A Webster', with a stylized flourish at the end.

P A Webster FCA
Warton Thompson & Co

Wollondilly Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016



"Rural Living"

Wollondilly Shire Council

Special Purpose Financial Statements for the year ended 30 June 2016

Council has no reportable Business Activities

Wollondilly Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016



"Rural Living"

Wollondilly Shire Council

Special Schedules for the year ended 30 June 2016

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 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	997	–	–	(997)
Administration	4,760	1,284	–	(3,476)
Public order and safety				
Fire service levy, fire protection, emergency services	1,995	637	125	(1,233)
Beach control	–	–	–	–
Enforcement of local government regulations	1,697	37	–	(1,660)
Animal control	42	132	–	90
Other	–	–	–	–
Total public order and safety	3,734	806	125	(2,803)
Health	3	499	–	496
Environment				
Noxious plants and insect/vermin control	–	1	–	1
Other environmental protection	1,620	791	–	(829)
Solid waste management	7,202	7,486	–	284
Street cleaning	312	–	–	(312)
Drainage	–	–	–	–
Stormwater management	21	259	3,452	3,690
Total environment	9,155	8,537	3,452	2,834
Community services and education				
Administration and education	1,630	321	–	(1,309)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	836	624	–	(212)
Total community services and education	2,466	945	–	(1,521)
Housing and community amenities				
Public cemeteries	68	85	–	17
Public conveniences	–	–	–	–
Street lighting	426	81	–	(345)
Town planning	3,337	1,508	4,591	2,762
Other community amenities	985	191	–	(794)
Total housing and community amenities	4,816	1,865	4,591	1,640
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Wollondilly Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,443	100	44	(1,299)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	2,368	34	—	(2,334)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	244	31	—	(213)
Swimming pools	454	86	20	(348)
Parks and gardens (lakes)	55	16	—	(39)
Other sport and recreation	3,937	107	64	(3,766)
Total recreation and culture	8,501	374	128	(7,999)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	1,381	592	—	(789)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	1,381	592	—	(789)
Transport and communication				
Urban roads (UR) – local	17,031	2,958	11,147	(2,926)
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	17,031	2,958	11,147	(2,926)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	1,460	402	—	(1,058)
Total economic affairs	1,460	402	—	(1,058)
Totals – functions	54,304	18,262	19,443	(16,599)
General purpose revenues ⁽¹⁾		30,483		30,483
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	54,304	48,745	19,443	13,884

(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 2016

\$'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)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	2,024	14,570	16,594	–	1,824	200	–	1,031	1,817	12,753	14,570
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	2,024	14,570	16,594	–	1,824	200	–	1,031	1,817	12,753	14,570
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	2,024	14,570	16,594	–	1,824	200	–	1,031	1,817	12,753	14,570

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 2016

\$'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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	8,698	8,698	1,397	710	37,629	74,613	4%	9%	68%	19%	0%
	Sub-total	8,698	8,698	1,397	710	37,629	74,613	4.0%	9.0%	68.0%	19.0%	0.0%
Roads												
	Sealed roads	37,046	37,046	6,400	8,063	114,528	216,937	30%	21%	35%	8%	6%
	Unsealed roads	237	237	248	747	1,946	2,953	0%	8%	66%	22%	4%
	Bridges	2,973	2,973	787	84	34,909	62,362	8%	29%	46%	14%	3%
	Footpaths	223	223	445	232	11,524	14,793	1%	3%	85%	9%	2%
	Other road assets	2,036	2,036	2,505	1,311	51,158	76,109	19%	47%	20%	13%	1%
	Bulk earthworks	–	–	–	480	44,331	44,331					
	Sub-total	42,515	42,515	10,385	10,917	258,396	417,485	20.3%	24.0%	32.2%	9.1%	3.8%

Wollondilly Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (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	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	1,086	1,086	448	451	42,027	53,948	27%	58%	10%	5%	0%
	Sub-total	1,086	1,086	448	451	42,027	53,948	27.0%	58.0%	10.0%	5.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	60	376	1,800	3,750	86%	14%	0%	0%	0%
	Other	246	246	4,101	2,563	27,521	31,797	9%	80%	10%	1%	0%
	Sub-total	246	246	4,161	2,939	29,321	35,547	17.1%	73.0%	8.9%	0.9%	0.0%
	TOTAL – ALL ASSETS	52,545	52,545	16,391	15,017	367,373	581,593	18.6%	28.2%	33.3%	9.5%	2.8%

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 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	9,519	78.24%	70.44%	86.27%
Depreciation, amortisation and impairment	12,167			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	52,545	16.16%	15.91%	15.68%
Carrying value of infrastructure assets	325,189			
3. Asset maintenance ratio				
Actual asset maintenance	15,017	0.92	0.57	1.47
Required asset maintenance	16,391			

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 2016

<p>1. Infrastructure renewals ratio</p> <p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 78.24%</p> <p>This ratio has been consistently below the required level and is the primary reason for Council's 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. Projections indicate a ratio of greater than 100% by 2017/18.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 16.16%</p> <p>This ratio is currently not meeting the required benchmark due to insufficient funding available for asset maintenance and renewal. To address this issue, Council successfully applied for a special rate variation. With this additional rate revenue, Council's LTFP indicates the ratio will improve over coming years and is expected to achieve the benchmark by 2023/24.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: — Minimum > 1.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 Ratio 0.92 x</p> <p>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 picked up again with the introduction of the new SRV. The new SRV will enable Council to continually increase its asset maintenance and renewal program. A ratio of greater than 100% is anticipated by 2017/18.</p>

Wollondilly Shire Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2016

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	23,149	25,902
Plus or minus adjustments ⁽²⁾	b	307	402
Notional general income	c = (a + b)	23,456	26,304
Permissible income calculation			
Special variation percentage ⁽³⁾	d	10.80%	10.80%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	2,533	2,841
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	25,989	29,145
Plus (or minus) last year's carry forward total	l	17	10
Less valuation objections claimed in the previous year	m	(95)	—
Sub-total	$n = (l + m)$	(78)	10
Total permissible income	$o = k + n$	25,912	29,154
Less notional general income yield	p	25,902	29,159
Catch-up or (excess) result	$q = o - p$	10	(5)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	5
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	$t = q + r - s$	10	0

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.

Warton Thompson & Co

ABN 67 161 637 181

Chartered Accountants

Phillip A. Webster, FCA

1st Floor, 821-825 Pennant Hills Road
CARLINGFORD NSW 2118

PO Box 2754
Carlingford NSW 2118
Phone: (02) 9872 5199
Fax: (02) 9872 5634

Email: phillip@wartonthompson.com.au

Wollondilly Shire Council

Special Schedule No.8

Independent Auditor's Report

Report on Special Schedule No.8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No.8) of Wollondilly Shire Council for the year ended 30 June 2016.

Responsibility of Council for Special Schedule No.8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No.24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, Special Schedule No. 8 of Wollondilly Shire Council for 2015/16 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

Warton Thompson & Co



P A Webster FCA
Principal

Dated at Carlingford this 17th day of October 2016