



# ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018



# Wollondilly Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*"Rural Living"*

# Wollondilly Shire Council

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

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	2
<b>2. Statement by Councillors and Management</b>	3
<b>3. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>4. Notes to the Financial Statements</b>	9
<b>5. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	67
– On the Conduct of the Audit (Sect 417 [3])	70

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### Overview

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

62-64 Menangle Street  
Picton NSW 2571

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

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

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

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

# Wollondilly Shire Council

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

### Understanding Council's financial statements

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#### Introduction

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

#### What you will find in the statements

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

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

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

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

#### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

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

#### Who uses the financial statements?

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

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

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

#### More information

A review of Council's financial performance and position for the 17/18 financial year can be found at Note 22 of the financial statements.

## Wollondilly Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2018

### Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

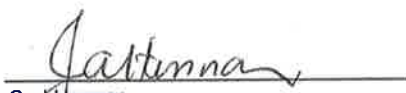
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

**Signed in accordance with a resolution of Council made on 15 October 2018.**

  
Cr J Hannan  
Mayor  
15 October 2018

  
Cr B Briggs  
Councillor  
15 October 2018

  
L Johnson  
General Manager  
15 October 2018

  
A Christie  
Responsible Accounting Officer  
15 October 2018

# Wollondilly Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
39,568	Rates and annual charges	3a	40,447	36,428
5,717	User charges and fees	3b	5,840	5,487
1,892	Interest and investment revenue	3c	1,788	1,697
701	Other revenues	3d	1,747	1,940
7,554	Grants and contributions provided for operating purposes	3e,f	7,515	10,539
6,122	Grants and contributions provided for capital purposes	3e,f	14,357	9,255
<b>Other income:</b>				
—	Net gains from the disposal of assets	5	271	26
<b>61,554</b>	<b>Total income from continuing operations</b>		<b>71,965</b>	<b>65,372</b>
<b>Expenses from continuing operations</b>				
22,642	Employee benefits and on-costs	4a	20,796	20,433
883	Borrowing costs	4b	6,762	1,706
15,153	Materials and contracts	4c	19,603	16,170
12,528	Depreciation and amortisation	4d	20,611	12,581
5,416	Other expenses	4e	4,806	4,719
<b>56,622</b>	<b>Total expenses from continuing operations</b>		<b>72,578</b>	<b>55,609</b>
<b>4,932</b>	<b>Operating result from continuing operations</b>		<b>(613)</b>	<b>9,763</b>
<b>4,932</b>	<b>Net operating result for the year</b>		<b>(613)</b>	<b>9,763</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
<b>(1,190)</b>			<b>(14,970)</b>	<b>508</b>

## Wollondilly Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>(613)</b>	<b>9,763</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	27,674	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>27,674</b>	<b>–</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>27,674</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>27,061</b>	<b>9,763</b>

## Wollondilly Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	6,229	3,302
Investments	6b	37,250	32,250
Receivables	7	8,176	4,093
Inventories	8	2,000	2,185
Other	8	199	246
<b>Total current assets</b>		<b>53,854</b>	<b>42,076</b>
<b>Non-current assets</b>			
Investments	6b	16,547	22,154
Infrastructure, property, plant and equipment	9	465,389	439,706
<b>Total non-current assets</b>		<b>481,936</b>	<b>461,860</b>
<b>TOTAL ASSETS</b>		<b>535,790</b>	<b>503,936</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	7,130	6,255
Income received in advance	10	211	204
Borrowings	10	1,668	1,559
Provisions	11	6,164	6,400
<b>Total current liabilities</b>		<b>15,173</b>	<b>14,418</b>
<b>Non-current liabilities</b>			
Borrowings	10	9,528	11,196
Provisions	11	19,561	13,855
<b>Total non-current liabilities</b>		<b>29,089</b>	<b>25,051</b>
<b>TOTAL LIABILITIES</b>		<b>44,262</b>	<b>39,469</b>
<b>Net assets</b>		<b>491,528</b>	<b>464,467</b>
<b>EQUITY</b>			
Accumulated surplus		323,257	323,870
Revaluation reserves		168,271	140,597
<b>Total equity</b>		<b>491,528</b>	<b>464,467</b>



## Wollondilly Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
<b>Opening balance</b>		323,870	140,597	<b>464,467</b>	314,107	140,597	<b>454,704</b>
<b>Net operating result for the year</b>		<b>(613)</b>	–	<b>(613)</b>	<b>9,763</b>	–	<b>9,763</b>
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	27,674	<b>27,674</b>	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>27,674</b>	<b>27,674</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>(613)</b>	<b>27,674</b>	<b>27,061</b>	<b>9,763</b>	<b>–</b>	<b>9,763</b>
<b>Equity – balance at end of the reporting period</b>		<b>323,257</b>	<b>168,271</b>	<b>491,528</b>	<b>323,870</b>	<b>140,597</b>	<b>464,467</b>

## Wollondilly Shire Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
39,410	Rates and annual charges		40,328	36,652
5,520	User charges and fees		5,060	5,181
1,617	Investment and interest revenue received		1,775	1,675
13,316	Grants and contributions		20,530	19,288
–	Bonds, deposits and retention amounts received		219	–
697	Other		2,428	4,712
<b>Payments:</b>				
(22,155)	Employee benefits and on-costs		(21,106)	(21,085)
(15,123)	Materials and contracts		(20,967)	(17,969)
(886)	Borrowing costs		(6,060)	(923)
–	Bonds, deposits and retention amounts refunded		–	(93)
(5,416)	Other		(1,484)	(3,740)
<b>16,980</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>20,723</b>	<b>23,698</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		34,807	29,780
–	Sale of infrastructure, property, plant and equipment		278	42
<b>Payments:</b>				
–	Purchase of investment securities		(34,200)	(37,500)
(17,068)	Purchase of infrastructure, property, plant and equipment		(17,122)	(13,430)
<b>(17,068)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(16,237)</b>	<b>(21,108)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,000	Proceeds from borrowings and advances		–	–
120	Proceeds from finance leases		–	–
<b>Payments:</b>				
(1,631)	Repayment of borrowings and advances		(1,559)	(1,815)
(19)	Repayment of finance lease liabilities		–	–
<b>(530)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(1,559)</b>	<b>(1,815)</b>
<b>(618)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,927</b>	<b>775</b>
1,843	Plus: cash and cash equivalents – beginning of year	13a	3,302	2,527
<b>1,225</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>6,229</b>	<b>3,302</b>
Additional Information:				
plus:	<b>Investments on hand – end of year</b>	6b	<b>53,797</b>	<b>54,404</b>
	<b>Total cash, cash equivalents and investments</b>		<b>60,026</b>	<b>57,706</b>

# Wollondilly Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	13
2(b)	Council functions/activities – component descriptions	14
3	Income from continuing operations	15
4	Expenses from continuing operations	21
5	Gains or losses from the disposal of assets	25
6(a)	Cash and cash equivalent assets	25
6(b)	Investments	26
6(c)	Restricted cash, cash equivalents and investments – details	27
7	Receivables	28
8	Inventories and other assets	29
9	Infrastructure, property, plant and equipment	31
10	Payables and borrowings	34
11	Provisions	36
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	39
13	Statement of cash flows – additional information	40
14	Commitments for expenditure	41
15	Contingencies and other liabilities/assets not recognised	42
16	Financial risk management	46
17	Material budget variations	50
18	Fair value measurement	52
19	Related party transactions	57
20	Statement of developer contributions	59
21(a)	Statement of performance measures – consolidated results	62
<b>Additional council disclosures (unaudited)</b>		
21(b)	Statement of performance measures – consolidated results (graphs)	63
22	Financial review	65
23	Council information and contact details	66

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 15 October 2018.

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

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

#### Basis of preparation

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

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

Full dollars have been used in Note 19 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

and are clearly marked .

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

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

#### (b) Historical cost convention

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

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

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

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

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

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

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

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

- (iv) Impairment of receivables

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

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

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

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

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

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

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

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

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

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

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

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

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

- *AASB 9 Financial Instruments*

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

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

Council does not expect the introduction of this standard to have a material impact overall.

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

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

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

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

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

- *AASB 16 Leases*

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

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

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.

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

## Wollondilly Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sustainable and Balanced Growth	8,865	8,046	8,336	8,207	529	(161)	–	–	1,219	1,229
Management & Provision of Infrastructure	13,424	10,164	30,514	28,066	(17,090)	(17,902)	3,743	2,610	443,909	432,389
Caring for the Environment	9,455	8,857	23,618	9,735	(14,163)	(878)	213	378	9,532	4,597
Looking after the Community	1,084	1,216	4,176	4,151	(3,092)	(2,935)	544	587	1,977	1,885
Efficient and Effective Council	1,176	1,133	5,934	5,450	(4,758)	(4,317)	–	–	79,153	63,836
General Purpose	37,961	35,956	–	–	37,961	35,956	4,010	5,619	–	–
<b>Total functions and activities</b>	<b>71,965</b>	<b>65,372</b>	<b>72,578</b>	<b>55,609</b>	<b>(613)</b>	<b>9,763</b>	<b>8,510</b>	<b>9,194</b>	<b>535,790</b>	<b>503,936</b>

## Wollondilly Shire Council

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

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

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

##### **Sustainable and Balanced Growth**

Outcomes/Objectives:

1. A built environment that supports liveable communities, respects the character, setting and heritage of our towns and villages and retains the vision of Rural Living.
2. A unique environment and rural landscape balanced with managed growth that is consistent with Council's position on Growth and vision of Rural Living.
3. A strong local economy providing employment and other opportunities.
4. Expansion of employment and other opportunities based on the Shire's natural assets, strong agricultural base and tourism potential.
5. A strong and viable agricultural sector supported by the protection and preservation of agricultural assets and resources.

##### **Management & Provision of Infrastructure**

Outcomes/Objectives:

1. Infrastructure that is safe, accessible and fit for purpose.
2. Infrastructure that is sustainably maintained.
3. Infrastructure that delivers upon the expectations and needs of our growing community.

##### **Caring for the Environment**

Outcomes/Objectives:

1. An environment that is valued, preserved and protected, with new planning and development proposals supporting these values.
2. A community that is engaged with and cares about their environment.

##### **Looking after the Community**

Outcomes/Objectives:

1. Access to a range of activities, services and facilities.
2. Communities that are engaged, cohesive, included, and have a sense of belonging.
3. Communities that are healthy, happy and feel safe.

##### **Efficient and Effective Council**

Outcomes/Objectives:

1. Government, community and business talking and working together.
2. A Council that demonstrates good business management and ethical conduct.
3. A Council that is viewed by the community as transparent, accountable and responsive to their concerns.



## Wollondilly Shire Council

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

#### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	28,865	25,785
Farmland	932	839
Mining	1,468	1,340
Business	1,524	1,312
Less: pensioner rebates (mandatory)	(327)	(336)
Less: pensioner rebates (Council policy)	(374)	(384)
<b>Total ordinary rates</b>	<b>32,088</b>	<b>28,556</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	8,438	7,977
Stormwater management services	324	309
Waste management services (non-domestic)	163	148
Section 611 charges	13	13
Less: pensioner rebates (Council policy)	(579)	(575)
<b>Total annual charges</b>	<b>8,359</b>	<b>7,872</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>40,447</b>	<b>36,428</b>

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

#### Accounting policy for rates and annual charges

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

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

# Wollondilly Shire Council

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

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

\$ '000	2018	2017
<b>(b) User charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Animal registration fees	206	60
Planning and building regulation	1,934	1,786
Rezoning fees	50	153
Section 149 certificates (EPA Act)	154	149
Section 603 certificates	83	82
Septic tank fees	171	212
Other	158	147
<b>Total fees and charges – statutory/regulatory</b>	<b>2,756</b>	<b>2,589</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	109	97
Children services	456	449
Contract works	21	35
Development management	254	170
Leaseback fees – Council vehicles	298	281
Leisure centre	–	23
Plan checking fees	398	418
Restoration charges	55	46
Royalties	192	309
Waste disposal tipping fees	1,143	887
Other	158	183
<b>Total fees and charges – other</b>	<b>3,084</b>	<b>2,898</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>5,840</b>	<b>5,487</b>

#### Accounting policy for user charges and fees

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

# Wollondilly Shire Council

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

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

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	201	207
– Cash and investments	1,587	1,490
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>1,788</b>	<b>1,697</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	201	207
General Council cash and investments	842	822
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	500	430
Domestic waste management operations	187	178
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	58	60
<b>Total interest and investment revenue recognised</b>	<b>1,788</b>	<b>1,697</b>
<b>Accounting policy for interest and investment revenue</b>		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
<b>(d) Other revenues</b>		
Rental income – other council properties	609	567
Fines	311	358
Legal fees recovery – rates and charges (extra charges)	231	148
Legal fees recovery – other	60	56
Commissions and agency fees	36	34
Diesel rebate	33	33
Insurance claim recoveries	65	419
Insurance premium rebate	211	111
Reimbursements	99	117
Other	92	97
<b>TOTAL OTHER REVENUE</b>	<b>1,747</b>	<b>1,940</b>

#### Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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

## Wollondilly Shire Council

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

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	1,856	3,541	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance	1,910	1,826	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	244	252	–	–
<b>Total general purpose</b>	<b>4,010</b>	<b>5,619</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	77	84	–	–
Bushfire and emergency services	320	320	–	–
Child care	207	198	–	–
Community services	201	254	–	–
Environmental management	136	294	–	–
Library	136	134	–	–
LIRS subsidy	205	240	–	–
Recreation and culture	11	–	–	–
Street lighting	84	82	–	–
Transport (roads to recovery)	–	–	1,230	1,963
Transport (other roads and bridges funding)	13	–	1,880	5
Other	–	1	–	–
<b>Total specific purpose</b>	<b>1,390</b>	<b>1,607</b>	<b>3,110</b>	<b>1,968</b>
<b>Total grants</b>	<b>5,400</b>	<b>7,226</b>	<b>3,110</b>	<b>1,968</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,961	5,523	3,110	1,963
– State funding	1,434	1,688	–	5
– Other funding	5	15	–	–
	<b>5,400</b>	<b>7,226</b>	<b>3,110</b>	<b>1,968</b>

# Wollondilly Shire Council

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

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>				
<b>Cash contributions</b>				
S 7.4 – contributions using planning agreements	–	–	328	743
S 7.11 – contributions towards amenities/services	–	–	5,260	3,626
S 7.12 – fixed development consent levies	–	–	186	139
<b>Total developer contributions – cash</b>	<b>–</b>	<b>–</b>	<b>5,774</b>	<b>4,508</b>
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Bushfire services	122	308	1,233	240
Community services	9	189	–	–
Dedications – subdivisions (other than by s7.11)	–	–	1,315	1,061
Environmental management	49	654	–	–
Kerb and gutter	–	–	922	30
Recreation and culture	–	7	360	89
Roads and bridges	–	–	968	830
RMS contributions (regional roads, block grant)	1,935	2,155	675	529
<b>Total other contributions – cash</b>	<b>2,115</b>	<b>3,313</b>	<b>5,473</b>	<b>2,779</b>
<b>Total contributions</b>	<b>2,115</b>	<b>3,313</b>	<b>11,247</b>	<b>7,287</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>7,515</b>	<b>10,539</b>	<b>14,357</b>	<b>9,255</b>

#### Accounting policy for contributions

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

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

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

# Wollondilly Shire Council

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

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	2,950	1,007
<b>Add:</b> operating grants recognised in the current period but not yet spent	163	346
<b>Add:</b> operating grants received for the provision of goods and services in a future period	1,910	1,826
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(2,128)	(229)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>2,895</b>	<b>2,950</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	168	265
<b>Add:</b> capital grants recognised in the current period but not yet spent	57	147
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(6)	(244)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>219</b>	<b>168</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	21,001	17,681
<b>Add:</b> contributions recognised in the current period but not yet spent	6,701	5,415
<b>Less:</b> contributions recognised in a previous reporting period now spent	(971)	(2,095)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>26,731</b>	<b>21,001</b>

# Wollondilly Shire Council

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

### Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		19,999	19,139
Employee leave entitlements (ELE)		571	7
Superannuation		2,005	1,957
Workers' compensation insurance		414	436
Fringe benefit tax (FBT)		64	132
Training costs (other than salaries and wages)		185	195
Employment advertising		149	128
Other		30	17
<b>Total employee costs</b>		<b>23,417</b>	<b>22,011</b>
Less: capitalised costs		(2,621)	(1,578)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>20,796</b>	<b>20,433</b>
Number of 'full-time equivalent' employees (FTE) at year end		241	233

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

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

<b>(b) Borrowing costs</b>		<b>2018</b>	<b>2017</b>
<b>(i) Interest bearing liability costs</b>			
Interest on loans		810	913
<b>Total interest bearing liability costs expensed</b>		<b>810</b>	<b>913</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	5,952	793
<b>Total other borrowing costs</b>		<b>5,952</b>	<b>793</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>6,762</b>	<b>1,706</b>

#### Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

# Wollondilly Shire Council

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

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	9,759	6,269
Contractor and consultancy costs		
– Environmental services	913	1,008
– General maintenance	4,570	2,299
– Leisure centre management	203	172
– Planning and development consultants	169	166
– Planning and development contractors/labour hire	896	774
– Road maintenance and construction	7,251	6,735
– Street and gutter cleaning contract	243	195
– Waste contractors	6,360	6,386
– Other	1,257	1,037
Auditors remuneration <sup>(2)</sup>	123	102
Legal expenses:		
– Legal expenses: planning and development	467	790
– Legal expenses: other	387	358
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	829	816
<b>Total materials and contracts</b>	<b>33,427</b>	<b>27,107</b>
Less: capitalised costs	(13,824)	(10,937)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>19,603</b>	<b>16,170</b>
<b>Operating leases</b>		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
<b>1. Operating lease payments are attributable to:</b>		
Computers	295	309
Motor vehicles	534	507
	<b>829</b>	<b>816</b>
<b>2. Auditor remuneration</b>		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council – NSW Auditor-General:</b>		
<b>- Audit and other assurance services</b>		
Audit and review of financial statements	49	44
<b>Total Auditor-General remuneration</b>	<b>49</b>	<b>44</b>
<b>Non NSW Auditor-General audit firms:</b>		
<b>- Audit and other assurance services</b>		
Internal audit services   external provider	74	58
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>74</b>	<b>58</b>
<b>Total Auditor remuneration</b>	<b>123</b>	<b>102</b>



# Wollondilly Shire Council

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

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

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		391	462
Office equipment		15	24
Furniture and fittings		55	58
Land improvements (depreciable)		53	50
<b>Infrastructure:</b>			
– Buildings – non-specialised		844	722
– Buildings – specialised		1,029	1,009
– Roads		6,063	5,986
– Bridges		727	724
– Footpaths		330	324
– Other road assets		2,164	2,145
– Stormwater drainage		458	457
– Swimming pools		75	75
– Other open space/recreational assets		529	508
Other assets		24	37
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9 & 11	7,854	–
<b>TOTAL DEPRECIATION AND AMORTISATION COSTS</b>		<b>20,611</b>	<b>12,581</b>

### Accounting policy for depreciation, amortisation and impairment expenses

#### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

#### Impairment of non-financial assets

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

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

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

#### Impairment of financial assets

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

## Wollondilly Shire Council

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

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	170	152
Agency charges	68	64
Bad and doubtful debts	36	13
Bank charges	52	48
Computer software charges	483	390
Contributions/levies to other levels of government		
– Department of planning levy	52	51
– Emergency services levy (includes FRNSW, SES, and RFS levies)	645	639
– Section 88 waste and environment levy	455	364
Councillor expenses – mayoral fee	46	35
Councillor expenses – councillors' fees	185	162
Councillors' expenses (incl. mayor) – other (excluding fees above)	22	29
Donations, contributions and assistance to other organisations (Section 356)	237	146
Election expenses	144	249
Electricity and heating	243	241
Insurance	612	569
Photocopier charges	102	105
Postage	185	191
Street lighting	467	527
Telephone and communications	148	138
Valuation fees	104	110
Vehicle registration / insurance	74	93
Water charges	180	127
Other	302	283
<b>Total other expenses</b>	<b>5,012</b>	<b>4,726</b>
Less: capitalised costs	(206)	(7)
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>4,806</u></b>	<b><u>4,719</u></b>

#### Accounting policy for other expenses

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

## Wollondilly Shire Council

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

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

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		278	42
Less: carrying amount of plant and equipment assets sold/written off		(7)	(16)
<b>Net gain/(loss) on disposal</b>		<b>271</b>	<b>26</b>
<b>Financial assets <sup>(1)</sup></b>	6		
Proceeds from disposal/redemptions/maturities – financial assets		34,807	29,780
Less: carrying amount of financial assets sold/redeemed/matured		(34,807)	(29,780)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>271</u></b>	<b><u>26</u></b>

#### Accounting policy for disposal of assets

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

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

<b>Cash and cash equivalents</b>		
Cash on hand and at bank	6,229	3,302
<b>Total cash and cash equivalents</b>	<b>6,229</b>	<b>3,302</b>

#### Accounting policy for cash and cash equivalents

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

## Wollondilly Shire Council

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

#### Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'Held to maturity'	37,250	16,547	32,250	22,154
<b>Total investments</b>	<b>37,250</b>	<b>16,547</b>	<b>32,250</b>	<b>22,154</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>43,479</u></b>	<b><u>16,547</u></b>	<b><u>35,552</u></b>	<b><u>22,154</u></b>
<b>Held to maturity investments</b>				
Long term deposits	35,000	1,000	30,250	6,000
NCD's, FRN's (with maturities > 3 months)	2,250	13,950	–	14,500
Mortgage backed securities	–	1,597	–	1,654
Other long term financial assets	–	–	2,000	–
<b>Total</b>	<b>37,250</b>	<b>16,547</b>	<b>32,250</b>	<b>22,154</b>

#### Accounting policy for investments

##### Classification

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

##### Held to maturity investments

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

##### Recognition and de-recognition

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

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

# Wollondilly Shire Council

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

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	43,479	16,547	35,552	22,154
attributable to:				
External restrictions (refer below)	22,596	16,547	9,983	22,154
Internal restrictions (refer below)	18,864	–	20,388	–
Unrestricted	2,019	–	5,181	–
	43,479	16,547	35,552	22,154

\$ '000	2018	2017
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#### Details of restrictions

##### External restrictions – other

Developer contributions – general	25,956	20,233
Specific purpose unexpended grants	3,114	3,118
Domestic waste management	8,627	7,347
Stormwater management	670	671
Other contributions	776	768

##### External restrictions – other

	39,143	32,137
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##### Total external restrictions

##### Internal restrictions

Employees leave entitlement	2,732	2,439
Animal management	19	19
Effluent disposal	191	214
Election	200	79
Growth management strategy	560	1,371
Information technology	123	49
Infrastructure and asset maintenance	6,856	8,416
Legal claims	21	347
Organisational development	718	527
Plant and vehicle replacement	1,821	1,320
Property	2,359	1,984
Recreation	421	473
Risk management	557	521
Roads	312	304
Sportsgrounds	674	914
Swimming pool	513	542
Tourism and economic development	254	347
Work in progress	533	522

Total internal restrictions	18,864	20,388
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TOTAL RESTRICTIONS	58,007	52,525
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# Wollondilly Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	1,614	—	1,495	—
Interest and extra charges	567	—	534	—
User charges and fees	1,827	—	825	—
Accrued revenues				
– Interest on investments	495	—	515	—
– Other income accruals	2,625	—	236	—
Government grants and subsidies	382	—	287	—
Net GST receivable	298	—	212	—
Other debtors	412	—	—	—
<b>Total</b>	<b>8,220</b>	<b>—</b>	<b>4,104</b>	<b>—</b>
<b>Less: provision for impairment</b>				
User charges and fees	(44)	—	(11)	—
<b>Total provision for impairment – receivables</b>	<b>(44)</b>	<b>—</b>	<b>(11)</b>	<b>—</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>8,176</u></b>	<b><u>—</u></b>	<b><u>4,093</u></b>	<b><u>—</u></b>
<b>Externally restricted receivables</b>				
Domestic waste management	605	—	584	—
Stormwater management	24	—	23	—
<b>Total external restrictions</b>	<b>629</b>	<b>—</b>	<b>607</b>	<b>—</b>
<b>Unrestricted receivables</b>	<b>7,547</b>	<b>—</b>	<b>3,486</b>	<b>—</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>8,176</u></b>	<b><u>—</u></b>	<b><u>4,093</u></b>	<b><u>—</u></b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			11	23
+ new provisions recognised during the year			36	11
– amounts already provided for and written off this year			(3)	(23)
<b>Balance at the end of the year</b>			<b>44</b>	<b>11</b>

#### Accounting policy for receivables

##### Recognition and measurement

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

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

# Wollondilly Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 7. Receivables (continued)

#### Impairment

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

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

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

### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale (refer below)	–	–	195	–
Stores and materials	1,946	–	1,942	–
Trading stock	6	–	2	–
<b>Total inventories at cost</b>	<b>1,952</b>	<b>–</b>	<b>2,139</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>				
Trading stock	48	–	46	–
<b>Total inventories at net realisable value (NRV)</b>	<b>48</b>	<b>–</b>	<b>46</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>2,000</b>	<b>–</b>	<b>2,185</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	199	–	246	–
<b>TOTAL OTHER ASSETS</b>	<b>199</b>	<b>–</b>	<b>246</b>	<b>–</b>
<b>Externally restricted assets</b>				
RFS stores and materials	1,803	–	1,808	–
<b>Unrestricted assets</b>	<b>396</b>	<b>–</b>	<b>623</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>2,199</b>	<b>–</b>	<b>2,431</b>	<b>–</b>

# Wollondilly Shire Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	–	–	195	–
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>195</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	–	–	195	–
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>195</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	195	–	195	–
– Transfers in from (out to) Note 9	(195)	–	–	–
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>195</b>	<b>–</b>

### **(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;

	2018	2017
Real estate for resale	–	195
	<b>–</b>	<b>195</b>

### Accounting policy

#### **Raw materials and stores, work in progress and finished goods**

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

#### **Inventory held for distribution**

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

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

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

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



## Wollondilly Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 9. Infrastructure, property, plant and equipment

Asset class  \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
				Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount									Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	653	–	653	3,800	13	–	–	(305)	(4)	–	–	4,157	–	4,157
Plant and equipment	13,397	11,780	1,617	–	718	(7)	(391)	–	–	–	–	13,050	11,113	1,937
Office equipment	3,939	3,791	148	–	17	–	(15)	–	–	–	–	3,956	3,806	150
Furniture and fittings	1,132	615	517	–	–	–	(55)	–	–	–	–	1,133	669	464
Land:														
– Operational land	13,315	–	13,315	–	–	–	–	–	–	172	9,657	23,144	–	23,144
– Community land	50,342	–	50,342	–	–	–	–	–	–	–	–	50,342	–	50,342
Land improvements – depreciable	2,510	376	2,134	–	–	–	(53)	–	–	–	–	2,510	429	2,081
Infrastructure:														
– Buildings – non-specialised	28,978	15,861	13,117	287	–	–	(844)	–	–	23	3,988	33,228	16,657	16,571
– Buildings – specialised	48,609	22,856	25,753	1,367	–	–	(1,029)	176	–	–	1,291	59,054	31,496	27,558
– Roads	227,237	109,402	117,835	7,471	399	–	(6,063)	–	–	–	–	235,108	115,465	119,643
– Bridges	63,590	27,636	35,954	585	–	–	(727)	–	–	–	–	64,176	28,362	35,814
– Footpaths	15,003	3,592	11,411	576	101	–	(330)	–	–	–	–	15,680	3,922	11,758
– Other road assets	77,500	27,096	50,404	1,475	439	–	(2,164)	–	–	–	–	79,414	29,260	50,154
– Bulk earthworks (non-depreciable)	44,331	–	44,331	–	42	–	–	–	–	–	–	44,373	–	44,373
– Stormwater drainage	54,006	12,378	41,628	247	565	–	(458)	–	–	–	–	54,818	12,836	41,982
– Swimming pools	3,000	1,275	1,725	22	–	–	(75)	–	–	–	–	3,022	1,350	1,672
– Other open space/recreational assets	32,936	4,560	28,376	268	27	–	(529)	129	–	–	–	33,359	5,088	28,271
Other assets:														
– Library books	1,025	1,025	–	–	–	–	–	–	–	–	–	1,025	1,025	–
– Other	763	317	446	–	–	–	(24)	–	12	–	–	763	329	434
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	8,054	8,054	–	–	–	–	(7,854)	–	–	–	12,738	20,792	15,908	4,884
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	690,320	250,614	439,706	16,098	2,321	(7)	(20,611)	–	8	195	27,674	743,104	277,715	465,389

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

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9. Infrastructure, property, plant and equipment (cont) (continued)

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

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

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

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

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

##### Plant and Equipment

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

##### Office equipment

- Computer equipment	5 years
- Other office equipment	5 to 10 years

##### Furniture and fittings

10 to 20 years

##### Buildings

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

##### Infrastructure

- Sealed surfacings	
Asphalt	25 years
Flush Seal	15 years
- Sealed pavement structure	80 years
- Kerb and gutter	70 years
- Paved footpaths	
Concrete	50 years
Asphalt seal	20 years
Gravel	10 years
- Unsealed pavement structure	10 years
- Bulk earthworks	Infinite
- Concrete bridges	100 years

##### Infrastructure (cont...)

- 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
- 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

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9. Infrastructure, property, plant and equipment (continued)

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

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

##### Land under roads

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

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

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.

##### Crown reserves

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

##### Rural Fire Service assets

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

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

# Wollondilly Shire Council

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

### Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services	4,973	–	2,756	–
Accrued expenses:				
– Borrowings	151	–	64	–
– Other expenditure accruals	1,017	–	2,479	–
Security bonds, deposits and retentions	683	–	464	–
Other	306	–	492	–
<b>Total payables</b>	<b>7,130</b>	<b>–</b>	<b>6,255</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	211	–	204	–
<b>Total income received in advance</b>	<b>211</b>	<b>–</b>	<b>204</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	1,668	9,528	1,559	11,196
<b>Total borrowings</b>	<b>1,668</b>	<b>9,528</b>	<b>1,559</b>	<b>11,196</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>9,009</b>	<b>9,528</b>	<b>8,018</b>	<b>11,196</b>

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

There are no restricted assets (external or internal) applicable to the above payables and borrowings

#### (b) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	12,755	(1,559)	–	–	–	11,196
<b>TOTAL</b>	<b>12,755</b>	<b>(1,559)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,196</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 16.

## Wollondilly Shire Council

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

#### Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
<b>(c) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>(1)</sup>	300	300
Credit cards/purchase cards	100	100
<b>Total financing arrangements</b>	<b>400</b>	<b>400</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	96	82
<b>Total drawn financing arrangements</b>	<b>96</b>	<b>82</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	4	18
<b>Total undrawn financing arrangements</b>	<b>304</b>	<b>318</b>

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

#### Accounting policy for payables and borrowings

##### Payables

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

##### Borrowings

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

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

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

## Wollondilly Shire Council

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

## Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	1,614	–	1,585	–
Sick leave	188	–	187	–
Long service leave	4,043	139	4,172	148
Time in lieu	66	–	158	–
<b>Sub-total – aggregate employee benefits</b>	<b>5,911</b>	<b>139</b>	<b>6,102</b>	<b>148</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	253	19,422	298	13,707
<b>Sub-total – asset remediation/restoration</b>	<b>253</b>	<b>19,422</b>	<b>298</b>	<b>13,707</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>6,164</u></b>	<b><u>19,561</u></b>	<b><u>6,400</u></b>	<b><u>13,855</u></b>

\$ '000	2018	2017
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**(a) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	4,456	4,558
	<b><u>4,456</u></b>	<b><u>4,558</u></b>

## Wollondilly Shire Council

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

## Note 11. Provisions (continued)

\$ '000

## (b) Description of and movements in provisions

2018	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Time in lieu	
At beginning of year	1,585	187	4,320	158	6,250
Additional provisions	1,206	5	201	49	1,461
Amounts used (payments)	(1,177)	(4)	(420)	(141)	(1,742)
Remeasurement effects	–	–	81	–	81
<b>Total ELE provisions at end of year</b>	<b>1,614</b>	<b>188</b>	<b>4,182</b>	<b>66</b>	<b>6,050</b>

2017	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Time in lieu	
At beginning of year	1,621	193	4,523	172	6,509
Additional provisions	1,157	7	357	72	1,593
Amounts used (payments)	(1,193)	(13)	(224)	(86)	(1,516)
Remeasurement effects	–	–	(336)	–	(336)
<b>Total ELE provisions at end of year</b>	<b>1,585</b>	<b>187</b>	<b>4,320</b>	<b>158</b>	<b>6,250</b>

2018	Other provisions	
	Asset remediation	Total
At beginning of year	14,005	14,005
<b>Changes to provision:</b>		
– Revised costs	5,336	5,336
Amounts used (payments)	(281)	(281)
Unwinding of discount	615	615
<b>Total other provisions at end of year</b>	<b>19,675</b>	<b>19,675</b>

2017	Other provisions	
	Asset remediation	Total
At beginning of year	13,213	13,213
<b>Changes to provision:</b>		
Additional provisions	793	793
Amounts used (payments)	(1)	(1)
<b>Total other provisions at end of year</b>	<b>14,005</b>	<b>14,005</b>

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

###### **Accounting policy for provisions**

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

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

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

##### **Employee benefits**

###### **Short-term obligations**

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

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

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

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

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



## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

##### **Provisions for close-down and restoration, and environmental clean-up costs – land fill sites**

###### **Restoration**

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

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

###### **Rehabilitation**

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

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

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

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

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

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

#### Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

##### **Nature and purpose of reserves**

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

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

# Wollondilly Shire Council

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

### Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	6,229	3,302
<b>Balance as per the Statement of Cash Flows</b>		<b>6,229</b>	<b>3,302</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>(613)</b>	<b>9,763</b>
Adjust for non-cash items:			
Depreciation and amortisation		20,611	12,581
Net losses/(gains) on disposal of assets		(271)	(26)
Non-cash capital grants and contributions		(1,310)	(1,148)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
Unwinding of discount rates on reinstatement provisions		615	793
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(4,116)	468
Increase/(decrease) in provision for doubtful debts		33	(12)
Decrease/(increase) in inventories		(10)	(97)
Decrease/(increase) in other assets		47	(103)
Increase/(decrease) in payables		2,217	988
Increase/(decrease) in accrued interest payable		87	(10)
Increase/(decrease) in other accrued expenses payable		(1,462)	695
Increase/(decrease) in other liabilities		40	66
Increase/(decrease) in employee leave entitlements		(200)	(259)
Increase/(decrease) in other provisions		5,055	(1)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>20,723</b>	<b>23,698</b>
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		(5)	87
Dedicated Infrastructure Assets		1,315	1,061
<b>Total non-cash investing and financing activities</b>		<b>1,310</b>	<b>1,148</b>

# Wollondilly Shire Council

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

### Note 14. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	9	845
Recreation	44	1,012
Major road and bridge works	615	2,218
Tip remediation	–	96
Storm Water Drainage	4	–
<b>Total commitments</b>	<b>672</b>	<b>4,171</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	672	4,171
<b>Total payable</b>	<b>672</b>	<b>4,171</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	456	3,601
Section 7.11 and 64 funds/reserves	15	–
Unexpended grants	190	–
Internally restricted reserves	11	570
<b>Total sources of funding</b>	<b>672</b>	<b>4,171</b>

#### Details of capital commitments

- Buildings: \$9k - Administration building (\$7k); Old Picton Post Office (\$1k); Sportsground Public Toilets (\$1K)
- Recreation: \$44k - Wilton Sportsground (\$8k); Warragamba Civic Park Inclusive Playground (\$36k)
- Major Road & Bridge Works: \$615k - Fourteenth St Warragamba (\$274k); Douglas Park Drive (\$72k); Mayfarm Rd (\$81k); Abelia St Tahmoor Kerb & Gutter (\$72); Finns Rd Menangle (\$53k); Cedar Creek Bridge (\$55k); Picton Traffic Study (\$7k); Remembrance Drive Menangle (\$1k)
- Stormwater Drainage - Dunmead Street Tahmoor (\$4k)

### (b) Operating lease commitments (non-cancellable)

#### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	1,000	378
Later than one year and not later than 5 years	1,153	433
<b>Total non-cancellable operating lease commitments</b>	<b>2,153</b>	<b>811</b>

#### 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.

## Wollondilly Shire Council

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

#### Note 15. Contingencies and other liabilities/assets not recognised

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

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

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

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

Council 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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

## Wollondilly Shire Council

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

#### Note 15. Contingencies and other liabilities/assets not recognised (continued)

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

##### 1. Guarantees (continued)

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

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

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

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

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

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$512,925.49

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$422,517.64

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

## Wollondilly Shire Council

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

#### Note 15. Contingencies and other liabilities/assets not recognised (continued)

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

##### 1. Guarantees (continued)

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 1.2% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

##### (ii) StateCover Limited

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

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

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

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

## Wollondilly Shire Council

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

#### Note 15. Contingencies and other liabilities/assets not recognised (continued)

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##### **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) Developer Contribution Plans**

Council levies section 7.11 and 7.12 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.

##### **(iii) Legal Expenses**

Council is currently defending its position before the Land & Environment Court in relation to a planning matter

As the outcome of this matter is currently unknown, no liability has been recognised in these financial statements.

Council's current costs to date in relation to this dispute are \$472K.

## Wollondilly Shire Council

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

#### Note 16. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	6,229	3,302	6,229	4,678
Investments				
– 'Held to maturity'	53,797	54,404	53,860	54,441
Receivables	8,176	4,093	8,176	4,093
<b>Total financial assets</b>	<b>68,202</b>	<b>61,799</b>	<b>68,265</b>	<b>63,212</b>
<b>Financial liabilities</b>				
Payables	7,130	6,255	7,130	6,255
Loans/advances	11,196	12,755	11,196	12,755
<b>Total financial liabilities</b>	<b>18,326</b>	<b>19,010</b>	<b>18,326</b>	<b>19,010</b>

Fair value is determined as follows:

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



## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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
<b>2018</b>				
Possible impact of a 1% movement in interest rates	596	596	(596)	(596)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	544	544	(544)	(544)

# Wollondilly Shire Council

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

### Note 16. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	86%	83%	88%
Overdue	100%	14%	17%	12%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>			<b>2018</b>	<b>2017</b>
Current			–	1,243
< 1 year overdue			1,104	252
1 – 2 years overdue			253	–
2 – 5 years overdue			257	–
			<b>1,614</b>	<b>1,495</b>
<b>Other receivables</b>				
Current			5,744	2,304
0 – 30 days overdue			756	190
31 – 60 days overdue			22	25
61 – 90 days overdue			8	3
> 91 days overdue			76	87
			<b>6,606</b>	<b>2,609</b>

## Wollondilly Shire Council

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

#### Note 16. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 – 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2018</b>							
Trade/other payables		683	6,447	–	–	7,130	7,130
Loans and advances	6.80%	–	2,389	8,247	3,607	14,243	11,196
<b>Total financial liabilities</b>		<b>683</b>	<b>8,836</b>	<b>8,247</b>	<b>3,607</b>	<b>21,373</b>	<b>18,326</b>
<b>2017</b>							
Trade/other payables		464	5,791	–	–	6,255	6,255
Loans and advances	6.75%	–	2,378	8,725	5,514	16,617	12,755
<b>Total financial liabilities</b>		<b>464</b>	<b>8,169</b>	<b>8,725</b>	<b>5,514</b>	<b>22,872</b>	<b>19,010</b>

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 19 June 2017 and is not required to be audited.

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

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

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

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>REVENUES</b>				
<b>Other revenues</b>	<b>701</b>	<b>1,747</b>	<b>1,046</b>	<b>149% F</b>
Other revenue exceeded the original budget primarily due to Council receiving payment of an insurance claim for damage to Council property; the reimbursement of legal expenses; an insurance premium rebate as a result of Council's good claims history; increased property rental income and additional sponsorship income in relation to community events conducted by Council.				
<b>Capital grants and contributions</b>	<b>6,122</b>	<b>14,357</b>	<b>8,235</b>	<b>135% F</b>
A higher than anticipated amount of Developer Contributions were received due to the accelerated level of development in the Shire. Council also received a final contribution from Roads & Maritime Services (RMS) towards the reconstruction of the Broughton Pass bridge and embankment. Council also received additional Federal Black Spot funding for roads and some funding from the Rural Fire Service towards the construction of Bargo Fire Station. Additional contributions were also received towards the construction of an all-abilities playground in Warragamba and a contribution from the Mines Subsidence Board towards kerb and guttering restoration.				
<b>Net gains from disposal of assets</b>	<b>–</b>	<b>271</b>	<b>271</b>	<b>0% F</b>
Council does not budget for any gains or losses from asset sales, however, during the year Council traded-in several plant and vehicle items resulting in a net profit on disposal.				

# Wollondilly Shire Council

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

### Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
<b>EXPENSES</b>				
<b>Borrowing costs</b>	<b>883</b>	<b>6,762</b>	<b>(5,879)</b>	<b>(666%) U</b>
Borrowing costs exceeded budget due to the non-cash entry required to recognise the unwinding of a present value discount in relation to the revised cost to remediate Council's land fill/effluent pond sites.				
<b>Materials and contracts</b>	<b>15,153</b>	<b>19,603</b>	<b>(4,450)</b>	<b>(29%) U</b>
The increased road and building maintenance program has resulted in the use of more materials, contractors and external plant & equipment hire. There has also been an additional need for tree maintenance contractors to remove dead and dangerous trees. Other increases relate to internet charges, external printings, cleaning contractors and minor equipment costs. Labour hire costs for planning and development was expected to be reduced in 2018, but a continued need was identified due to the large number development related matters to be assessed and staff vacancies. Legal expenses were also higher than originally budgeted due to some large development and compliance related legal expenses that were not known at the time the original budget was developed. Vehicle running costs were below budget due to lease and maintenance costs being lower than expected. Mowing costs were also lower due to dry weather conditions.				
<b>Depreciation and amortisation</b>	<b>12,528</b>	<b>20,611</b>	<b>(8,083)</b>	<b>(65%) U</b>
Additional depreciation of almost \$8 million is due to the recent revaluation of the cost to remediate Council's land fill and effluent pond sites. All but one of the sites have reached the end of their useful lives, therefore it was necessary to fully depreciate the increased values in the current year. Bargo Waste Depot is the only land fill site still operating and has been estimated to have 5 years useful life remaining, therefore its increased value is being depreciated evenly over this period.				
<b>Other expenses</b>	<b>5,416</b>	<b>4,806</b>	<b>610</b>	<b>11% F</b>
The favourable result is due primarily to savings in expected insurance premiums, lower electricity costs & street lighting charges as the original budget was based on industry predictions of significant increases in these areas. There was also a reduction in the cost of various licence fees.				
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>16,980</b>	<b>20,723</b>	<b>3,743</b>	<b>22.0% F</b>
The increase in cash flows from operating activities was due mainly to additional developer contribution and grant funding received during the year. A portion of the 2019 Financial Assistance grant was paid to Council in 2018 and Council received more grants and contributions towards road maintenance than was originally expected. There was also an increase in reimbursements received (including the reimbursement of legal costs). Outgoings for utility costs, insurance premiums and other expenses were lower than expected as the original budget was based on industry predictions of significant increases in both insurance and utility costs. The actual increase during the year was less than originally budgeted.				
<b>Cash flows from financing activities</b>	<b>(530)</b>	<b>(1,559)</b>	<b>(1,029)</b>	<b>194.2% U</b>
Council's original budget included the intention to take out a \$1,000,000 loan to fund some road and building renewals. Alternate funding options were subsequently utilised, removing the need for the loan borrowings. Some plant acquisitions were also originally intended to be funded through a Finance Lease however when sourcing quotes, operating leases proved to be a more suitable funding option.				

## Wollondilly Shire Council

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

#### Note 18. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

Fair values:		Fair value measurement hierarchy			
2018		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					
Infrastructure, property, plant and equipment					
Work in progress	30/06/18	—	4,157	—	4,157
Plant and equipment		—	—	1,937	1,937
Office equipment	30/16/16	—	—	150	150
Furniture and fittings	30/06/16	—	—	463	463
Operational land	30/06/18	—	—	23,144	23,144
Community land	30/06/16	—	—	50,342	50,342
Land improvements – depreciable		—	—	2,081	2,081
Buildings	30/06/18	—	—	44,129	44,129
Swimming pools and other recreational assets	30/06/16	—	—	29,943	29,943
Road infrastructure	30/06/15	—	—	261,742	261,742
Stormwater drainage	30/06/15	—	—	41,982	41,982
Other assets		—	—	410	410
Total infrastructure, property, plant and equipment		—	4,157	456,323	460,480

## Wollondilly Shire Council

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

## Note 18. 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			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Work in progress	30/06/17	—	653	—	653
Plant and equipment		—	—	1,617	1,617
Office equipment	30/06/16	—	—	148	148
Furniture and fittings	30/06/16	—	—	517	517
Operational land	30/06/13	—	—	13,315	13,315
Community land	30/06/16	—	—	50,342	50,342
Land improvements – depreciable		—	—	2,134	2,134
Buildings	30/06/13	—	—	38,870	38,870
Swimming pools and other recreational assets	30/06/16	—	—	30,101	30,101
Road infrastructure	30/06/15	—	—	259,935	259,935
Stormwater drainage	30/06/15	—	—	41,628	41,628
Other assets		—	—	446	446
Total infrastructure, property, plant and equipment		—	653	439,053	439,706

## Wollondilly Shire Council

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

#### Note 18. Fair value measurement (continued)

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##### (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.

##### (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:

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##### 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.

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##### 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 amounts are 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.

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##### 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 2018 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.

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##### 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 2018

#### Note 18. Fair value measurement (continued)

##### **Land Improvements - depreciable**

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

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

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

##### **Buildings – Non Specialised and Specialised**

Council's buildings were valued utilising the cost approach by Scott Fullarton Valuations Pty Ltd in June 2018. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence (Level 2 inputs), other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

##### **Swimming Pools & Other Open Space/Recreational Assets**

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

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

##### **Road Infrastructure**

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

##### **Stormwater Drainage**

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

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Fair value measurement (continued)

##### 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, Appin and Wilton 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. The values have been revised during the period based on unit rates determined from recent rehabilitation costs relating to the Warragamba rehabilitation project.

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

##### a. Changes in level 3 fair values

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

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

Prior to 2017/18, council recorded \$175,919 of work in progress for the new Bargo RFS Station, \$23,865 for the Antill Park Golf Course Fire Safety Upgrade and \$105,595 for a range of other open space/recreational projects. The work was completed in 2017/18 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 and Other Open Space/Recreational Asset categories (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 2018

### Note 19. Related party transactions

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\$ '000

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#### a. Key management personnel

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

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

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	1,125	1,064
Post-employment benefits	72	86
<b>Total</b>	<b>1,197</b>	<b>1,150</b>

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Related party transactions (continued)

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

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>					
Purchase of grocery items on account at local store owned by a Councillor	32,642	—	30-day terms on invoices	—	—
Advertsing with a business owned by the spouse of a Councillor	21,280	—	30-day terms on invoices	—	—
<b>2017</b>					
Purchase of grocery items on account at local store owned by a Councillor	34,262	—	30-day terms on invoices	—	—
Final payment for street sweeping services under Contract with Councillor. Contract terminated at end end of 2015/16 financial year	7,383	—	15-day terms on invoices	—	—
Advertsing with a business owned by the spouse of a Councillor	32,221	—	30-day terms on invoices	—	—

## Wollondilly Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

### Note 20. Statement of developer contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	4,066	1,373	–	111	(67)	383	5,866	383
Open space	5,304	2,887	–	124	(427)	–	7,888	–
Community facilities	3,324	985	–	85	–	–	4,394	–
Bushfire protection	29	12	–	1	–	–	42	–
Animal management	–	1	–	–	–	–	1	–
Other	7	2	–	–	–	–	9	–
<b>S7.11 contributions – under a plan</b>	<b>12,730</b>	<b>5,260</b>	<b>–</b>	<b>321</b>	<b>(494)</b>	<b>383</b>	<b>18,200</b>	<b>383</b>
<b>S7.12 levies – under a plan</b>	<b>373</b>	<b>186</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>568</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>13,103</b>	<b>5,446</b>	<b>–</b>	<b>330</b>	<b>(494)</b>	<b>383</b>	<b>18,768</b>	<b>383</b>
S7.4 planning agreements	7,130	328	–	170	(57)	(383)	7,188	(383)
<b>Total contributions</b>	<b>20,233</b>	<b>5,774</b>	<b>–</b>	<b>500</b>	<b>(551)</b>	<b>–</b>	<b>25,956</b>	<b>–</b>

## Wollondilly Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Statement of developer contributions (continued)

\$ '000

## S7.11 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	4,066	1,373	–	111	(67)	383	5,866	383
Open space	5,304	2,887	–	124	(427)	–	7,888	–
Community facilities	3,324	985	–	85	–	–	4,394	–
Bushfire protection	29	12	–	1	–	–	42	–
Animal management	–	1	–	–	–	–	1	–
Other	7	2	–	–	–	–	9	–
<b>Total</b>	<b>12,730</b>	<b>5,260</b>	<b>–</b>	<b>321</b>	<b>(494)</b>	<b>383</b>	<b>18,200</b>	<b>383</b>

## S7.12 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	373	186	–	9	–	–	568	–
<b>Total</b>	<b>373</b>	<b>186</b>	<b>–</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>568</b>	<b>–</b>

## Wollondilly Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Statement of developer contributions (continued)

\$ '000

## S7.4 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					
Drainage	–	208	–	–	–	–	208	–
Traffic facilities	2,733	120	–	59	–	(383)	2,529	(383)
Open space	2,471	–	–	63	–	–	2,534	–
Community facilities	1,773	–	–	44	(57)	–	1,760	–
Bushfire protection	118	–	–	3	–	–	121	–
Animal management	20	–	–	–	–	–	20	–
Tree planting	14	–	–	1	–	–	15	–
<b>Total</b>	<b>7,129</b>	<b>328</b>	<b>–</b>	<b>170</b>	<b>(57)</b>	<b>(383)</b>	<b>7,187</b>	<b>(383)</b>

# Wollondilly Shire Council

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

### Note 21(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>(15,241)</b>	<b>-26.58%</b>	0.86%	-11.65%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>57,337</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>49,822</b>	<b>69.49%</b>	69.71%	60.26%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>71,694</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>28,826</b>	<b>2.69x</b>	2.99x	3.36x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>10,717</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>12,132</b>	<b>1.46x</b>	4.19x	2.34x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>8,321</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>2,181</b>	<b>5.08%</b>	5.20%	6.49%	< 10% regional & rural
Rates, annual and extra charges collectible	<b>42,908</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>42,229</b>	<b>9.90 mths</b>	10.4 mths	8.6 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<b>4,265</b>				

#### Notes

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

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

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

<sup>(3)</sup> Refer to Notes 10 and 11.

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

**END OF AUDITED FINANCIAL STATEMENTS**



# Wollondilly Shire Council

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

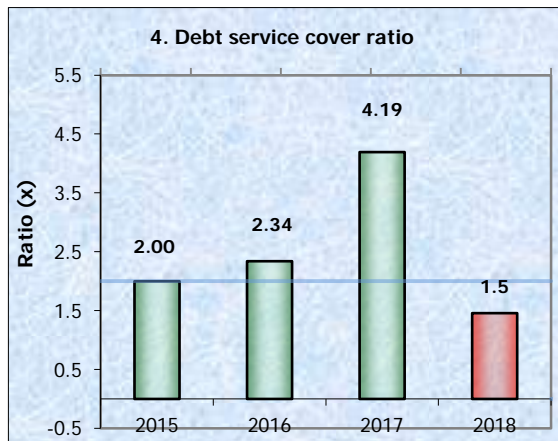
### Note 21(b). Statement of performance measures – consolidated results (graphs)

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: — Minimum <math>\geq 0.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio    -26.58%</b></p> <p>Council's net operating position was significantly affected in 2017/18 by some large non-cash adjustments in relation to the \$8 million increase in depreciation arising from the reassessment of the cost to remediate Council's landfill and effluent pond sites and a \$5.1 million increase in borrowing costs due to the unwinding of a present value discount relating to the revised cost to remediate these sites.</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: — Minimum <math>\geq 60.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio    69.49%</b></p> <p>Council is comfortably exceeding this minimum benchmark for this ratio, indicating an acceptably low degree of reliance on external funding.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: — Minimum <math>\geq 1.50</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 ratio    2.69x</b></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>

# Wollondilly Shire Council

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

### Note 21(b). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

#### Purpose of debt service cover ratio

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

#### Commentary on 2017/18 result

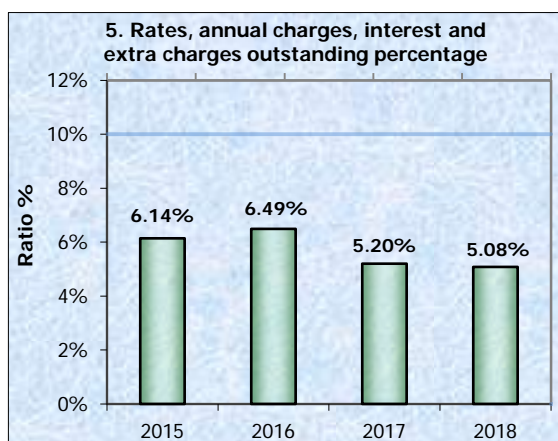
**2017/18 ratio 1.46x**

This ratio dropped below the benchmark in 2017/18 due to the (non-cash) entry required to recognise the unwinding of the present value discount due to the revaluation of the cost to remediate Council's land fill end effluent pond remediation sites. Without this non-cash adjustment, Council's debt service cover ratio would be well above the industry benchmark of 2.0.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

#### Purpose of rates and annual charges outstanding ratio

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

#### Commentary on 2017/18 result

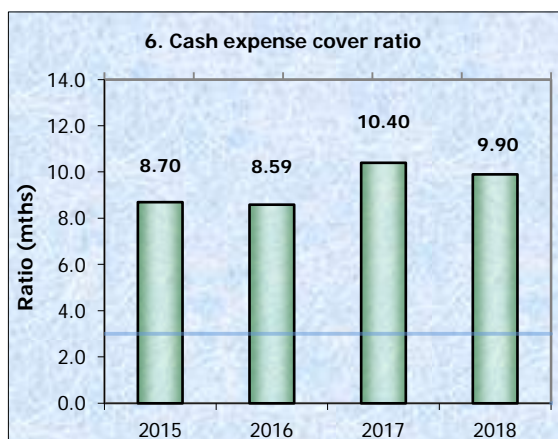
**2017/18 ratio 5.08%**

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



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

#### Purpose of cash expense cover ratio

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

#### Commentary on 2017/18 result

**2017/18 ratio 9.90 mths**

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



Ratio achieves benchmark

Ratio is outside benchmark

# Wollondilly Shire Council

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

### Note 22. Financial review

\$ '000

#### Key financial figures of Council over the past 5 years

<b>Financial performance figures</b>	<b>Actual 2018</b>	<b>Actual 2017</b>	Actual 2016	Actual 2015	Actual 2014
<b>Inflows:</b>					
Rates and annual charges revenue	<b>40,447</b>	36,428	32,724	29,321	28,059
User charges revenue	<b>5,840</b>	5,487	5,069	5,322	4,645
Interest and investment revenue (losses)	<b>1,788</b>	1,697	1,730	1,793	1,802
Grants income – operating and capital	<b>8,510</b>	9,194	7,640	7,218	4,354
Total income from continuing operations	<b>71,965</b>	65,372	68,188	63,018	47,595
Sale proceeds from IPP&E	<b>278</b>	42	107	121	348
New loan borrowings and advances	<b>–</b>	–	–	–	9,000
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>20,796</b>	20,433	20,609	19,412	17,688
Borrowing costs	<b>6,762</b>	1,706	1,789	1,961	1,702
Materials and contracts expenses	<b>19,603</b>	16,170	14,841	15,190	14,982
Total expenses from continuing operations	<b>72,578</b>	55,609	54,304	55,546	49,631
Total cash purchases of IPP&E	<b>17,122</b>	13,430	11,165	9,267	10,714
Total loan repayments (incl. finance leases)	<b>1,559</b>	1,815	2,024	1,725	1,134
Operating surplus/(deficit) (excl. capital income)	<b>(14,970)</b>	508	(5,559)	(9,657)	(7,149)
<b>Financial position figures</b>	<b>Actual 2018</b>	<b>Actual 2017</b>	Actual 2016	Actual 2015	Actual 2014
Current assets	<b>53,854</b>	42,076	41,057	40,379	38,102
Current liabilities	<b>15,173</b>	14,418	13,165	11,319	11,245
Net current assets	<b>38,681</b>	27,658	27,892	29,060	26,857
Cash and investments – unrestricted	<b>2,019</b>	5,181	2,205	1,148	2,044
Cash and investments – internal restrictions	<b>18,864</b>	20,388	21,190	20,076	18,383
Cash and investments – total	<b>60,026</b>	57,706	49,211	44,698	43,168
Total borrowings outstanding (Loans, advances and finance leases)	<b>11,196</b>	12,755	14,570	16,594	18,319
Total value of IPP&E (excl. land and earthwork)	<b>625,245</b>	582,332	568,915	528,072	465,656
Total accumulated depreciation	<b>277,715</b>	250,614	238,835	228,020	173,232
Indicative remaining useful life (as a % of GBV)	56%	57%	58%	57%	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 2018

#### Note 23. Council information and contact details

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**Principal place of business:**

62-64 Menangle Street  
Picton NSW 2571

**Contact details**
**Mailing address:**

PO Box 21  
Picton NSW 2571

**Telephone:** (02) 4677 1100

**Facsimile:** (02) 4677 2339

**Internet:** [www.wollondilly.nsw.gov.au](http://www.wollondilly.nsw.gov.au)

**Email:** [council@wollondilly.nsw.gov.au](mailto:council@wollondilly.nsw.gov.au)

**Officers**
**GENERAL MANAGER**

L Johnson

**RESPONSIBLE ACCOUNTING OFFICER**

A Christie

**PUBLIC OFFICER**

John Sproule

**AUDITORS**

Audit Office of New South Wales

**Elected members (as at the date these statements  
were authorised for issue - 15/10/18)**
**MAYOR**

Cr J Hannan

**COUNCILLORS**

Cr M Deeth (Deputy Mayor)

Cr M Banasik

Cr B Briggs

Cr M Gould

Cr R Khan

Cr S Landow

Cr N Lowry

Cr M Smith

**Other information**

**ABN:** 93 723 245 808



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial report

#### Wollondilly Shire Council

To the Councillors of the Wollondilly Shire Council

### Opinion

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

In my opinion,

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

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

### Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan  
Director

15 October 2018  
SYDNEY



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

Contact: Lawrissa Chan  
Phone no: 02 9275 7255  
Our ref: D1821299/1810

15 October 2018

Dear Cr Hannan

## Report on the Conduct of the Audit for the year ended 30 June 2018 Wollondilly Shire Council

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

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

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

### INCOME STATEMENT

#### Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	40.4	36.4	↑ 11.0
Grants and contributions revenue	21.9	19.8	↑ 10.6
Operating result for the year	(0.6)	9.8	↓ 106.1
Net operating result before capital amounts	(15)	0.5	↓ 3100



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

- The Council's operating result for the year was a loss of \$0.6 million (\$9.8 million surplus for the year ended 30 June 2017). This is mainly attributable to:
  - \$8 million increase in depreciation expense as a result of the reassessment of the cost to remediate Council's landfill and effluent pond sites
  - \$5.1 million increase in borrowing costs due to the unwinding of a present value discount in relation to the revised cost to remediate Council's landfill and effluent pond sites
  - \$3.4 million increase in materials and contracts due to an increased road and building maintenance program.

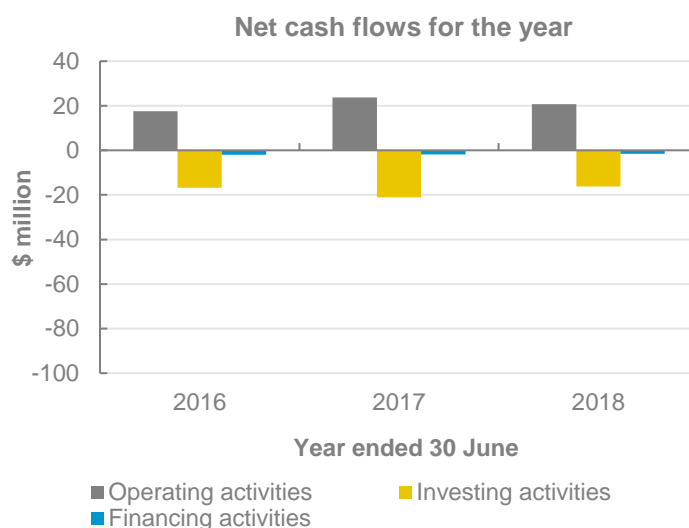
This was partially offset by an increase in rates and annual charges of \$4 million, due to the special rate variation increment of 10.8%.

- The Council's net operating result before capital grants and contributions was a loss of \$14.9 million (\$0.5 million surplus for the year ended 30 June 2017). The decrease of \$15.4 million was mainly due to the re-assessment of costs to remediate Council's landfill and effluent pond sites and the associated depreciation expense as outlined above.
- The Council's rates and annual charges revenue was \$40.4 million (\$36.4 million for the year ended 30 June 2017). The increase of \$4 million is due to the Special Rate Variation.
- The Council's grants and contributions revenue was \$21.9 million (\$19.8 million for the year ended 30 June 2017). The increase of \$2.1 million is attributable to:
  - higher developer contributions received from the accelerated level of development in the Shire
  - the final contribution from the Roads & Maritime Services (RMS) towards the reconstruction of the Broughton Pass bridge and the embankment.

This was partially offset by lower financial assistance grants received in the 2017–18 financial year compared to 2016–17, which was driven by the timing of receipt of grant income in both years.

## STATEMENT OF CASH FLOWS

- Council has generated consistent cash flows in the past 3 years.
- Council's cash and cash equivalents balance at 30 June 2018 is \$6.2 million compared to \$3.3 million in 2017.
- The net increase in cash and cash equivalents of \$2.9 million can be attributed to the increase in receipts from the sale of investment securities
- Council maintains borrowing facilities requiring annual repayments of \$1.6 million to \$2.0 million each year.



## FINANCIAL POSITION

### Cash and Investments

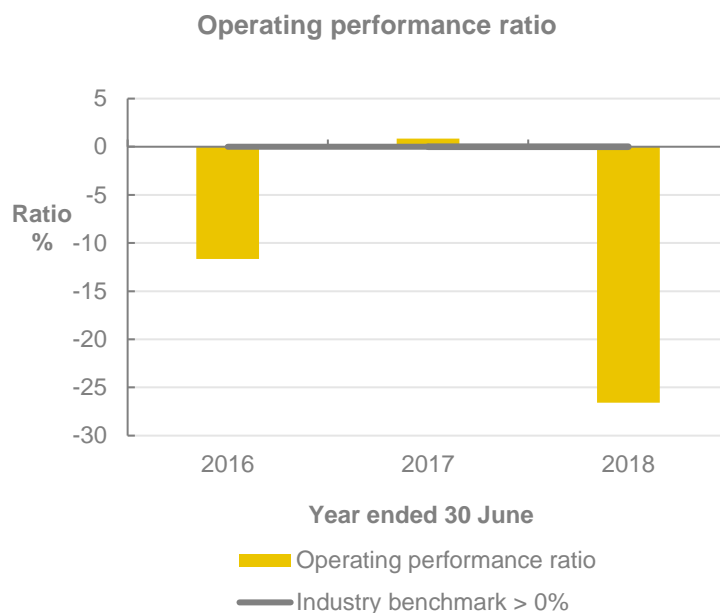
Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	39.1	32.1	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$7 million in externally restricted cash is due to the increase in developer contributions received from the accelerated level of development in the Shire.</li> </ul>
Internal restrictions	18.9	20.4	
Unrestricted	2.0	5.2	
<b>Cash and investments</b>	<b>60.0</b>	<b>57.7</b>	<ul style="list-style-type: none"> <li>Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash remains steady.</li> <li>The Council's unrestricted cash balance has decreased by \$3.2 million due to the decline in the net operating result before capital amounts.</li> </ul>

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 20a of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

### Operating performance ratio

- Council's operating performance ratio of -26.58% is below the industry benchmark of zero per cent.
- Council's operating results declined due to:
  - \$8 million increase in depreciation expense as a result of the reassessment of the cost to remediate Council's landfill and effluent pond sites
  - \$5.1 million increase in borrowing costs due to the unwinding of a present value discount in relation to the revised cost to remediate Councils land fill/effluent pond sites
  - \$3.4 million increase in materials and contracts due to an increased road and building maintenance program

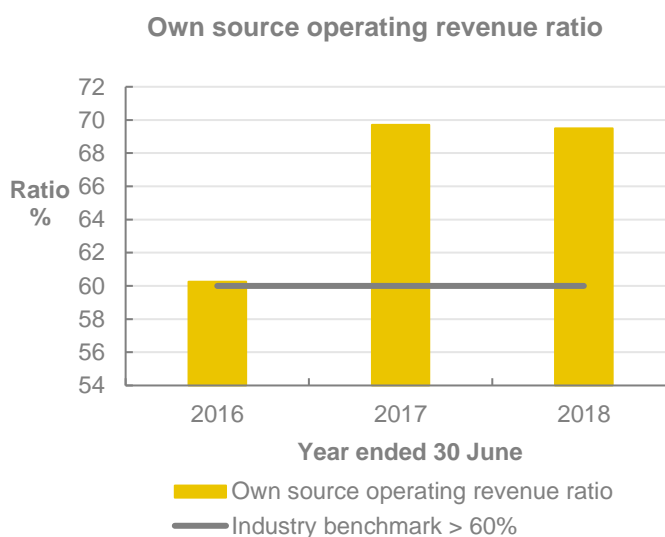


The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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

## Own source operating revenue ratio

- Council's own source operating revenue ratio of 69.49% is above the industry benchmark of 60%.
- Council has consistently met the benchmark of 60 per cent in recent years due to the increase in rate and annual charges arising from the special rate variation.

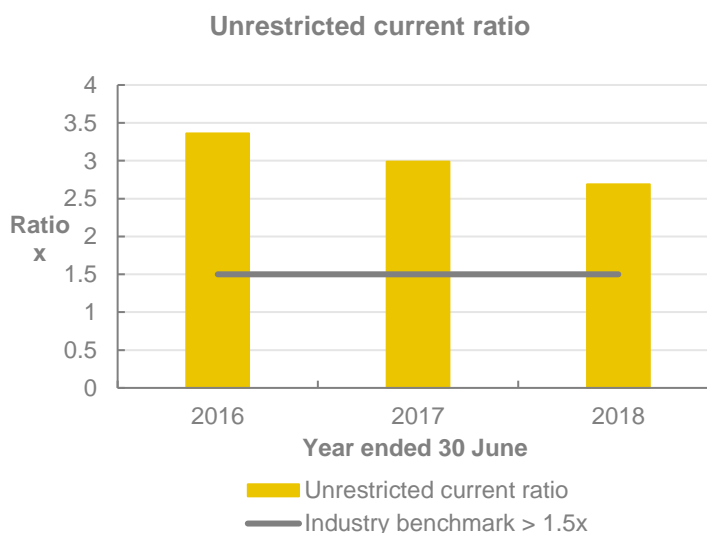
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

- Council's liquidity ratio of 2.69x is greater than the industry benchmark of greater than 1.5x. This indicates that the Council has sufficient liquidity to meet its current liabilities when they fall due.
- The recent decrease in the ratio is due to significant growth management areas within the Wollondilly local government area and corresponding developer contributions which continue to drive the growth of external restrictions on cash and investments.

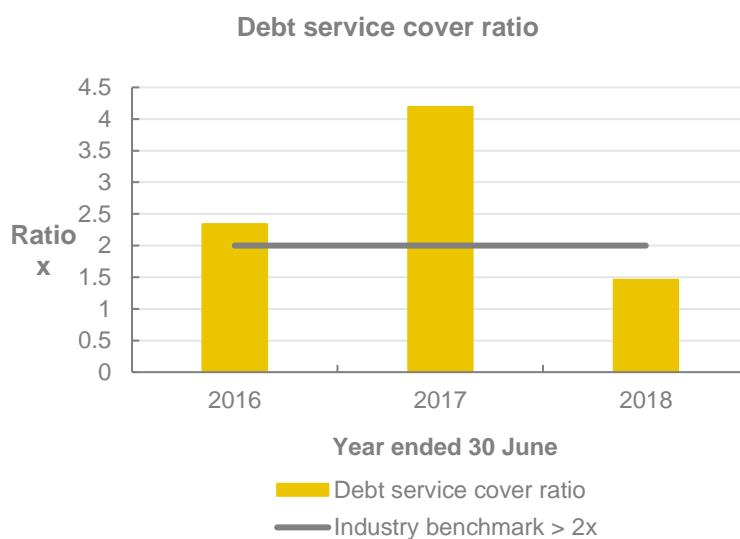
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5x.



## Debt service cover ratio

- Council's debt service cover ratio of 1.46x is below the industry benchmark of greater than 1.5x.
- The decline in the debt cover ratio was driven by \$5.1 million increase in borrowing costs due to the unwinding of a present value discount in relation to the revised cost to remediate Councils land fill/effluent pond sites. This was re-assessed in the current year for the first time since 2008.
- Council needs to monitor liquidity levels to ensure it can meet its current liabilities when they fall due.

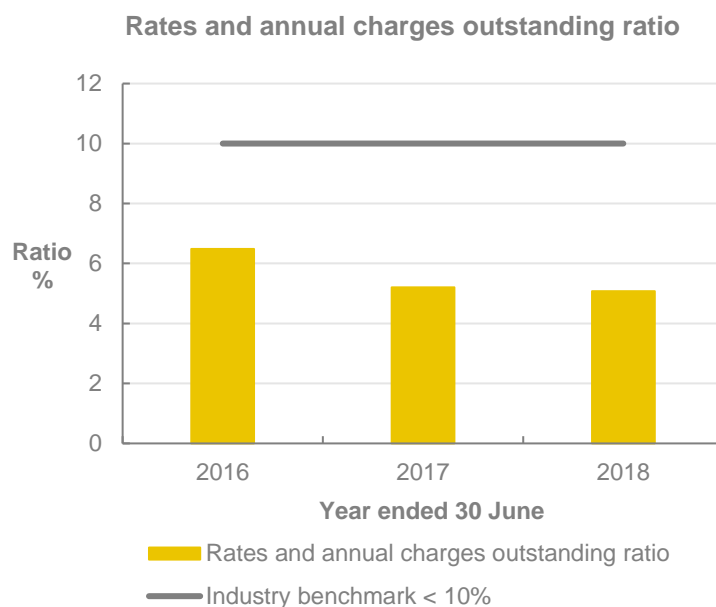
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

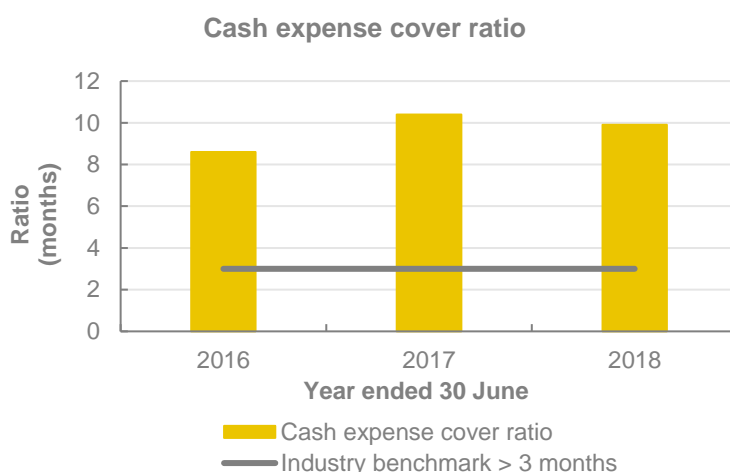
- Council's rates and annual charges outstanding ratio of 5.08% meets the industry benchmark of less than 10%.
- Council's improved result has been primarily driven by:
  - improved debt recovery procedures
  - favourable economic conditions in the local government area affecting the agricultural, construction, industrial and mining industries.

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



## Cash expense cover ratio

- Council's cash expense cover ratio was 9.9 months, which is above the industry benchmark of greater than 3 months.
- This indicates that Council had the capacity to cover 9.9 months of cash expenditure without additional cash inflows at 30 June 2018.
- The decrease in the cash expense ratio of 0.5 month is due to the level of term deposits which decreased by \$600k in 2018 compared to 2017.



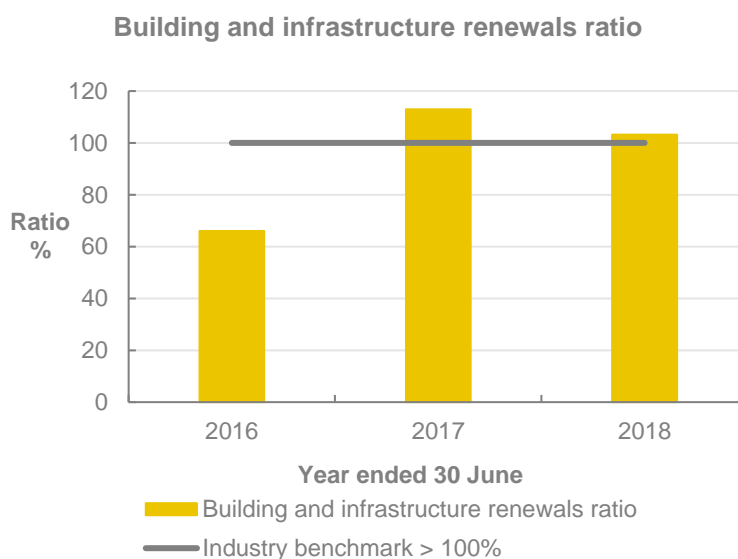
This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

## Building and infrastructure renewals ratio (unaudited)

- Council has met the benchmark of 100 per cent in 2018, this was driven by the following:
- Additional investment in infrastructure renewals totalling \$12.3 million compared to \$11.9 million in 2016–17.

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

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



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 15.

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or after 1 July 2016

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

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

### Legislative compliance

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

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



Lawrissa Chan  
Director, Financial Audit Services

cc: Luke Johnson, Chief Executive Officer  
Stephen Horne, Chair of the Audit, Risk and Improvement Committee  
Tim Hurst, Chief Executive of the Office of Local Government

# Wollondilly Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2018

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***"Rural Living"***



# Wollondilly Shire Council

## Special Schedules for the year ended 30 June 2018

Contents	Page
<b>Special Schedules <sup>1</sup></b>	
<b>Special Schedule 1</b>	<b>Net Cost of Services</b>
	2
<b>Special Schedule 2</b>	<b>Permissible income for general rates</b>
<b>Special Schedule 2</b>	<b>Independent Auditors Report</b>
	5
<b>Special Schedule 7</b>	<b>Report on Infrastructure Assets</b>
	8

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

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### 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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,098</b>	–	–	<b>(1,098)</b>
<b>Administration</b>	<b>5,505</b>	<b>2,135</b>	–	<b>(3,370)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	2,876	462	1,233	<b>(1,181)</b>
Beach control	–	–	–	–
Enforcement of local government regulations	1,872	74	–	<b>(1,798)</b>
Animal control	41	205	–	<b>164</b>
Other	–	–	–	–
<b>Total public order and safety</b>	<b>4,789</b>	<b>741</b>	<b>1,233</b>	<b>(2,815)</b>
<b>Health</b>	<b>3</b>	<b>280</b>	–	<b>277</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	1	–	<b>1</b>
Other environmental protection	1,562	1,574	–	<b>12</b>
Solid waste management	21,722	7,879	–	<b>(13,843)</b>
Street cleaning	243	–	–	<b>(243)</b>
Drainage	–	–	–	–
Stormwater management	249	286	–	<b>37</b>
<b>Total environment</b>	<b>23,776</b>	<b>9,740</b>	–	<b>(14,036)</b>
<b>Community services and education</b>				
Administration and education	2,032	277	–	<b>(1,755)</b>
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	830	659	–	<b>(171)</b>
<b>Total community services and education</b>	<b>2,862</b>	<b>936</b>	–	<b>(1,926)</b>
<b>Housing and community amenities</b>				
Public cemeteries	63	112	–	<b>49</b>
Public conveniences	–	–	–	–
Street lighting	467	84	–	<b>(383)</b>
Town planning	4,703	1,706	5,774	<b>2,777</b>
Other community amenities	207	171	–	<b>(36)</b>
<b>Total housing and community amenities</b>	<b>5,440</b>	<b>2,073</b>	<b>5,774</b>	<b>2,407</b>
<b>Water supplies</b>	–	–	–	–
<b>Sewerage services</b>	–	–	–	–

## Wollondilly Shire Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,314	148	—	(1,166)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	3,239	182	—	(3,057)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	453	42	—	(411)
Swimming pools	463	—	—	(463)
Parks and gardens (lakes)	29	15	—	(14)
Other sport and recreation	4,215	—	1,315	(2,900)
<b>Total recreation and culture</b>	<b>9,713</b>	<b>387</b>	<b>1,315</b>	<b>(8,011)</b>
<b>Fuel and energy</b>	—	—	—	—
<b>Agriculture</b>	—	—	—	—
<b>Mining, manufacturing and construction</b>				
Building control	1,479	623	—	(856)
Other mining, manufacturing and construction	—	—	—	—
<b>Total mining, manufacturing and const.</b>	<b>1,479</b>	<b>623</b>	—	<b>(856)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	16,368	3,066	6,035	(7,267)
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	—	—	—	—
<b>Total transport and communication</b>	<b>16,368</b>	<b>3,066</b>	<b>6,035</b>	<b>(7,267)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	1,545	428	—	(1,117)
<b>Total economic affairs</b>	<b>1,545</b>	<b>428</b>	—	<b>(1,117)</b>
<b>Totals – functions</b>	<b>72,578</b>	<b>20,409</b>	<b>14,357</b>	<b>(37,812)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>37,199</b>		<b>37,199</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	—	—		—
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>72,578</b>	<b>57,608</b>	<b>14,357</b>	<b>(613)</b>

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

## Wollondilly Shire Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	32,556	29,159
Plus or minus adjustments <sup>(2)</sup>	b	462	230
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>33,018</b>	<b>29,389</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	10.80%	10.80%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	3,566	3,174
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
<b>Sub-total</b>	<b><math>k = (c + g + h + i + j)</math></b>	<b>36,583</b>	<b>32,563</b>
Plus (or minus) last year's carry forward total	l	2	—
Less valuation objections claimed in the previous year	m	—	(5)
<b>Sub-total</b>	<b><math>n = (l + m)</math></b>	<b>2</b>	<b>(5)</b>
<b>Total permissible income</b>	<b><math>o = k + n</math></b>	<b>36,585</b>	<b>32,558</b>
Less notional general income yield	p	36,576	32,556
<b>Catch-up or (excess) result</b>	<b><math>q = o - p</math></b>	<b>9</b>	<b>2</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	—
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	<b><math>t = q + r - s</math></b>	<b>9</b>	<b>2</b>

## Notes

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



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Wollondilly Shire Council**

To the Councillors of Wollondilly Shire Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule 2 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule 2 may not be suitable for another purpose.

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan  
Director

15 October 2018  
SYDNEY

## Wollondilly Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings	5,183	5,183	3,829	6,497	44,197	92,416	1%	5%	30%	64%	0%
	<b>Sub-total</b>	<b>5,183</b>	<b>5,183</b>	<b>3,829</b>	<b>6,497</b>	<b>44,129</b>	<b>92,416</b>	<b>1.0%</b>	<b>5.0%</b>	<b>30.0%</b>	<b>64.0%</b>	<b>0.0%</b>
Roads												
	Sealed roads	33,133	33,133	5,794	11,831	117,761	232,155	31%	23%	37%	7%	2%
	Unsealed roads	242	242	384	228	1,882	2,953	0%	10%	68%	17%	5%
	Bridges	1,364	1,364	820	1,310	35,814	64,716	8%	33%	54%	2%	3%
	Footpaths	473	473	342	645	11,758	15,680	10%	27%	57%	6%	0%
	Other road assets	3,384	3,384	2,505	3,764	50,154	79,413	21%	50%	27%	2%	0%
	Bulk earthworks	–	–	–	480	44,373	44,373					100%
	<b>Sub-total</b>	<b>38,596</b>	<b>38,596</b>	<b>9,845</b>	<b>18,258</b>	<b>261,742</b>	<b>439,290</b>	<b>21.7%</b>	<b>27.1%</b>	<b>34.9%</b>	<b>4.7%</b>	<b>11.6%</b>



## Wollondilly Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	1,087	1,087	473	341	41,982	54,818	25%	59%	11%	5%	0%
	<b>Sub-total</b>	<b>1,087</b>	<b>1,087</b>	<b>473</b>	<b>341</b>	<b>41,982</b>	<b>54,818</b>	<b>25.0%</b>	<b>59.0%</b>	<b>11.0%</b>	<b>5.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	60	293	1,672	3,022	86%	14%	0%	0%	0%
	Other	264	264	885	3,169	28,271	33,359	7%	68%	20%	4%	1%
	<b>Sub-total</b>	<b>264</b>	<b>264</b>	<b>945</b>	<b>3,462</b>	<b>29,943</b>	<b>36,381</b>	<b>13.6%</b>	<b>63.5%</b>	<b>18.3%</b>	<b>3.7%</b>	<b>0.9%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>45,130</b>	<b>45,130</b>	<b>15,092</b>	<b>28,558</b>	<b>377,796</b>	<b>622,905</b>	<b>18.5%</b>	<b>28.7%</b>	<b>31.1%</b>	<b>13.5%</b>	<b>8.3%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Wollondilly Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio <sup>(1)</sup>					
Asset renewals <sup>(2)</sup>	12,603	103.14%	113.12%	66.26%	>= 100%
Depreciation, amortisation and impairment	12,219				
2. Infrastructure backlog ratio <sup>(1)</sup>					
Estimated cost to bring assets to a satisfactory standard	45,130	11.88%	15.28%	16.16%	< 2.00%
Net carrying amount of infrastructure assets	379,877				
3. Asset maintenance ratio					
Actual asset maintenance	28,558	189.23%	123.95%	91.62%	> 100%
Required asset maintenance	15,092				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	45,130	7.25%	8.38%	9.03%	
Gross replacement cost	622,905				

**Notes**

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

<sup>(1)</sup> Excludes Work In Progress (WIP)

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

## Wollondilly Shire Council

# Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

<p><b>1. Buildings and infrastructure renewals ratio</b></p> <p>Benchmark: — Minimum <math>\geq 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 103.14%</b></p> <p>Historically, infrastructure renewals were insufficiently funded, resulting in a large infrastructure backlog. This issue has been addressed with the current special rate variation sought for the purpose of renewing Council's infrastructure assets, with the benchmark having been exceeded over the past two reporting periods.</p>
<p><b>2. Infrastructure backlog ratio</b></p> <p>Benchmark: — Maximum <math>&lt; 2.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 11.88%</b></p> <p>This ratio is currently not meeting the required benchmark due to many years of insufficient funding for asset maintenance and renewal. To address this issue, Council successfully applied for a special rate variation in 2015/16 - the effects of which are now starting to be seen with the ratio beginning to fall.</p>
<p><b>3. Asset maintenance ratio</b></p> <p>Benchmark: — Minimum <math>&gt; 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p><b>Purpose of asset maintenance ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 189.23%</b></p> <p>Council is now seeing the effects of the special rate variation that has gradually compounded over the past few years to the point where Council is now regularly providing sufficient resource towards the maintenance of its assets.</p>
<p><b>4. Cost to bring assets to agreed service level</b></p>	<p><b>Purpose of agreed service level ratio</b></p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p><b>Commentary on 2017/18 result</b></p> <p><b>2017/18 Ratio 7.25%</b></p> <p>Similar to the Infrastructure Backlog ratio, this ratio has historically been too high due to years of insufficient funding for asset maintenance and renewal. The effects of the recent special rate variation are now starting to be seen with the ratio beginning to fall. Future projections indicate this ratio will continue to fall each year.</p>