

Wentworth Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“The Shire on Two Rivers”



Wentworth Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

26-28 Adelaide Street
Wentworth NSW 2648

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.wentworth.nsw.gov.au.

Wentworth Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Wentworth 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:

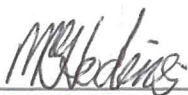
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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 17 October 2018.



Melisa Hedrics
Mayor
17 October 2018



Tim Elstone
Councillor
17 October 2018



Ken Ross
Acting General Manager
17 October 2018



Simon Rule
Responsible Accounting Officer
17 October 2018

Wentworth Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
8,225	Rates and annual charges	3a	8,163	7,938
4,202	User charges and fees	3b	6,759	5,570
735	Interest and investment revenue	3c	765	808
962	Other revenues	3d	840	692
6,744	Grants and contributions provided for operating purposes	3e,f	10,247	13,789
5,895	Grants and contributions provided for capital purposes	3e,f	1,505	2,472
Other income:				
100	Net gains from the disposal of assets	5	121	310
26,863	Total income from continuing operations		28,400	31,579
Expenses from continuing operations				
7,936	Employee benefits and on-costs	4a	9,656	8,478
280	Borrowing costs	4b	191	74
4,840	Materials and contracts	4c	5,708	5,296
7,037	Depreciation and amortisation	4d	7,533	7,713
2,569	Other expenses	4e	3,331	3,391
22,662	Total expenses from continuing operations		26,419	24,952
4,201	Operating result from continuing operations		1,981	6,627
4,201	Net operating result for the year		1,981	6,627
4,201	Net operating result attributable to Council		1,981	6,627
Net operating result for the year before grants and contributions provided for capital purposes				
(1,694)			476	4,155

Wentworth Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		1,981	6,627
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	14,275	21,692
Total items which will not be reclassified subsequently to the operating result		14,275	21,692
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves		(18)	116
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(18)	116
Total other comprehensive income for the year		14,257	21,808
Total comprehensive income for the year		16,238	28,435
Total comprehensive income attributable to Council		16,238	28,435

Wentworth Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	4,968	7,523
Investments	6b	22,313	21,000
Receivables	7	5,666	4,593
Inventories	8	184	507
Other	8	141	162
Total current assets		33,272	33,785
Non-current assets			
Investments	6b	1,000	—
Infrastructure, property, plant and equipment	9	415,975	399,223
Intangible assets	10	184	—
Total non-current assets		417,159	399,223
TOTAL ASSETS		450,431	433,008
LIABILITIES			
Current liabilities			
Payables	11	1,526	2,027
Income received in advance	11	434	395
Borrowings	11	187	311
Provisions	12	2,244	2,003
Total current liabilities		4,391	4,736
Non-current liabilities			
Borrowings	11	4,592	3,440
Provisions	12	1,042	664
Total non-current liabilities		5,634	4,104
TOTAL LIABILITIES		10,025	8,840
Net assets		440,406	424,168
EQUITY			
Accumulated surplus	13	56,538	54,575
Revaluation reserves	13	383,868	369,593
Total equity		440,406	424,168

Wentworth 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	
Opening balance		54,575	369,593	424,168	47,832	347,902	395,734
Net operating result for the year		1,981	–	1,981	6,627	–	6,627
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	14,275	14,275	–	21,692	21,692
– Other reserves movements		(15)	–	(15)	–	–	–
– Other movements		(3)	–	(3)	116	(1)	115
Other comprehensive income		(18)	14,275	14,257	116	21,691	21,807
Total comprehensive income		1,963	14,275	16,238	6,743	21,691	28,434
Equity – balance at end of the reporting period		56,538	383,868	440,406	54,575	369,593	424,168

Wentworth Shire Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
8,180	Rates and annual charges		7,993	7,970
4,105	User charges and fees		6,461	6,779
753	Investment and interest revenue received		973	816
12,606	Grants and contributions		11,093	14,002
904	Other		2,538	2,126
Payments:				
(7,901)	Employee benefits and on-costs		(9,418)	(8,411)
(4,607)	Materials and contracts		(6,231)	(6,874)
(269)	Borrowing costs		(191)	(65)
(2,569)	Other		(4,715)	(3,499)
11,202	Net cash provided (or used in) operating activities	14b	8,503	12,844
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		69,784	75,000
–	Sale of real estate assets		318	–
457	Sale of infrastructure, property, plant and equipment		392	383
Payments:				
–	Purchase of investment securities		(72,097)	(88,000)
(19,877)	Purchase of infrastructure, property, plant and equipment		(10,465)	(13,573)
–	Other investing activity payments		(18)	–
(19,420)	Net cash provided (or used in) investing activities		(12,086)	(26,190)
Cash flows from financing activities				
Receipts:				
3,900	Proceeds from borrowings and advances		1,314	2,936
Payments:				
(341)	Repayment of borrowings and advances		(286)	(201)
3,559	Net cash flow provided (used in) financing activities		1,028	2,735
(4,659)	Net increase/(decrease) in cash and cash equivalents		(2,555)	(10,611)
13,157	Plus: cash and cash equivalents – beginning of year	14a	7,523	18,134
8,498	Cash and cash equivalents – end of the year	14a	4,968	7,523
Additional Information:				
plus:	Investments on hand – end of year	6b	23,313	21,000
	Total cash, cash equivalents and investments		28,281	28,523

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 31/10/2018.

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 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

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

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 12,
- (iii) employee benefit provisions – refer Note 12.

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.

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

- General purpose operations
- Water service
- Sewerage service

(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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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 may have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

- *AASB 9 Financial Instruments*

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

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

Based on assessments to date, Council expects that the new AASB 9 will not affect the accounting treatment of currently used financial assets and liabilities. Council has limited instruments in place and the effect will be mostly on presentation and some additional disclosure.

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*
- *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 not a party to any operating or financial lease, however when this standard comes into effect, if Council were to become party to a lease, it is possible depending on the nature of the lease that Council will be required to recognise the lease in the Statement of Financial Position.

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.

Wentworth 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
1. Wentworth is a vibrant, growing and thriving shire	883	1,229	2,299	2,023	(1,416)	(794)	5	8,725	21,166	21,983
2. Wentworth is a desirable shire to visit, live, work and invest	2,885	2,954	5,290	5,202	(2,405)	(2,248)	611	629	11,887	18,851
3. Wentworth is a community that works to enhance and protect its physical and natural assets	12,118	12,168	13,228	12,317	(1,110)	(149)	2,339	3,247	352,264	355,457
4. Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future	12,514	15,228	5,602	5,410	6,912	9,818	6,475	474	65,114	36,717
Total functions and activities	28,400	31,579	26,419	24,952	1,981	6,627	9,430	13,075	450,431	433,008

Wentworth 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:

1. Wentworth is a vibrant, growing and thriving shire

- 1.1 Grow the potential of business and industry to develop and expand
- 1.2 Encourage and support population growth and resident attraction

2. Wentworth is a desirable shire to visit, live, work and invest

- 2.1 Grow visitation to the Shire by developing a quality visitor experience and promoting our destination
- 2.2 Enhance access to local health and aged care services
- 2.3 Enhance access to maternal and child health services, child care centres and pre-school services
- 2.4 Enhance access to education, skills and training
- 2.5 Maintain/create desirable open spaces and recreation facilities

3. Wentworth is a community that works to enhance and protect its physical and natural assets

- 3.1 Promote the efficient delivery of water supply, sewer and drainage services for the long term interests of future generations
- 3.2 Plan for and develop the right assets and infrastructure
- 3.3 Prepare for natural disasters, biosecurity risks and climate change
- 3.4 Reduce, reuse and recover waste
- 3.5 Recognise the importance of a healthy Murray-Darling River System

4. Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future

- 4.1 Provide strong and effective representation, leadership, planning, decision-making and service delivery
- 4.2 Encourage locals to volunteer their time within their local community
- 4.3 Promote disability inclusion with the general community
- 4.4 Encourage the self determination of the Aboriginal Community
- 4.5 Encourage the self determination of individual townships and community groups
- 4.6 Collaborate with others to achieve desired outcomes for the local community
- 4.7 Promote the celebration of the region's rich cultural and social heritage

Wentworth Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,740	1,650
Farmland	1,629	1,615
Business	1,396	1,370
Total ordinary rates	4,765	4,635
Special rates		
Tourism	39	38
Levee bank	118	114
Total special rates	157	152
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	666	643
Water supply services	1,099	1,073
Sewerage services	1,476	1,435
Total annual charges	3,241	3,151
TOTAL RATES AND ANNUAL CHARGES	8,163	7,938

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.

Wentworth 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) User charges and fees		
Specific user charges (per s.502 – specific ‘actual use’ charges)		
Water supply services	1,421	1,125
Total specific user charges	1,421	1,125
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	5	5
Planning and building regulation	259	261
Private works – section 67	120	25
Section 149 certificates (EPA Act)	54	59
Section 603 certificates	23	25
Tapping fees	29	23
Total fees and charges – statutory/regulatory	490	398
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	62	38
Animal control	32	15
Cemeteries	91	44
Fire and emergency services levy (FESL) implementation	20	49
Library and art gallery	1	1
Other – road opening permits	4	3
Refuse and effluent disposal	84	–
RMS charges (state roads not controlled by Council)	3,062	2,522
Waste disposal tipping fees	1,453	1,375
Other	39	–
Total fees and charges – other	4,848	4,047
TOTAL USER CHARGES AND FEES	6,759	5,570

Accounting policy for user charges and fees

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	86	97
– Cash and investments	679	711
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>765</u>	<u>808</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	86	97
General Council cash and investments	383	449
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	14	13
Water fund operations	198	180
Sewerage fund operations	84	69
<u>Total interest and investment revenue recognised</u>	<u>765</u>	<u>808</u>

Accounting policy for interest and investment revenue

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

Wentworth Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(d) Other revenues		
Rental income – other council properties	387	116
Diesel rebate	113	88
Facilities revenue	63	99
Insurance claim recoveries	51	66
Insurance rebates	43	58
Rural fire service reimbursements	70	109
Sales – general	2	–
Sales – miscellaneous	47	33
Other – other public works	4	5
Other – meter readings	8	8
Other	52	110
<u>TOTAL OTHER REVENUE</u>	<u>840</u>	<u>692</u>

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.

Wentworth 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
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	4,090	5,786	–	–
Financial assistance – local roads component	1,999	2,853	–	–
Other				
Pensioners' rates subsidies – general component	45	45	–	–
Total general purpose	6,134	8,684	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	19	19	–	–
– Sewerage	17	17	–	–
– Domestic waste management	20	20	–	–
Water supplies	82	150	–	319
Sewerage services	–	–	99	25
Bushfire and emergency services	242	303	–	–
Economic development	5	–	–	–
Employment and training programs	13	44	–	–
Environmental protection	5	16	18	48
Library	–	–	–	151
Library – per capita	27	26	–	–
Library – special projects	–	–	11	6
Noxious weeds	27	25	–	–
Other – environment	–	500	–	–
Recreation and culture	54	80	449	150
Street lighting	41	41	–	–
Transport (roads to recovery)	1,841	2,063	–	–
Water transport	–	–	240	233
Other	68	–	–	–
Other	18	155	–	–
Total specific purpose	2,479	3,459	817	932
Total grants	8,613	12,143	817	932
Grant revenue is attributable to:				
– Commonwealth funding	7,975	10,746	–	–
– State funding	638	1,397	817	932
	8,613	12,143	817	932

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	30	5
S 64 – water supply contributions		–	–	98	192
S 64 – sewerage service contributions		–	–	13	75
Total developer contributions – cash		–	–	141	272
Total developer contributions	21	–	–	141	272
Other contributions:					
Cash contributions					
Community services		–	1	–	–
Other councils – joint works/services		35	89	–	–
Recreation and culture		–	–	–	123
Roads and bridges		207	247	–	749
RMS contributions (regional roads, block grant)		1,336	1,309	544	394
Ruby restoration		–	–	–	2
Sewerage (excl. section 64 contributions)		–	–	3	–
Other		56	–	–	–
Total other contributions – cash		1,634	1,646	547	1,268
Total other contributions		1,634	1,646	547	1,268
Total contributions		1,634	1,646	688	1,540
TOTAL GRANTS AND CONTRIBUTIONS		10,247	13,789	1,505	2,472

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.

Wentworth Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	391	319
Add: operating grants recognised in the current period but not yet spent	1,533	72
Less: operating grants recognised in a previous reporting period now spent	(1,777)	–
Unexpended and held as restricted assets (operating grants)	147	391
Capital grants		
Add: capital grants recognised in the current period but not yet spent	99	–
Unexpended and held as restricted assets (capital grants)	99	–
Contributions		
Unexpended at the close of the previous reporting period	547	–
Add: contributions recognised in the current period but not yet spent	44	–
Add: contributions received for the provision of goods and services in a future period	–	547
Unexpended and held as restricted assets (contributions)	591	547

Wentworth Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	7,664	7,234
Employee termination costs (where material – other than vested leave paid)	4	–
Travel expenses	40	62
Employee leave entitlements (ELE)	1,460	1,117
Superannuation – defined contribution plans	675	652
Superannuation – defined benefit plans	114	124
Workers' compensation insurance	204	304
Fringe benefit tax (FBT)	10	17
Training costs (other than salaries and wages)	85	104
Uniforms	58	55
Recruitment	12	9
Total employee costs	10,326	9,678
Less: capitalised costs	(670)	(1,200)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>9,656</u>	<u>8,478</u>

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Wentworth 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) Borrowing costs		
Interest bearing liability costs		
Interest on loans	191	74
Total interest bearing liability costs expensed	191	74
<u>TOTAL BORROWING COSTS EXPENSED</u>	<u>191</u>	<u>74</u>

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.

(c) Materials and contracts

Raw materials and consumables	1,149	1,042
Contractor and consultancy costs	4,484	4,174
Auditors remuneration ⁽¹⁾	56	34
Legal expenses:		
– Legal expenses: planning and development	1	1
– Legal expenses: debt recovery	10	18
– Legal expenses: other	8	27
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>5,708</u>	<u>5,296</u>

1. Auditor remuneration

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

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

Audit and review of financial statements	56	34
Remuneration for audit and other assurance services	56	34
Total Auditor-General remuneration	56	34
Total Auditor remuneration	56	34

Wentworth 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
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		924	866
Office equipment		52	46
Furniture and fittings		15	16
Land improvements (depreciable)		146	145
Infrastructure:			
– Buildings		723	955
– Other structures		204	251
– Roads		3,485	3,912
– Bridges		116	114
– Footpaths		82	80
– Stormwater drainage		222	68
– Water supply network		643	433
– Sewerage network		743	695
– Swimming pools		51	50
– Other open space/recreational assets		39	39
Other assets:			
– Library books		37	43
– Other		46	–
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 12	5	–
Total gross depreciation and amortisation costs		7,533	7,713
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>7,533</u>	<u>7,713</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for depreciation, amortisation and impairment expenses (continued)

Impairment of non-financial assets

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

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

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

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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	45	36
Bad and doubtful debts	–	38
Bank charges	33	30
Cleaning	122	103
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	12	13
– NSW fire brigade levy	23	22
– NSW rural fire service levy	231	225
– Other contributions/levies	3	155
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	104	99
Councillors' expenses (incl. mayor) – other (excluding fees above)	102	94
Donations, contributions and assistance to other organisations (Section 356)	140	140
Election expenses	–	46
Electricity and heating	496	470
Fire and emergency services levy (FESL) implementation costs	–	18
Fire control expenses	133	83
Insurance	430	410
Office expenses (including computer expenses)	455	453
Other – remediation remeasurement – tip	356	263
Postage	23	23
Printing and stationery	59	66
Street lighting	131	112
Subscriptions and publications	91	64
Telephone and communications	74	105
Tourism expenses (excluding employee costs)	100	142
Valuation fees	142	135
Other	–	21
<u>TOTAL OTHER EXPENSES</u>	<u>3,331</u>	<u>3,391</u>

Accounting policy for other expenses

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

Wentworth 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
Property (excl. investment property)	9		
Proceeds from disposal – property		240	62
Less: carrying amount of property assets sold/written off		(235)	(39)
Net gain/(loss) on disposal		5	23
Plant and equipment	9		
Proceeds from disposal – plant and equipment		152	321
Less: carrying amount of plant and equipment assets sold/written off		(36)	(34)
Net gain/(loss) on disposal		116	287
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		69,784	75,000
Less: carrying amount of financial assets sold/redeemed/matured		(69,784)	(75,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		121	310

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

Cash and cash equivalents		
Cash on hand and at bank	1,197	1,523
Cash-equivalent assets		
– Short-term deposits	3,771	6,000
Total cash and cash equivalents	4,968	7,523

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.

Wentworth 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
Investments				
a. 'Held to maturity'	22,313	1,000	21,000	–
Total investments	22,313	1,000	21,000	–
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>27,281</u>	<u>1,000</u>	<u>28,523</u>	<u>–</u>
Held to maturity investments				
Long term deposits	22,313	1,000	21,000	–
Total	22,313	1,000	21,000	–

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.

(a) Held to maturity investments

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

Recognition and de-recognition

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

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

Impairment of available for sale investments

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

Wentworth 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	27,281	1,000	28,523	–
attributable to:				
External restrictions (refer below)	11,217	1,000	10,898	–
Internal restrictions (refer below)	10,767	–	10,010	–
Unrestricted	5,297	–	7,615	–
	27,281	1,000	28,523	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Other trust account	286	283
Other cemeteries trust	434	395
External restrictions – included in liabilities	720	678

External restrictions – other

Developer contributions – general	591	547
Specific purpose unexpended grants	246	391
Water supplies	7,302	6,485
Sewerage services	2,957	2,403
Domestic waste management	105	105
Council reserves – caravan park	296	289

External restrictions – other

External restrictions – other	11,497	10,220
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Total external restrictions

Internal restrictions

Plant and vehicle replacement	2,200	2,200
Employees leave entitlement	2,376	2,113
Capital projects	1,000	1,000
FAG received in advance	3,084	2,939
Future development	1,113	1,113
Loan guarantee	30	30
Other doubtful debts provision	61	61
Tip remediation	903	554

Total internal restrictions

TOTAL RESTRICTIONS

TOTAL RESTRICTIONS	22,984	20,908
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Wentworth 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
Purpose				
Rates and annual charges	941	—	770	—
Interest and extra charges	—	—	175	—
User charges and fees	1,653	—	843	—
Accrued revenues				
– Interest on investments	132	—	165	—
– Other income accruals	—	—	481	—
Government grants and subsidies	2,807	—	2,041	—
Net GST receivable	102	—	178	—
Other debtors	92	—	—	—
Total	5,727	—	4,653	—
Less: provision for impairment				
Rates and annual charges	(28)	—	(27)	—
User charges and fees	(1)	—	(1)	—
Other debtors	(32)	—	(32)	—
Total provision for impairment – receivables	(61)	—	(60)	—
<u>TOTAL NET RECEIVABLES</u>	<u>5,666</u>	<u>—</u>	<u>4,593</u>	<u>—</u>
Externally restricted receivables				
Water supply				
– Specific purpose grants	327	—	79	—
– Rates and availability charges	351	—	315	—
– Other	852	—	725	—
Sewerage services				
– Specific purpose grants	72	—	39	—
– Rates and availability charges	230	—	242	—
– Other	—	—	1	—
Total external restrictions	1,832	—	1,401	—
Unrestricted receivables	3,834	—	3,192	—
<u>TOTAL NET RECEIVABLES</u>	<u>5,666</u>	<u>—</u>	<u>4,593</u>	<u>—</u>

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	60	39
+ new provisions recognised during the year	—	37
– amounts already provided for and written off this year	—	(16)
Balance at the end of the year	60	60

Wentworth Shire Council

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

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

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

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

Wentworth Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Real estate for resale (refer below)	–	–	318	–
Stores and materials	184	–	189	–
Total inventories at cost	184	–	507	–
<u>TOTAL INVENTORIES</u>	<u>184</u>	<u>–</u>	<u>507</u>	<u>–</u>

(b) Other assets

Prepayments	141	–	162	–
<u>TOTAL OTHER ASSETS</u>	<u>141</u>	<u>–</u>	<u>162</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Other disclosures**(a) Details for real estate development**

Residential	–	–	314	–
Industrial/commercial	–	–	4	–
Total real estate for resale	–	–	318	–

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	–	–	182	–
Development costs	–	–	136	–
Total costs	–	–	318	–
Total real estate for resale	–	–	318	–

Movements:

Real estate assets at beginning of the year	318	–	318	–
– Transfer between current/non-current	(318)	–	–	–
Total real estate for resale	–	–	318	–

(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	–	318
	–	318

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

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.

Wentworth 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		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	4,878	–	4,878	4,948	435	–	–	(7,536)	–	–	–	2,725	–	2,725
Plant and equipment	15,023	9,360	5,663	712	–	(36)	(924)	12	–	–	–	14,811	9,384	5,427
Office equipment	2,174	2,019	155	127	–	–	(52)	–	–	–	–	1,924	1,694	230
Furniture and fittings	351	308	43	–	4	–	(15)	–	–	–	–	278	246	32
Land:														
– Community land	7,462	–	7,462	–	–	(235)	–	699	–	(84)	–	7,842	–	7,842
– Land under roads (post 30/6/08)	247	–	247	–	–	–	–	–	–	–	–	247	–	247
Land improvements – depreciable	7,099	3,334	3,765	–	–	–	(146)	19	–	(416)	–	7,040	3,818	3,222
Infrastructure:														
– Buildings	50,966	32,762	18,204	–	235	–	(723)	3,136	(56)	–	13,881	69,942	35,265	34,677
– Other structures	12,818	3,965	8,853	8	–	–	(204)	280	(1,577)	(1,562)	–	10,156	4,358	5,798
– Roads	176,629	90,434	86,195	3,467	–	–	(3,485)	662	–	(334)	–	180,267	93,762	86,505
– Bridges	11,615	3,300	8,315	–	–	–	(116)	111	–	–	–	11,726	3,416	8,310
– Footpaths	4,201	1,570	2,631	3	–	–	(82)	–	–	–	–	4,204	1,652	2,552
– Bulk earthworks (non-depreciable)	190,171	–	190,171	138	–	–	–	–	–	–	–	190,309	–	190,309
– Stormwater drainage	21,931	8,211	13,720	–	–	–	(222)	269	–	–	282	22,650	8,601	14,049
– Water supply network	53,538	23,630	29,908	8	–	–	(643)	44	–	–	615	54,714	24,782	29,932
– Sewerage network	42,669	24,440	18,229	33	–	–	(743)	219	–	–	367	43,817	25,712	18,105
– Swimming pools	928	347	581	35	–	–	(51)	–	–	–	1,237	3,000	1,198	1,802
– Other open space/recreational assets	399	297	102	–	–	–	(39)	–	–	–	289	639	287	352
– Other infrastructure	–	–	–	–	–	–	(46)	–	1,576	–	–	1,827	297	1,530
Other assets:														
– Library books	246	145	101	43	–	–	(37)	–	–	–	–	289	182	107
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	–	–	–	142	–	–	(5)	2,085	–	–	–	2,227	5	2,222
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	603,345	204,122	399,223	9,664	674	(271)	(7,533)	–	(57)	(2,396)	16,671	630,634	214,659	415,975

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	60		
Kerb, gutter and footpaths	40		

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

Land under roads

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

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

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

Crown reserves

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

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will/will not recognise rural fire service assets including land, buildings, plant and vehicles.

Wentworth Shire Council

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

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Movements for the year		
– Purchases	184	–
Closing values:		
Gross book value (30/6)	184	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>184</u>	<u>–</u>

¹ The net book value of intangible assets represent:

– Other assets - Goodwill	184	–
	<u>184</u>	<u>–</u>

Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The identifiable criterion is met when the intangible asset is separable (ie it can be sold transferred or licenced), or where it arises from contractual or other legal rights.

Acquired intangible assets

Intangible assets are measured initially at cost. Cost includes (a) the fair value of the consideration given to acquiring the asset; and (b) any costs directly attributable to the transaction, such as relevant professional fees or taxes.

Subsequent measurement

Intangible assets with definite useful lives are considered for impairment where there is an indication that the asset has been impaired. Intangible assets with indefinite useful lives should be tested annually for impairment, as well as whenever there is an indication of impairment.

Wentworth Shire Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Accrued expenses:				
– Borrowings	10	–	10	–
– Salaries and wages	411	–	420	–
– Other expenditure accruals	819	–	1,314	–
Trust account – money held in trust	286	–	283	–
Total payables	1,526	–	2,027	–
Income received in advance				
Payments received in advance	434	–	395	–
Total income received in advance	434	–	395	–
Borrowings				
Loans – secured ¹	187	4,592	311	3,440
Total borrowings	187	4,592	311	3,440
TOTAL PAYABLES AND BORROWINGS	2,147	4,592	2,733	3,440

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Other	720	–	678	–
Payables and borrowings relating to externally restricted assets	720	–	678	–
Total payables and borrowings relating to restricted assets	720	–	678	–
Total payables and borrowings relating to unrestricted assets	1,427	4,592	2,055	3,440
TOTAL PAYABLES AND BORROWINGS	2,147	4,592	2,733	3,440

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

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

Wentworth Shire Council

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

Note 11. Payables and borrowings (continued)

\$ '000

(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	3,751	1,028	–	–	–	4,779
TOTAL	3,751	1,028	–	–	–	4,779

\$ '000

2018

2017

(c) Financing arrangements

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

Credit cards/purchase cards	20	20
Total financing arrangements	20	20
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	20	20
Total undrawn financing arrangements	20	20

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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

Accounting policy for payables and borrowings (continued)

Borrowings

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

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

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

Finance leases

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

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

Wentworth Shire Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	972	–	956	–
Long service leave	1,114	109	890	87
Gratuities	158	24	157	23
Sub-total – aggregate employee benefits	2,244	133	2,003	110
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	909	–	554
Sub-total – asset remediation/restoration	–	909	–	554
<u>TOTAL PROVISIONS</u>	<u>2,244</u>	<u>1,042</u>	<u>2,003</u>	<u>664</u>

(a) Provisions relating to restricted assets

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

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

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

Provisions – employees benefits	1,122	1,001
	<u>1,122</u>	<u>1,001</u>

Wentworth Shire Council

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

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions			
	Annual leave	Long service leave	Gratuities	Total
At beginning of year	956	977	180	2,113
Other	16	246	2	264
Total ELE provisions at end of year	972	1,223	182	2,377

2017	ELE provisions			
	Annual leave	Long service leave	Gratuities	Total
At beginning of year	889	1,098	199	2,186
Additional provisions	565	24	1	590
Amounts used (payments)	(498)	(145)	(20)	(663)
Total ELE provisions at end of year	956	977	180	2,113

2018	Other provisions	
	Asset remediation	Total
At beginning of year	554	554
Changes to provision:		
Other	355	355
Total other provisions at end of year	909	909

2017	Other provisions	
	Asset remediation	Total
At beginning of year	291	291
Changes to provision:		
Additional provisions	263	263
Total other provisions at end of year	554	554

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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,968	7,523
Balance as per the Statement of Cash Flows		4,968	7,523
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,981	6,627
Adjust for non-cash items:			
Depreciation and amortisation		7,533	7,713
Net losses/(gains) on disposal of assets		(121)	(310)
Non-cash capital grants and contributions		–	(666)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other		–	115
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,074)	(1,050)
Increase/(decrease) in provision for doubtful debts		1	21
Decrease/(increase) in inventories		5	(28)
Decrease/(increase) in other assets		21	(19)
Increase/(decrease) in accrued interest payable		–	9
Increase/(decrease) in other accrued expenses payable		(504)	158
Increase/(decrease) in other liabilities		42	84
Increase/(decrease) in employee leave entitlements		264	(73)
Increase/(decrease) in other provisions		355	263
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		8,503	12,844
(c) Non-cash investing and financing activities			
Other non-cash items (roads and birdges)		–	666
Total non-cash investing and financing activities		–	666

Wentworth Shire Council

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

Note 15. Commitments for expenditure

\$ '000	2018	2017
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	61	1,348
Plant and equipment	1,092	25
Other	1,007	2,120
Total commitments	2,160	3,493
These expenditures are payable as follows:		
Within the next year	2,160	3,493
Total payable	2,160	3,493
Sources for funding of capital commitments:		
Unrestricted general funds	2,160	2,183
New loans (to be raised)	–	1,310
Total sources of funding	2,160	3,493

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

Wentworth Shire Council

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

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited (continued)

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Wentworth Shire Council

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

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

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

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

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

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

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

(iii) Rural Fire Assets

Council has title to, and is the registered owner of various rural fire appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports. In accordance with normal Rural Fire Service funding arrangements.

Council continues to contribute to the costs of maintenance of this equipment.

Wentworth Shire Council

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

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	4,968	7,523	4,968	7,523
Investments				
– 'Held to maturity'	23,313	21,000	23,313	21,000
Receivables	5,666	4,593	5,666	4,593
Total financial assets	33,947	33,116	33,947	33,116
Financial liabilities				
Payables	1,526	2,027	1,526	2,027
Loans/advances	4,779	3,751	4,779	3,751
Total financial liabilities	6,305	5,778	6,305	5,778

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

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

Council 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.

(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
2018				
Possible impact of a 10% movement in market values	198	198	(198)	(198)
Possible impact of a 1% movement in interest rates	20	20	(20)	(20)
2017				
Possible impact of a 10% movement in market values	663	663	(663)	(663)
Possible impact of a 1% movement in interest rates	70	70	(70)	(70)

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. 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
(i) Ageing of receivables – %				
Current (not yet overdue)	100%	100%	100%	100%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Current			941	770
			941	770
Other receivables				
Current			4,786	3,883
			4,786	3,883

Wentworth Shire Council

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

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	–	1,526	–	–	1,526	1,526
Loans and advances	4.39%	–	324	1,935	3,736	5,995	4,779
Total financial liabilities		–	1,850	1,935	3,736	7,521	6,305
2017							
Trade/other payables	0.00%	–	2,027	–	–	2,027	2,027
Loans and advances	4.40%	–	477	1,890	4,104	6,471	3,751
Total financial liabilities		–	2,504	1,890	4,104	8,498	5,778

Wentworth Shire Council

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

Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 27 June 2018 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* -----		
REVENUES					
Rates and annual charges	8,225	8,163	(62)	(1%)	U
User charges and fees	4,202	6,759	2,557	61%	F
Increase in User Fees and Charges was due to larger than expected income generated from fee for service works for the RMS on the State Highway 14.					
Interest and investment revenue	735	765	30	4%	F
Other revenues	962	840	(122)	(13%)	U
There were a number of budgeted reimbursements that were not received during the year because the cost for which they were being reimbursed didn't occur.					
Operating grants and contributions	6,744	10,247	3,503	52%	F
Council received a number of unbudgeted operating grants during the year. Council budgeted for no FAGS prepayment in 17/18.					
Capital grants and contributions	5,895	1,505	(4,390)	(74%)	U
Council was unsuccessful in a number of grant submissions which resulted in a capital revenue being under budget.					
Net gains from disposal of assets	100	121	21	21%	F
Trade in values received from disposal of assets was higher than budgeted for					

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	7,936	9,656	(1,720)	(22%) U
\$530,000 reduction in capitalised wages, plus a prior year error in leave provisions resulted in a \$340,000 increase in ELE expenses, plus 3 new positions were added to the structure at a cost of \$240,000.				
Borrowing costs	280	191	89	32% F
There were a number of loans that were not required in 17/18. These have been rescheduled for 18/19.				
Materials and contracts	4,840	5,708	(868)	(18%) U
Increase was due to larger than expected expenses generated from additional fee for service works for the RMS on the State Highway 14.				
Depreciation and amortisation	7,037	7,533	(496)	(7%) U
Other expenses	2,569	3,331	(762)	(30%) U
Various other expenses were higher than expected. The most noted being Tip remediation allowance for the Buronga Landfill.				

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

Cash flows from operating activities	11,202	8,503	(2,699)	(24.1%) U
The increase in outflows was higher than the increase in inflows compared to budget.				
Cash flows from investing activities	(19,420)	(12,086)	7,334	(37.8%) F
This was due to less outflows as a result of an under spend on capital works.				
Cash flows from financing activities	3,559	1,028	(2,531)	(71.1%) U
This was because there were a number of loans that were not taken out during the year.				

Wentworth Shire Council

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

Note 19. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial liabilities

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

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

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

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

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

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

		Fair value 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					
Financial liabilities					
Lease liabilities	30/06/18	–	4,779	–	4,779
Payables	30/06/18	–	1,434	–	1,434
Total financial liabilities		–	6,213	–	6,213
Infrastructure, property, plant and equipment*					
Plant and equipment	30/06/11	–	–	5,427	5,427
Office equipment	30/06/11	–	–	230	230
Furniture and fittings	30/06/11	–	–	32	32
Swimming Pools	30/06/18	–	–	1,802	1,802
Community land	1/07/16	–	–	7,842	7,842
Land improvements – depreciable	30/06/18	–	–	4,482	4,482
Buildings	30/06/18	–	–	34,679	34,679
Other structures	30/06/18	–	–	5,917	5,917
Roads, Bridges, Bulk Earthworks & Land					
Under Roads	30/06/16	–	–	285,666	285,666
Footpaths	30/06/16	–	–	2,572	2,572
Stormwater drainage	30/06/17	–	–	14,226	14,226
Water supply network	30/06/17	–	–	30,428	30,428
Sewerage network	30/06/17	–	–	18,461	18,461
Other recreational assets	30/06/18	–	–	352	352
Library books	30/06/17	–	–	107	107
Other Infrastructure	30/06/18	–	–	1,530	1,530
Tip Assets	30/06/18	–	–	2,222	2,222
Total infrastructure, property, plant and equipment		–	–	415,975	415,975

* N.B. Total infrastructure, property, plant and equipment includes capital WIP amount

Wentworth Shire Council

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

Note 19. Fair value measurement

\$ '000

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

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Financial liabilities					
Loans/advances	30/06/17	—	3,751	—	3,751
Payables	30/06/17	—	2,027	—	2,027
Total financial liabilities		—	5,778	—	5,778
Infrastructure, property, plant and equipment*					
Plant and equipment	30/06/11	—	—	5,663	5,663
Office equipment	30/06/11	—	—	155	155
Furniture and fittings	30/06/11	—	—	43	43
Swimming Pools	30/06/14	—	—	581	581
Community land	1/07/16	—	—	7,482	7,482
Land improvements – depreciable	30/06/14	—	—	6,148	6,148
Buildings	30/06/14	—	—	19,370	19,370
Other structures	30/06/14	—	—	9,086	9,086
Roads, Bridges, Bulk Earthworks & Land					
Under Roads	30/06/16	—	—	285,281	285,281
Footpaths	30/06/16	—	—	2,631	2,631
Stormwater drainage	30/06/17	—	—	13,962	13,962
Water supply network	30/06/17	—	—	30,171	30,171
Sewerage network	30/06/17	—	—	18,447	18,447
Other recreational assets	30/06/14	—	—	102	102
Library books	30/06/17	—	—	101	101
Total infrastructure, property, plant and equipment		—	—	399,223	399,223

* N.B. Total infrastructure, property, plant and equipment includes capital WIP amount

(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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (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:

Infrastructure, property, plant and equipment (IPP&E)

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. The key unobservable inputs to the valuation are the remaining useful life and residual value. Council reviews the values of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There have been no change to the valuation process during the reporting period.

Operational Land comprises all of Council 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 last valuation was undertaken at 30 June 2016 using the values provided by the NSW Valuer General's Office. Generally, fair value is the most advantageous price reasonably obtained 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 intended to replace the asset, the remaining useful life and condition of the asset; and cash flows from future use and disposal. There has been no change to the valuation process during the reporting period.

Valuations of all Council's Community Land and Council managed land were based on the land values provided by the NSW Valuer General's Office. As these values 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.

Depreciable Land Improvements comprises land improvements such as spectator mounds, gardens, mulched areas streetscaping and landscaping. These assets may be located on parks, reserves and within road reserves. They were last revalued at 30 June 2018 by Asset Val Pty Ltd. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were all classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Specialised and non-specialised buildings were valued by Asset Val Pty Ltd at 30 June 2018 using the cost approach. The approach estimated the replacement cost of each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

Infrastructure, property, plant and equipment (IPP&E) (continued)

Other Structures comprises lighting systems, shade sails, shelters, tennis and netball courts, bbqs, etc. The cost approach has been utilised whereby the replacement cost was estimated for each asset by taking into account a range of factors. Inputs such as estimates of pattern of consumption, residual value, asset condition and useful life required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation process during the reporting period. These assets were valued by Asset Val Pty Ltd at 30 June 2018

Roads comprises the Road Carriageway, Bus Shelters, Carparks, Guardrails, Kerb & Guttering, Boat Ramps, Wharfs and traffic facilities. The road carriage way is defined as the trafficable portion of a road, between but not including the kerb & gutter. The cost approach using Level 3 inputs was used to value the road carriage way and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were internally valued by Council's Asset team at 30 June 2016. The cost approach was utilised with inputs such as estimates of patterns of consumption, residual value, asset condition and useful life requiring extensive professional judgement which impacted significantly on the final determination of fair value. Additionally due to limitations in the historical records of very long lived assets there is 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.

Footpaths were internally valued by Council's Asset team at 30 June 2016 using a cost approach. Footpaths were segmented to match the adjacent road segment and no further componentisation was undertaken. Footpaths were originally assessed using physical inspections. Condition information is updated as changes in the network are observed through regular inspections. There has been no change to the valuation process during the reporting period.

Stormwater Drainage assets comprises pits, pipes, headwalls, gross pollutant traps and various types of water quality devices. The cost approach estimated the replacement cost of 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. Accordingly due to limitations in the historical records of very long lives assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no changes to the valuation process during the reporting period. These assets were valued by Rapid Map Services Pty Ltd at 30 June 2017.

Sewerage Network and Water Supply Network assets comprises pump stations, reservoirs, treatment plants reticulation mains, trunk mains, manholes, rising mains, pipes, valves, hydrants, standpipes.

The cost approach estimated the replacement cost of 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. Accordingly due to limitations in the historical records of very long lives assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no changes to the valuation process during the reporting period. These assets were valued by AGIS Pty Ltd at 30 June 2017.

Wentworth Shire Council

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

Note 19. Fair value measurement (continued)

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

Infrastructure, property, plant and equipment (IPP&E) (continued)

Swimming pools were valued by Asset Val Pty Ltd at 30 June 2018 using the cost approach. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets include all of Council's playground equipment. They were valued by Asset Val Pty Ltd at 30 June 2018 using the cost approach. Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful life required extensive professional judgement which impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period.

Bridges were internally valued by Council's Asset team at 30 June 2016 using a cost approach. Bridges were originally assessed using physical inspections. Condition information is updated as changes in the condition are observed through regular inspections. There has been no change to the valuation process during the reporting period.

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/16	4,326	124	51	–	4,501
Transfers from/(to) another asset class	(58)	50	8	–	–
Purchases (GBV)	2,296	28	–	–	2,324
Disposals (WDV)	(34)	–	–	–	(34)
Depreciation and impairment	(866)	(46)	(16)	–	(928)
Closing balance – 30/6/17	5,664	156	43	–	5,863
Purchases (GBV)	723	126	4	–	853
Disposals (WDV)	(36)	–	–	–	(36)
Depreciation and impairment	(924)	(52)	(15)	–	(991)
Closing balance – 30/6/18	5,427	230	32	–	5,689

Wentworth Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

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

	Library Books	Community land	Land imp'mts depreciable	Buildings	Total
Opening balance – 1/7/16	–	6,652	3,686	18,713	29,051
Transfers from/(to) another asset class	–	–	294	–	294
Purchases (GBV)	29	564	2,312	1,612	4,517
Depreciation and impairment	(43)	(39)	(145)	(955)	(1,182)
Other movement (revaluation)	–	304	–	–	304
Other movement	115	–	–	–	115
Closing balance – 30/6/17	101	7,481	6,147	19,370	33,099
Transfers from/(to) another asset class	–	–	(2,925)	–	(2,925)
Purchases (GBV)	43	699	1,260	2,151	4,153
Disposals (WDV)	–	(235)	–	–	(235)
Depreciation and impairment	(37)	–	–	(723)	(760)
Other movement (revaluation)	–	(103)	–	13,881	13,778
Closing balance – 30/6/18	107	7,842	4,482	34,679	47,110

	Other structures	Roads	Footpaths	Stormwater drainage	Total
Opening balance – 1/7/16	9,372	284,790	2,497	5,053	301,712
Transfers from/(to) another asset class	(294)	–	–	–	(294)
Purchases (GBV)	259	4,518	214	305	5,296
Depreciation and impairment	(251)	(4,026)	(80)	(68)	(4,425)
Other movement (revaluations)	–	–	–	8,672	8,672
Closing balance – 30/6/17	9,086	285,282	2,631	13,962	310,961
Transfers from/(to) another asset class	499	–	–	–	499
Purchases (GBV)	288	3,985	23	486	4,782
Depreciation and impairment	(204)	(3,601)	(82)	(222)	(4,109)
Closing balance – 30/6/18	9,669	285,666	2,572	14,226	312,133

Wentworth Shire Council

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

Note 19. Fair value measurement (continued)

\$ '000

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

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

	Water supply network	Sewerage network	Swimming pools	Open Space	Total
Opening balance – 1/7/16	17,968	17,188	534	123	35,813
Purchases (GBV)	754	1,120	98	17	1,989
Depreciation and impairment	(433)	(695)	(50)	(39)	(1,217)
Other movement (revaluations)	11,882	834	–	–	12,716
Closing balance – 30/6/17	30,171	18,447	582	101	49,301
Purchases (GBV)	900	757	35	–	1,692
Depreciation and impairment	(643)	(743)	(51)	(47)	(1,484)
FV gains – other comprehensive income	–	–	1,236	298	1,534
Closing balance – 30/6/18	30,428	18,461	1,802	352	51,043

(5). Highest and best use

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018	2017
Short-term benefits	1,542	1,459
Total	1,542	1,459

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Purchase of Parts and Service of Heavy Plant	1	105,778	6,577	30 Day Terms on Invoice	—	—
Purchase of Heavy Plant	2	195,326	—	30 Day Terms on Invoice	—	—
Property Management Fees	3	1,040	—	Standard Industry Commission	—	—
Fees and Charges	4	845	—	30 Day Terms on Invoice	—	—
Contribution to Operating Costs	5	—	3,577	30 Day Terms on Invoice	—	—
Employee Remuneration relating to a close family member of a KMP	6	82,923	—	Local Government State Award	—	—
Supply of Hardware Materials	7	1,535	274	30 Day Terms on Invoice	—	—
Donations, Grants and Contributions	8	17,115	—	Donations Grants and Contribution Program	—	—
Tree Removal and Weed Slashing	9	67,364	4,000	30 Day Terms on Invoice	—	—
Cleaning Services	10	82,996	9,503	30 Day Terms on Invoice	—	—
Venue Hire and Catering	11	370	—	30 Day Terms on Invoice	—	—
Professional Consulting Services	12	524,191	42,352	30 Day Terms on Invoice	—	—
Document Destruction Services and Purchase of Furniture	13	2,160	169	30 Day Terms on Invoice	—	—
Painting Services	15	4,109	—	30 Day Terms on Invoice	—	—

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2017						
Purchase of Heavy Plant, Parts and Servicing ¹	1	1,463,000	200,000	30 Day Terms on invoice	—	—
Sale of Plant and Equipment ³	2	194,000	28,000	30 Day Terms on invoice	—	—
Property Management Fees ⁴	3	1,000	—	Standard Industry Commission	—	—
Fees and Charges ⁵	4	31,000	—	30 Day Terms on invoice	—	—
River Cruise Charter Services ⁶	5	2,000	—	30 Day Terms on invoice	—	—
Contribution to Operating Costs ⁷	6	—	4,000		—	—
Employee Expenses relating to a close family member of KMP ⁸	7	9,000	—	Local Government State Award	—	—
Supply of Hardware materials	8	1,000	—	30 Day Terms on invoice	—	—
Donations, Grants and Contributions ¹⁰	9	18,000	—	Donations, Contribution and Grants Program.	—	—
Tree Removal Services ¹¹	10	39,000	11,000	30 Day Terms on invoice	—	—
Cleaning Services ¹²	11	73,000	—	30 Day Terms on invoice	—	—
Venue Hire and Catering ¹³	12	14,000	—	30 Day Terms on invoice	—	—
Professional Consulting Services ¹⁴	13	262,000	58,000	30 Day Terms on invoice	—	—
Document Destruction Services	14	4,000	—	30 Day Terms on invoice	—	—

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

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

- 1 Council purchases parts and has heavy plant serviced by William Adams Pty Ltd and Mildura Truck Centre Pty Ltd, companies that employee close family members of Council KMP's. Services and spare parts are billed based on normal rates for such supplies and are due and payable under normal payment terms following Council's procurement process.
- 2 Council purchased Heavy Plant from Mildura Truck Centre Pty Ltd, a company that employees a close family member of a Council KMP. Plant purchase to the value of \$195,326 was awarded through a competitive tender process based on market rates for these machines. Amounts were billed and paid for following delivery.
- 3 Council has an investment property that is managed by Elstone Agencies Pty Ltd, a company directly controlled by a Council KMP. Commission was paid under standard industry terms following Council's procurement process
- 4 Planning fees were received in relation to Sec 149 Certificates from Elstone Agencies Pty Ltd, a company which is directly controlled by a Council KMP. The certificates relate to blocks of land on Pooncarie Road. Hire Fees were received in relation to the use of Council buildings by Murray House Aged Care, an organisation that is jointly controlled by a Council KMP. Fees were received in relation to the purchase of supplies from Council's store by the Wentworth Golf Club, an organisation that is jointly controlled by a Council KMP. Fees and Charges for Food Premises Inspections, Waste disposal and hire of Council parks was received by the Coomealla Memorial Sporting Club, an organisation that is jointly controlled by a Council KMP. Licence fees for the use of a Crown Reserves which Council is the Reserve Trustee was received from the Wentworth Golf Club, an organisation which is jointly controlled by a Council KMP. Licence fees for the use of a Crown Reserve which Council is the Reserve Trustee was received from the Wentworth Bowls Club, an organisation jointly controlled by a Council KMP.
- 5 An outstanding amount is owed to Council by Wentworth Cruises, a business that employees a Council KMP and is jointly controlled by a Council KMP. The amount is a contribution to the operating costs of a Crown Reserve which Council is the Reserve Trustee.
- 6 A close family member of a Council KMP is employed by Council under the Local Government State Award on an arm's length basis.
- 7 Council purchased hardware supplies from Wheeldon's Hardware, a business directly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement processes.
- 8 Council approved Donations and Contributions to Wentworth Rotary Club, Murray House Aged Care, and Wentworth Golf Club as part of Council's annual Donations, Grants and Contributions program. All four organisations are jointly controlled by a Council KMP.
- 9 Council incurred transactions during the year with XCAV8IT, a business that is directly controlled by a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 10 Council incurred transactions with Wally Green's Hygiene & Cleaning Services, a business that employees a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions (continued)

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

- 11 Council incurred transactions with the Coomealla Memorial Sporting Club, a business that is jointly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 12 Council incurred transactions with Aurecon Pty Ltd, a company that employed the close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process. Council incurred transactions with Tonkins Consulting Pty Ltd, a company that employs the close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process. Council incurred transactions with Juxter Pty Ltd, a company that employs a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 13 Council incurred transactions with the Christie Centre Inc, an organisation that is jointly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 14 During the year Council transferred 100 ML of temporary water to the Coomealla Memorial Sporting Club for zero consideration. The club operates the Coomealla Golf Club and leases a Crown Reserve of which Council is the Reserve Trustee. The Club is jointly controlled by a Council KMP. During the year Council transferred 200 ML of temporary water to the Wentworth Golf Club for zero consideration. The Club operates the Wentworth Golf Club and leases a Crown Reserve of which Council is the Reserve Trustee. The Club is jointly controlled by a Council KMP.
- 15 Council incurred transactions with Darren Norris Painting & Decorating, a business that employs a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	104	30	–	3	–	–	137	–
Stormwater	443	–	–	11	–	–	454	–
S7.11 contributions – under a plan	547	30	–	14	–	–	591	–
Total S7.11 and S7.12 revenue under plans	547	30	–	14	–	–	591	–
S64 contributions	–	111	–	–	(111)	–	–	–
Total contributions	547	141	–	14	(111)	–	591	–

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	104	30	–	3	–	–	137	–
Stormwater	443	–	–	11	–	–	454	–
Total	547	30	–	14	–	–	591	–

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,099	1,476	5,588
User charges and fees	1,448	186	5,125
Interest and investment revenue	198	84	483
Other revenues	58	–	782
Grants and contributions provided for operating purposes	100	17	10,130
Grants and contributions provided for capital purposes	98	13	1,394
Other income			
Net gains from disposal of assets	–	–	121
Total income from continuing operations	3,001	1,776	23,623
Expenses from continuing operations			
Employee benefits and on-costs	41	26	9,589
Borrowing costs	3	–	188
Materials and contracts	1,265	728	3,715
Depreciation and amortisation	643	750	6,140
Other expenses	186	57	3,088
Total expenses from continuing operations	2,138	1,561	22,720
Operating result from continuing operations	863	215	903
 Net operating result attributable to each council fund	 863	 215	 903
 Net operating result for the year before grants and contributions provided for capital purposes	 765	 202	 (491)

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

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

Wentworth Shire Council

Notes to the Financial Statements
as at 30 June 2018

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

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	7,302	2,956	–
Investments	–	–	17,023
Receivables	1,530	303	3,833
Inventories	–	–	184
Other	–	–	141
Total current assets	8,832	3,259	21,181
Non-current assets			
Investments	–	–	1,000
Infrastructure, property, plant and equipment	30,421	18,498	367,056
Intangible assets	–	–	184
Total non-current assets	30,421	18,498	368,240
TOTAL ASSETS	39,253	21,757	389,421
LIABILITIES			
Current liabilities			
Payables	–	–	1,526
Income received in advance	–	–	434
Borrowings	–	–	187
Provisions	–	–	2,244
Total current liabilities	–	–	4,391
Non-current liabilities			
Borrowings	–	–	4,592
Provisions	–	–	1,042
Total non-current liabilities	–	–	5,634
TOTAL LIABILITIES	–	–	10,025
Net assets	39,253	21,757	379,396
EQUITY			
Accumulated surplus	15,697	3,476	37,365
Revaluation reserves	23,556	18,281	342,031
Total equity	39,253	21,757	379,396

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

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

Wentworth Shire Council

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

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	355	1.33%	13.35%	2.41%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	26,774				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	16,527	58.44%	48.00%	53.14%	> 60.00%
Total continuing operating revenue ⁽¹⁾	28,279				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	20,223	7.93x	6.92x	5.62x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	2,549				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	8,079	16.94x	42.30x	36.30x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	477				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	913	9.96%	10.23%	10.03%	10%
Rates, annual and extra charges collectible	9,167				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	28,281	16.28 mths	18.0 mths	18.6 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	1,737				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 11 and 12.

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	-2.31%	13.74%	26.35%	12.00%	6.19%	9.58%	> 0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	51.06%	41.08%	96.10%	83.10%	92.57%	92.83%	> 60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	7.93x	6.92x	No liabilities	No liabilities	No liabilities	No liabilities	> 1.5x

Notes

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	12.20x	35.59x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.07%	5.58%	31.23%	29.36%	15.43%	16.86%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.38	12.37	0.00	0.00	0.00	0.00	> 3 months
Monnthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

END OF AUDITED FINANCIAL STATEMENTS

Wentworth Shire Council

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

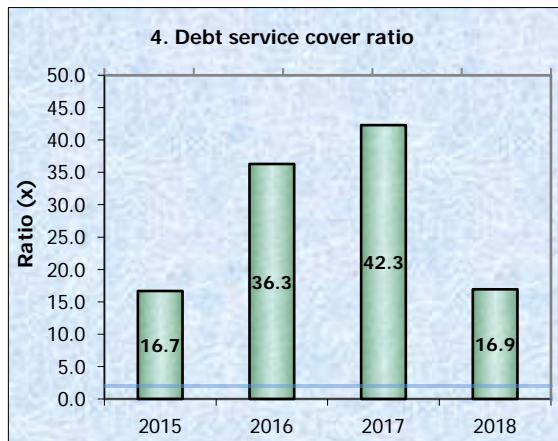
Note 23(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 1.33%</p> <p>Council's result for 17/18 indicates that it is above the benchmark ratio of 0%. Council continues to work on containing operating expenditure within operating revenue.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 58.44%</p> <p>Continued increase in own source revenue from landfill operation plus the addition of the Caravan Park business and additional revenue from RMS works has resulted in this ratio almost reaching the benchmark of >60% for 17/18.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 7.93x</p> <p>Council's ratio continues to be well above the industry average.</p>

Wentworth Shire Council

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

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

Benchmark: — Minimum ≥ 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

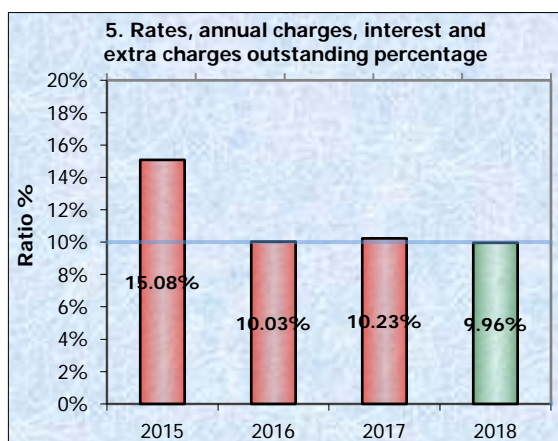
Commentary on 2017/18 result**2017/18 ratio 16.94x**

Council continues to have sufficient operating cash to service current debt levels.



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.

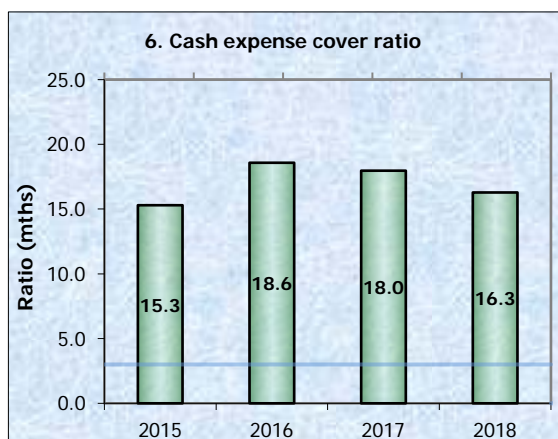
Commentary on 2017/18 result**2017/18 ratio 9.96%**

Council's performance for the year has trended the same as the previous two years and remains right in the industry average.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: — Minimum ≥ 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 16.28 mths**

This ratio indicates that Council can continue paying its immediate expenses for the next 17 months without any additional cash inflow. This is well above the industry requirement of 3 months.



Ratio achieves benchmark

Ratio is outside benchmark

Wentworth Shire Council

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

Note 24. Financial review and commentary

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Inflows:					
Rates and annual charges revenue	8,163	7,938	7,762	7,526	7,312
User charges revenue	6,759	5,570	4,155	3,928	3,934
Interest and investment revenue (losses)	765	808	839	1,027	1,008
Grants income – operating and capital	9,430	13,075	9,439	7,189	5,141
Total income from continuing operations	28,400	31,579	25,123	22,664	20,048
Sale proceeds from IPP&E	710	383	39	189	109
New loan borrowings and advances	1,314	2,936	–	920	–
Outflows:					
Employee benefits and on-cost expenses	9,656	8,478	7,945	7,550	7,249
Borrowing costs	191	74	57	50	48
Materials and contracts expenses	5,708	5,296	4,617	6,064	5,515
Total expenses from continuing operations	26,419	24,952	22,994	23,010	21,918
Total cash purchases of IPP&E	10,465	13,573	6,625	7,626	6,848
Total loan repayments (incl. finance leases)	286	201	169	256	229
Operating surplus/(deficit) (excl. capital income)	476	4,155	601	(1,822)	(3,303)
Financial position figures	Actual 2018	Actual 2017	Actual 2016	Actual 2015	Actual 2014
Current assets	33,272	33,785	30,320	27,384	28,300
Current liabilities	4,391	4,736	4,423	4,548	5,296
Net current assets	28,881	29,049	25,897	22,836	23,004
Available working capital (Unrestricted net current assets)	8,216	9,414	9,646	6,277	8,837
Cash and investments – unrestricted	5,297	7,615	9,405	6,849	9,339
Cash and investments – internal restrictions	10,767	10,010	6,660	8,810	6,908
Cash and investments – total	28,281	28,523	26,134	23,883	23,789
Total borrowings outstanding (Loans, advances and finance leases)	4,779	3,751	1,016	1,185	521
Total value of IPP&E (excl. land and earthwork)	432,236	405,465	351,938	532,985	431,069
Total accumulated depreciation	214,659	204,122	177,381	181,538	161,154
Indicative remaining useful life (as a % of GBV)	50%	50%	50%	66%	63%

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

Wentworth Shire Council

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

Note 25. Council information and contact details

Principal place of business:

26-28 Adelaide Street
Wentworth NSW 2648

Contact details
Mailing address:

26-28 Adelaide Street
Wentworth NSW 2648

Opening hours:

Monday - Friday
8:30am - 5:00pm

Telephone: 03 5027 5027

Facsimile: 03 5027 5000

Internet: www.wentworth.nsw.gov.au

Email: council@wentworth.nsw.gov.au

Officers
ACTING GENERAL MANAGER

Ken Ross

RESPONSIBLE ACCOUNTING OFFICER

Simon Rule

PUBLIC OFFICER

Simon Rule

AUDITORS

Pitcher Partners
SYDNEY NSW 2001

Elected members
MAYOR

Melisa Hedrics

COUNCILLORS

Tim Elstone
Greg Evans
Steve Heywood
Jane MacAllister
Don McKinnon
Susan Nichols
Peter Nunan
Bill Wheeldon

Other information

ABN: 96 283 886 815



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Wentworth Shire Council

To the Councillors of the Wentworth Shire Council

Opinion

I have audited the accompanying financial report of Wentworth 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 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. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

A handwritten signature in cursive script, appearing to read 'D. Ryan'.

Dominika Ryan
Director

8 November 2018
SYDNEY

Cr Melissa Hederics
Mayor
Wentworth Shire Council
PO Box 81
WENTWORTH NSW 2648

Contact: Dominika Ryan
Phone no: 02 09275 7336
Our ref: D1827051/1806

8 November 2018

Dear Mayor

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

I have audited the general purpose financial statements of the Wentworth 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	8.2	7.9	3.8
Grants and contributions revenue	11.8	16.3	(28)
Operating result for the year	2.0	6.6	(70)
Net operating result before capital amounts	0.5	4.2	(88)

Rates and annual charges revenue (\$8.2 million) increased by \$300,000 (3.8 per cent) in 2017–18 due to a 3.5 per cent increase in general and ordinary rates for water and sewerage.

Grants and contributions revenue (\$11.8 million) decreased by \$4.5 million (28 per cent) in 2017–2018. This was mainly caused by the timing of financial assistance grants received in the past two years.

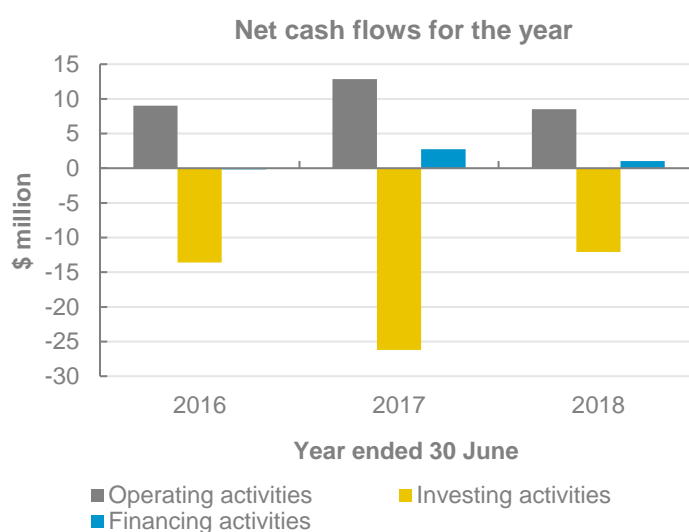
Council's operating result (\$2.0 million including the effect of depreciation and amortisation expense of \$7.5 million) was \$4.6 million lower than the 2016–17 result. The movement was mainly caused by decrease in grant and contributions revenue and increase in employee benefits and on cost expense of \$1.2 million.

STATEMENT OF CASH FLOWS

Operating cash flows were impacted by decrease of \$2.9 million in grants and contributions receipts and increase of \$2.2 million in employee benefits and on costs and other expenses payments.

Net cash flow used in investing activities decreased by \$14.1 million mainly due to decrease in purchases of investment securities and IPPE.

Net cash flow from financing activities decreased by \$1.7 million due to lower proceeds from borrowings.



FINANCIAL POSITION

Cash and Investments

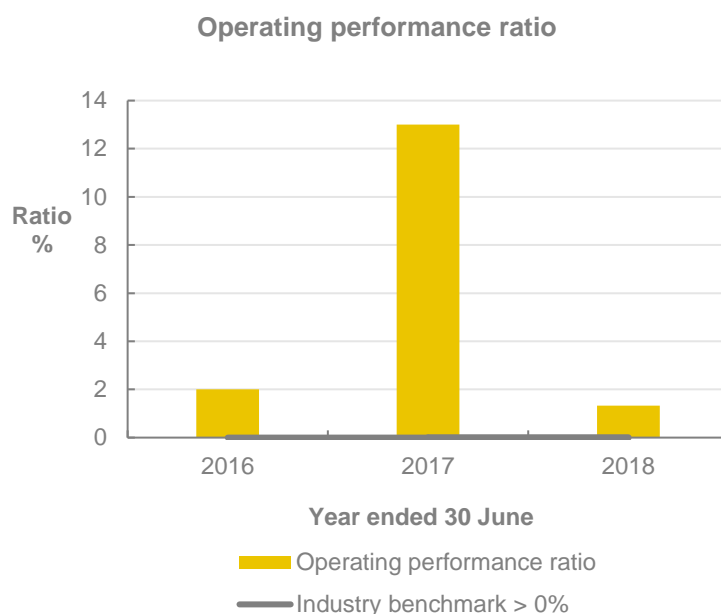
Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	12.2	10.9	The Council's externally restricted cash and investments increased by 12 per cent mainly due to: <ul style="list-style-type: none"> water supplies have increased by \$817,000 sewerage services increased by \$554,000.
Internal restrictions	10.8	10.0	
Unrestricted	5.3	7.6	
Cash and investments	28.3	28.5	<p>Council's internally restricted cash and investments remained largely consistent with 2016–17.</p> <p>Council's unrestricted cash and investment decreased by \$2.3 million and is used to meet day-to-day obligations.</p>

PERFORMANCE RATIOS

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

Operating performance ratio

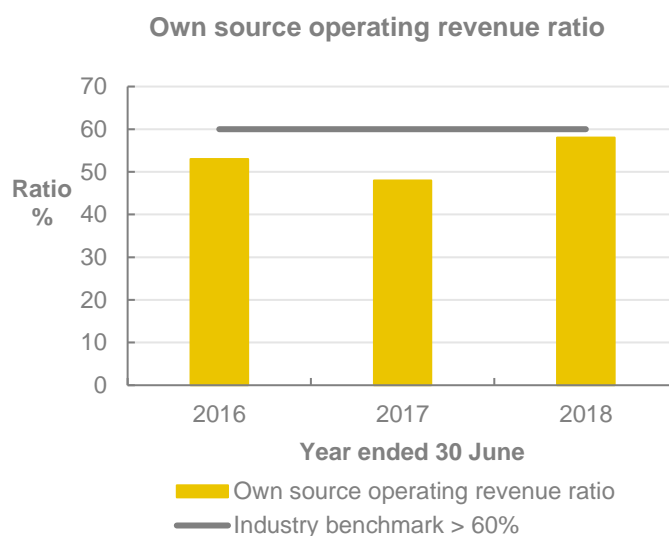
The Council's operating performance ratio of 1.3 per cent in 2017–18 exceeds the industry benchmark. The ratio decreased this year due to lower operating result which is a result of lower grants and contributions revenue and increased expenses. The 'operating performance ratio' measures how well council 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

The Council's own source operating ratio of 58.4 per cent is below the industry benchmark.

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.

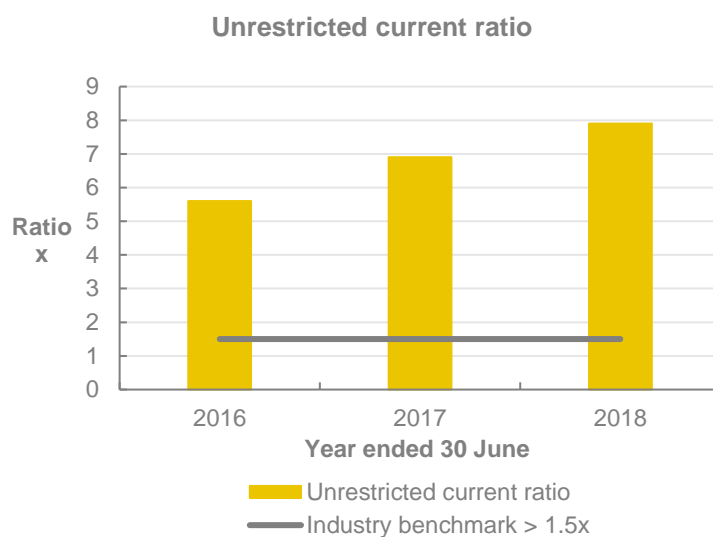


Unrestricted current ratio

The ratio indicates the Council has \$7.93 available to service every \$1.0 of unrestricted current liabilities. This reflects a sufficient operating buffer for use in Council's operations and exceeds the industry benchmark.

The advance receipt of 2018–19 financial assistance grant positively impacted this ratio.

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

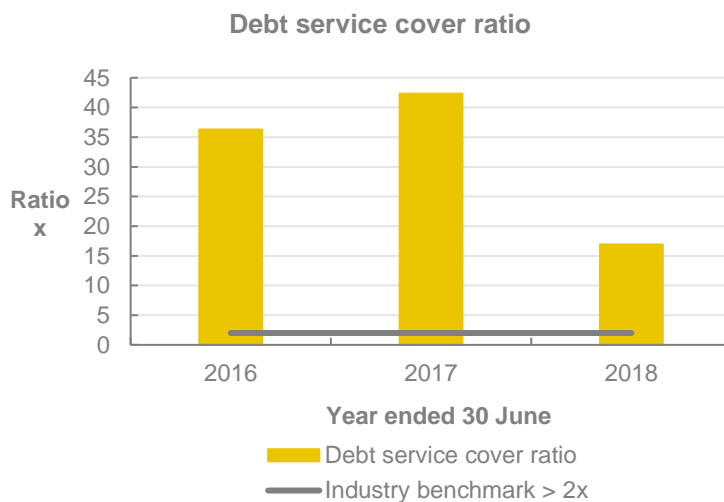


Debt service cover ratio

The Council's debt service cover ratio of 16.9 times continues to exceed the industry benchmark. The ratio is well above industry benchmarks because of the Council's low levels of debt.

The ratio is lower than the previous year due to lower operating result before capital.

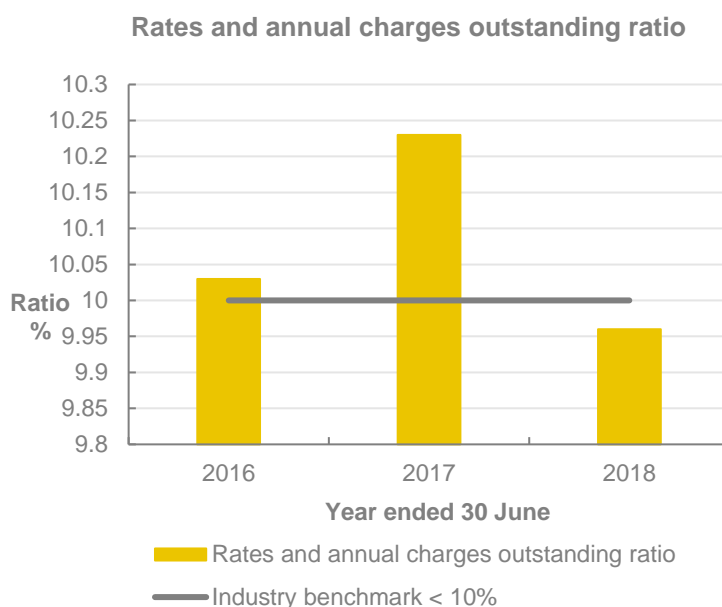
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

The Council's outstanding rates and charges ratio of 9.96 per cent shows a decrease from 2016–17 and is lower than the industry benchmark.

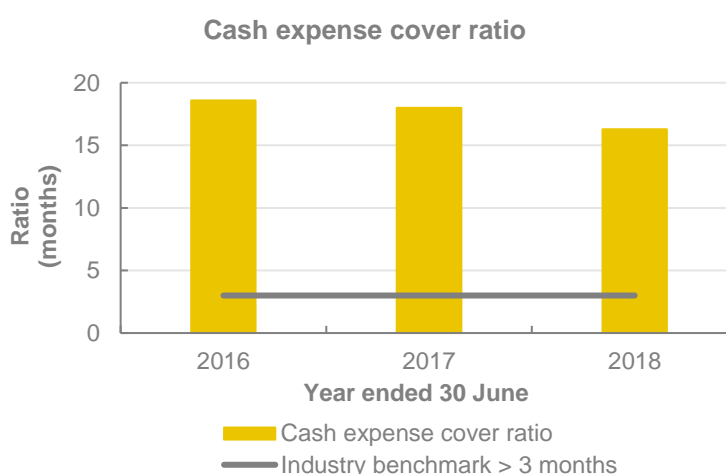
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

The Council's cash expense cover ratio of 16.3 months continues to exceed the industry benchmark. This reflects the substantial amount of cash and term deposits.

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.



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 11.

AASB 2016–4 ‘Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities’ – Amendment to AASB 136

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating specialised assets, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

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.



Dominika Ryan
Director, Financial Audit Services

cc: Ken Ross, Acting General Manager

Wentworth Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

“The Shire on Two Rivers”



Wentworth Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
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Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Wentworth Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2018.



Melisa Hedrics
Mayor
17 October 2018



Tim Elstone
Councillor
17 October 2018



Ken Ross
Acting General Manager
17 October 2018



Simon Rule
Responsible Accounting Officer
17 October 2018

Wentworth Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,099	1,073
User charges	1,448	1,125
Fees	—	23
Interest	198	180
Grants and contributions provided for non-capital purposes	100	169
Other income	58	56
Total income from continuing operations	2,903	2,626
Expenses from continuing operations		
Employee benefits and on-costs	41	315
Borrowing costs	3	—
Materials and contracts	1,265	1,017
Depreciation, amortisation and impairment	643	674
Other expenses	186	305
Total expenses from continuing operations	2,138	2,311
Surplus (deficit) from continuing operations before capital amounts	765	315
Grants and contributions provided for capital purposes	98	511
Surplus (deficit) from continuing operations after capital amounts	863	826
Surplus (deficit) from all operations before tax	863	826
Less: corporate taxation equivalent (30%) [based on result before capital]	(230)	(95)
SURPLUS (DEFICIT) AFTER TAX	634	732
Plus opening retained profits	14,834	14,008
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	230	95
Closing retained profits	15,697	14,834
Return on capital %	2.5%	0.9%
Subsidy from Council	32	498
Calculation of dividend payable:		
Surplus (deficit) after tax	634	732
Less: capital grants and contributions (excluding developer contributions)	—	(319)
Surplus for dividend calculation purposes	634	413
Potential dividend calculated from surplus	317	206

Wentworth Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,476	1,435
User charges	186	–
Interest	84	69
Grants and contributions provided for non-capital purposes	17	17
Other income	–	10
Total income from continuing operations	1,763	1,531
Expenses from continuing operations		
Employee benefits and on-costs	26	163
Materials and contracts	728	405
Depreciation, amortisation and impairment	750	706
Other expenses	57	133
Total expenses from continuing operations	1,561	1,407
Surplus (deficit) from continuing operations before capital amounts	202	124
Grants and contributions provided for capital purposes	13	100
Surplus (deficit) from continuing operations after capital amounts	215	224
Surplus (deficit) from all operations before tax	215	224
Less: corporate taxation equivalent (30%) [based on result before capital]	(61)	(37)
SURPLUS (DEFICIT) AFTER TAX	154	187
Plus opening retained profits	3,261	3,037
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	61	37
Closing retained profits	3,476	3,261
Return on capital %	1.1%	0.7%
Subsidy from Council	284	319
Calculation of dividend payable:		
Surplus (deficit) after tax	154	187
Less: capital grants and contributions (excluding developer contributions)	–	(25)
Surplus for dividend calculation purposes	154	162
Potential dividend calculated from surplus	77	81

Wentworth Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Willow Bend
Caravan Park

Category 2

\$ '000	2018	2017
Income from continuing operations		
Other income	193	—
Total income from continuing operations	193	—
Expenses from continuing operations		
Employee benefits and on-costs	54	—
Materials and contracts	218	—
Total expenses from continuing operations	272	—
Surplus (deficit) from continuing operations before capital amounts	(79)	—
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	(79)	—
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	(79)	—
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	(79)	—
Plus opening retained profits	—	—
Closing retained profits	(79)	—
Return on capital %	-32.0%	n/a
Subsidy from Council	85	—

Wentworth Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	7,302	6,485
Receivables	1,530	1,119
Total current assets	8,832	7,604
Non-current assets		
Infrastructure, property, plant and equipment	30,421	34,178
Total non-current assets	30,421	34,178
TOTAL ASSETS	39,253	41,782
LIABILITIES		
Nil		
NET ASSETS	39,253	41,782
EQUITY		
Accumulated surplus	15,697	14,834
Revaluation reserves	23,556	26,948
TOTAL EQUITY	39,253	41,782

Wentworth Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	2,956	2,403
Receivables	303	281
Total current Assets	3,259	2,684
Non-current assets		
Infrastructure, property, plant and equipment	18,498	18,607
Total non-current assets	18,498	18,607
TOTAL ASSETS	21,757	21,291
LIABILITIES		
Nil		
NET ASSETS	21,757	21,291
EQUITY		
Accumulated surplus	3,476	3,261
Revaluation reserves	18,281	18,030
TOTAL EQUITY	21,757	21,291

Wentworth Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Willow Bend
Caravan Park
Category 2

\$ '000	2018	2017
ASSETS		
Current assets		
Nil		
Non-current assets		
Infrastructure, property, plant and equipment	247	–
Total non-current assets	247	–
TOTAL ASSETS	247	–
LIABILITIES		
Current liabilities		
Payables	92	–
Total current liabilities	92	–
Non-current liabilities		
Nil		
TOTAL LIABILITIES	92	–
NET ASSETS	155	–
EQUITY		
Accumulated surplus	(79)	–
Revaluation reserves	234	–
TOTAL EQUITY	155	–

Wentworth Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Wentworth Shire Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. **Wentworth Shire Council Combined Water Supplies**

Comprising the whole of the operations and net assets of Council's water supply activities servicing the towns of Wentworth, Dareton, Gol Gol, Pooncarie and Buronga, each of which is established as separate Special Rate Fund.

Wentworth Shire Council

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

Note 1. Significant accounting policies (continued)

b. Wentworth Shire Council Combined Sewerage Service

Comprising the whole of the operations and net assets of Council's sewerage reticulation and treatment activities servicing the towns of Wentworth, Dareton, Gol Gol, Pooncarie and Buronga, which is established as a Special Rate Fund.

Category 2

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

c. Willow Bend Caravan Park

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Wentworth Shire Council

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

Note 1. Significant accounting policies (continued)

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

Wentworth Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

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

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Wentworth Shire Council

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	11,790
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	316,750
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	117,900
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,499,400

2018 Surplus	633,500	2017 Surplus	412,500	2016 Surplus	453,400
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	117,900
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Wentworth Shire Council

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

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,746
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	52.84%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	30,421
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,146
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	279
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	3.42%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Wentworth Shire Council

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	6,057
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	–

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	77,200
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	60,570
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	486,500

2018 Surplus	154,400	2017 Surplus	161,800	2016 Surplus	170,300
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	60,570
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

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

Wentworth Shire Council

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

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,608
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	18,461
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	562
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	389
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.60%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	99

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	4,436
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.81%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	668
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.73%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Wentworth Shire Council

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

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

2018

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

NWI F22	Net debt to equity (water and sewerage)	%	-16.82%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		> 100
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		1,335
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		(242)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	979
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	36
	Grants for pensioner rebates (w11b + s12b)		

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Wentworth Shire Council

To the Councillors of the Wentworth Shire Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in cursive script, appearing to read 'D Ryan'.

Dominika Ryan
Director, Financial Services

8 November 2018
SYDNEY

Wentworth Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

“The Shire on Two Rivers”



Wentworth Shire Council

Special Schedules for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Wentworth 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	
Governance	1,235	31	–	(1,204)
Administration	3,482	748	–	(2,734)
Public order and safety				
Fire service levy, fire protection, emergency services	609	333	–	(276)
Beach control	–	–	–	–
Enforcement of local government regulations	65	2	–	(63)
Animal control	209	31	–	(178)
Other	2	1	–	(1)
Total public order and safety	885	367	–	(518)
Health	111	33	–	(78)
Environment				
Noxious plants and insect/vermin control	94	–	–	(94)
Other environmental protection	166	15	–	(151)
Solid waste management	2,108	2,140	–	32
Street cleaning	–	–	–	–
Drainage	–	–	18	18
Stormwater management	293	–	–	(293)
Total environment	2,661	2,155	18	(488)
Community services and education				
Administration and education	28	20	–	(8)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	36	8	–	(28)
Children's services	19	1	–	(18)
Total community services and education	83	29	–	(54)
Housing and community amenities				
Public cemeteries	197	97	–	(100)
Public conveniences	116	–	–	(116)
Street lighting	–	–	–	–
Town planning	566	191	30	(345)
Other community amenities	24	–	–	(24)
Total housing and community amenities	903	288	30	(585)
Water supplies	2,137	2,903	98	864
Sewerage services	1,561	1,661	115	215

Wentworth 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	
Recreation and culture				
Public libraries	461	30	11	(420)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	253	33	449	229
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	251	22	—	(229)
Swimming pools	349	—	—	(349)
Parks and gardens (lakes)	703	72	—	(631)
Other sport and recreation	418	33	—	(385)
Total recreation and culture	2,435	190	460	(1,785)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	317	115	—	(202)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	317	115	—	(202)
Transport and communication				
Urban roads (UR) – local	1,481	1,551	—	70
Urban roads – regional	—	—	137	137
Sealed rural roads (SRR) – local	502	1,841	—	1,339
Sealed rural roads (SRR) – regional	275	—	—	(275)
Unsealed rural roads (URR) – local	615	—	—	(615)
Unsealed rural roads (URR) – regional	200	—	348	148
Bridges on UR – local	134	—	—	(134)
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	7	—	—	(7)
Footpaths	237	—	—	(237)
Aerodromes	141	62	—	(79)
Other transport and communication	5,938	3,103	299	(2,536)
Total transport and communication	9,530	6,557	784	(2,189)
Economic affairs				
Camping areas and caravan parks	376	280	—	(96)
Other economic affairs	703	170	—	(533)
Total economic affairs	1,079	450	—	(629)
Totals – functions	26,419	15,527	1,505	(9,387)
General purpose revenues ⁽¹⁾	—	11,368	—	11,368
Share of interests – joint ventures and associates using the equity method	—	—	—	—
NET OPERATING RESULT ⁽²⁾	26,419	26,895	1,505	1,981

(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

Wentworth Shire Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	4,977	4,873
Plus or minus adjustments ⁽²⁾	b	52	31
Notional general income	c = (a + b)	5,029	4,904
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
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	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	116	74
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	5,145	4,978
Plus (or minus) last year's carry forward total	l	(0)	0
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	(0)	0
Total permissible income	$o = k + n$	5,144	4,978
Less notional general income yield	p	5,146	4,977
Catch-up or (excess) result	$q = o - p$	(2)	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	1	—
Less unused catch-up ⁽⁵⁾	s	—	(1)
Carry forward to next year	$t = q + r - s$	(1)	(0)

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Wentworth Shire Council

To the Councillors of the Wentworth Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2019, 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. The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in cursive script, appearing to read 'D. Ryan'.

Dominika Ryan
Director, Financial Audit

8 November 2018
SYDNEY

Wentworth Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	115	115
b. Engineering and supervision	50	52
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	26	21
d. Maintenance expenses	239	239
– Reservoirs		
e. Operation expenses	16	10
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	32	34
h. Energy costs	120	116
i. Maintenance expenses	99	81
– Treatment		
j. Operation expenses (excluding chemical costs)	255	270
k. Chemical costs	84	99
l. Maintenance expenses	110	130
– Other		
m. Operation expenses	–	14
n. Maintenance expenses	–	31
o. Purchase of water	–	63
3. Depreciation expenses		
a. System assets	643	674
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	349	235
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	127
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,138	2,311

Wentworth Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	1,022	995
b. Usage charges	1,145	891
7. Non-residential charges		
a. Access (including rates)	77	78
b. Usage charges	303	234
8. Extra charges	25	–
9. Interest income	173	180
10. Other income	57	79
10a. Aboriginal Communities Water and Sewerage Program	82	150
11. Grants		
a. Grants for acquisition of assets	–	319
b. Grants for pensioner rebates	19	19
c. Other grants	–	–
12. Contributions		
a. Developer charges	98	192
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	3,001	3,137
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	863	826
15a. Operating result (less grants for acquisition of assets)	863	507

Wentworth Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	8	460
b. New assets for growth	227	234
c. Renewals	44	60
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	279	754
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	2,268	2,209
b. Residential (unoccupied, ie. vacant lot)	78	78
c. Non-residential (occupied)	1,584	184
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	34 ET	23 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 33,793	\$ 34,344

Wentworth Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,302	–	7,302
26. Receivables			
a. Specific purpose grants	327	–	327
b. Rates and availability charges	351	–	351
c. User charges	852	–	852
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	30,421	30,421
b. Plant and equipment	–	–	–
29. Other assets	–	–	–
30. Total assets	8,832	30,421	39,253
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	–	–	–
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	–	–	–
36. NET ASSETS COMMITTED	8,832	30,421	39,253
EQUITY			
37. Accumulated surplus			15,697
38. Asset revaluation reserve			23,556
39. Other reserves			–
40. TOTAL EQUITY			39,253
Note to system assets:			
41. Current replacement cost of system assets			55,203
42. Accumulated current cost depreciation of system assets			(24,782)
43. Written down current cost of system assets			30,421

Wentworth Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	75	74
b. Engineering and supervision	30	30
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	105	81
– Pumping stations		
c. Operation expenses (excluding energy costs)	32	31
d. Energy costs	67	69
e. Maintenance expenses	96	73
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	96	97
g. Chemical costs	–	–
h. Energy costs	8	8
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	34	46
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	19	17
3. Depreciation expenses		
a. System assets	750	700
b. Plant and equipment	–	6
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	249	175
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,561	1,407

Wentworth Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,285	1,253
7. Non-residential charges		
a. Access (including rates)	191	182
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	15	–
10. Interest income	69	69
11. Other income	84	10
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	99	–
b. Grants for pensioner rebates	17	17
c. Other grants	–	25
13. Contributions		
a. Developer charges	13	75
b. Developer provided assets	–	–
c. Other contributions	3	–
14. Total income	1,776	1,631
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	215	224
16a. Operating result (less grants for acquisition of assets)	116	224

Wentworth Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	251	475
b. New assets for growth	–	172
c. Renewals	138	473
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	389	1,120
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,757	2,417
b. Residential (unoccupied, ie. vacant lot)	78	78
c. Non-residential (occupied)	184	184
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	62 ET	83 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 30,568	\$ 31,370

Wentworth Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	2,957	—	2,957
27. Receivables			
a. Specific purpose grants	72	—	72
b. Rates and availability charges	230	—	230
c. User charges	—	—	—
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	18,461	18,461
b. Plant and equipment	—	37	37
30. Other assets	—	—	—
31. Total assets	3,259	18,498	21,757
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	3,259	18,498	21,757
EQUITY			
38. Accumulated surplus			3,476
39. Asset revaluation reserve			18,281
40. Other reserves			—
41. TOTAL EQUITY			21,757
Note to system assets:			
42. Current replacement cost of system assets			44,173
43. Accumulated current cost depreciation of system assets			(25,712)
44. Written down current cost of system assets			18,461

Wentworth Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Wentworth 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 ^a	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	4,508	4,508	137	190	34,677	69,942	31%	40%	16%	10%	3%
	Sub-total	4,508	4,508	137	190	34,677	69,942	31.0%	40.0%	16.0%	10.0%	3.0%
Other structures												
	Other structures	116	116	11	19	5,798	10,156	33%	53%	12%	2%	0%
	Sub-total	116	116	11	19	5,798	10,156	33.0%	53.0%	12.0%	2.0%	0.0%
Roads												
	Sealed roads	1,389	1,389	1,270	869	63,149	131,595	30.7%	53.5%	13.6%	2.1%	0.1%
	Unsealed roads	5,260	5,260	1,403	737	16,436	34,251	23.2%	23.7%	21.1%	16.3%	15.7%
	Bridges	116	116	2	2	8,310	11,726	44.0%	54.5%	0.1%	1.4%	0.0%
	Footpaths	26	26	188	142	2,553	4,204	48.8%	46.8%	3.4%	1.0%	0.0%
	Bulk earthworks	–	–	–	–	190,309	190,309	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb	180	180	–	–	6,919	14,421	37.7%	49.7%	10.0%	2.3%	0.3%
	Sub-total	6,971	6,971	2,863	1,750	287,676	386,506	65.0%	24.3%	6.9%	2.3%	1.4%
Water supply network												
	Water supply network	9,189	9,189	905	1,030	29,932	54,714	15.3%	41.2%	12.8%	30.7%	0.0%
	Sub-total	9,189	9,189	905	1,030	29,932	54,714	15.3%	41.2%	12.8%	30.7%	0.0%
Sewerage network												
	Sewerage network	5,305	5,305	432	462	18,105	43,817	11.1%	20.2%	39.4%	18.0%	11.3%
	Sub-total	5,305	5,305	432	462	18,105	43,817	11.1%	20.2%	39.4%	18.0%	11.3%

Wentworth 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 ^a	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	169	169	107	81	14,049	22,650	25.9%	58.6%	14.3%	1.0%	0.2%
	Sub-total	169	169	107	81	14,049	22,650	25.9%	58.6%	14.3%	1.0%	0.2%
Open space/recreational assets	Swimming pools	559	559	63	42	1,802	3,000	0%	0%	69%	31%	0%
	Playgrounds	42	42	8	22	352	639	27%	38%	23%	8%	4%
	Sub-total	601	601	71	64	2,154	3,639	4.7%	6.7%	60.9%	27.0%	0.7%
Other infrastructure assets	Weir, Wharf Banks	31	31	48	59	1,530	1,827	33%	53%	12%	2%	0%
	Sub-total	31	31	48	59	1,530	1,827	33.0%	53.0%	12.0%	2.0%	0.0%
	TOTAL – ALL ASSETS	26,888	26,888	4,574	3,655	393,921	593,251	49.9%	29.2%	11.6%	7.1%	2.1%

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

Wentworth 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 ⁽¹⁾					
Asset renewals ⁽²⁾	3,692	58.53%	100.65%	72.14%	>= 100%
Depreciation, amortisation and impairment	6,308				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	26,888	6.77%	12.73%	11.29%	< 2.00%
Net carrying amount of infrastructure assets	397,143				
3. Asset maintenance ratio					
Actual asset maintenance	3,655	79.91%	119.26%	100.00%	> 100%
Required asset maintenance	4,574				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	26,888	4.53%	4.31%	3.68%	
Gross replacement cost	593,251				

Notes

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

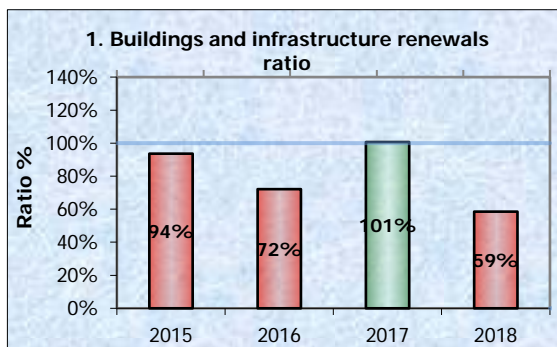
⁽¹⁾ Excludes Work In Progress (WIP)

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

Wentworth Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018



Benchmark: — Minimum $\geq 100.00\%$

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

Purpose of asset renewals ratio

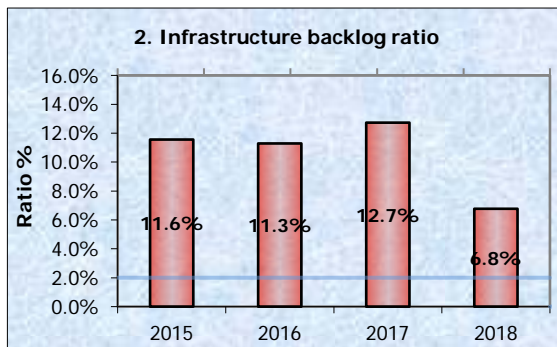
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 58.53%

Due to an underspend in capital works compared to the budget capital works program in 17/18 this figure has reduced dramatically

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

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

Purpose of infrastructure backlog ratio

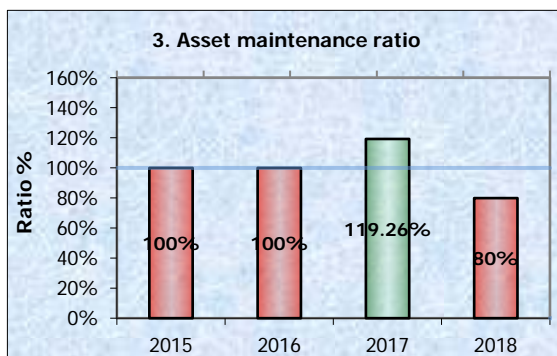
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 6.77%

The capital works that Council did complete in 17/18 was targeted at backlog works which has resulted in a reduction in the backlog %.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$

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

Purpose of asset maintenance ratio

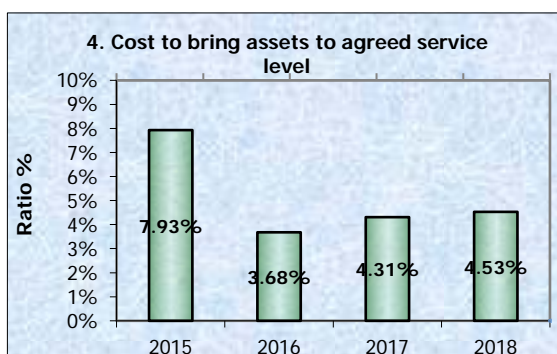
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 79.91%

Due to additional capital works on backlog areas in 17/18 there was less of a need to spend funds on maintenance works.

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2017/18 result

2017/18 Ratio 4.53%

This figure has stayed relatively stable in recent years as the value of Council asset base increases.

Wentworth Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾							
Depreciation, amortisation and impairment	68.83%	104.21%	8.09%	60.97%	33.92%	97.41%	>= 100%
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.55%	6.83%	30.70%	30.70%	29.30%	29.30%	< 2.00%
3. Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	66.82%	130.35%	113.81%	117.56%	106.94%	88.31%	> 100%
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.51%	2.07%	16.79%	17.15%	12.11%	13.59%	