

Wentworth Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“The Shire on Two Rivers”



Wentworth Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

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Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 28 October 2016. Council has the power to amend and reissue these financial statements.
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Wentworth Shire Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

Wentworth Shire Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 October 2016.



Melisa Hedrics
Mayor



Tim Elstone
Councillor



Peter Kozlowski
General manager



Simon Rule
Responsible accounting officer

Wentworth Shire Council

Income Statement

for the year ended 30 June 2016

Budget 2016	¹ \$ '000	Notes	Actual 2016	Actual 2015
	Income from continuing operations			
	Revenue:			
7,733	Rates and annual charges	3a	7,762	7,526
3,531	User charges and fees	3b	4,155	3,928
733	Interest and investment revenue	3c	839	1,027
875	Other revenues	3d	576	770
7,143	Grants and contributions provided for operating purposes	3e,f	10,229	7,916
2,896	Grants and contributions provided for capital purposes	3e,f	1,528	1,476
	Other income:			
100	Net gains from the disposal of assets	5	34	21
23,011	Total income from continuing operations		25,123	22,664
	Expenses from continuing operations			
6,883	Employee benefits and on-costs	4a	7,945	7,550
104	Borrowing costs	4b	57	50
4,210	Materials and contracts	4c	4,858	6,064
6,183	Depreciation and amortisation	4d	7,579	6,898
–	Impairment	4d	–	–
2,200	Other expenses	4e	2,555	2,448
19,580	Total expenses from continuing operations		22,994	23,010
3,431	Operating result from continuing operations		2,129	(346)
	Discontinued operations			
–	Net profit/(loss) from discontinued operations	24	–	–
3,431	Net operating result for the year		2,129	(346)
3,431	Net operating result attributable to Council		2,129	(346)
–	Net operating result attributable to non-controlling interests		–	–
535	Net operating result for the year before grants and contributions provided for capital purposes		601	(1,822)

¹ Original budget as approved by Council – refer Note 16

Wentworth Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		2,129	(346)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	13,201	81,112
Total items which will not be reclassified subsequently to the operating result		13,201	81,112
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	(3)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(3)	–
Total other comprehensive income for the year		13,198	81,112
Total comprehensive income for the year		15,327	80,766
Total comprehensive income attributable to Council		15,327	80,766
Total comprehensive income attributable to non-controlling interests		–	–

Wentworth Shire Council

Statement of Financial Position
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	18,134	22,883
Investments	6b	8,000	1,000
Receivables	7	3,564	2,905
Inventories	8	479	502
Other	8	143	94
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		30,320	27,384
Non-current assets			
Investments	6b	—	—
Receivables	7	—	—
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	371,077	358,835
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		371,077	358,835
TOTAL ASSETS		401,397	386,219
LIABILITIES			
Current liabilities			
Payables	10	2,171	2,436
Borrowings	10	190	197
Provisions	10	2,062	1,915
Total current liabilities		4,423	4,548
Non-current liabilities			
Payables	10	—	—
Borrowings	10	826	988
Provisions	10	415	277
Total non-current liabilities		1,241	1,265
TOTAL LIABILITIES		5,664	5,813
Net assets		395,733	380,406
EQUITY			
Retained earnings	20	34,216	32,090
Revaluation reserves	20	361,517	348,316
Council equity interest		395,733	380,406
Non-controlling equity interests		—	—
Total equity		395,733	380,406

Wentworth Shire Council

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		32,091	348,315	380,406	—	380,406
a. Correction of prior period errors	20 (c)	(1)	1	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		32,090	348,316	380,406	—	380,406
c. Net operating result for the year		2,129	—	2,129	—	2,129
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	13,201	13,201	—	13,201
– Other movements	20a	(3)	—	(3)	—	(3)
Other comprehensive income		(3)	13,201	13,198	—	13,198
Total comprehensive income (c&d)		2,126	13,201	15,327	—	15,327
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		34,216	361,517	395,733	—	395,733

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		32,437	267,203	299,640	—	299,640
a. Correction of prior period errors	20 (c)	(1)	1	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		32,436	267,204	299,640	—	299,640
c. Net operating result for the year		(346)	—	(346)	—	(346)
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	81,112	81,112	—	81,112
Other comprehensive income		—	81,112	81,112	—	81,112
Total comprehensive income (c&d)		(346)	81,112	80,766	—	80,766
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		32,090	348,316	380,406	—	380,406

Wentworth Shire Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
7,733	Rates and annual charges		8,482	8,222
3,531	User charges and fees		2,657	4,232
733	Investment and interest revenue received		613	1,191
10,039	Grants and contributions		11,768	9,421
875	Other		2,196	2,232
Payments:				
(6,883)	Employee benefits and on-costs		(7,738)	(7,231)
(4,210)	Materials and contracts		(5,806)	(7,319)
(104)	Borrowing costs		(57)	(51)
(2,200)	Other		(3,109)	(3,830)
9,514	Net cash provided (or used in) operating activities	11b	9,006	6,867
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		69,000	67,000
100	Sale of infrastructure, property, plant and equipment		39	189
Payments:				
–	Purchase of investment securities		(76,000)	(60,000)
(11,755)	Purchase of infrastructure, property, plant and equipment		(6,625)	(7,626)
(11,655)	Net cash provided (or used in) investing activities		(13,586)	(437)
Cash flows from financing activities				
Receipts:				
1,810	Proceeds from borrowings and advances		–	920
Payments:				
(201)	Repayment of borrowings and advances		(169)	(256)
1,609	Net cash flow provided (used in) financing activities		(169)	664
(532)	Net increase/(decrease) in cash and cash equivalents		(4,749)	7,094
22,000	Plus: cash and cash equivalents – beginning of year	11a	22,883	15,789
21,468	Cash and cash equivalents – end of the year	11a	18,134	22,883
Additional Information:				
plus:	Investments on hand – end of year	6b	8,000	1,000
Total cash, cash equivalents and investments			26,134	23,883

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Wentworth Shire Council

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

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of infrastructure, property, plant and equipment,

(b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- General Purpose Operations
- Wentworth Shire Council Water Supply Fund
- Wentworth Shire Council Sewerage Fund

(ii) The trust fund

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

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Wentworth Shire Council

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

Note 1. Summary of significant accounting policies (continued)

Joint arrangements

Council has no interest in any joint arrangements.

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

(d) Leases

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

Finance leases

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

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

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

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

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

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

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

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

(f) Investments and other financial assets

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

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

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

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial assets – reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of investments

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

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

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation – financial instruments

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

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

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(h) Receivables

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

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

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

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

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

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

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

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

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(ii) 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 2016

Note 1. Summary of significant accounting policies (continued)

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

Acquisition of assets

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

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

- **Plant and equipment** (as approximated by depreciated historical cost)
- **Operational land** (external valuation - Valuer General effective 1st July 2014)
- **Community land** (external valuation - Valuer General effective 1st July 2014)
- **Land improvements** (external valuation - Asset Val effective 30th June 2014)
- **Buildings – specialised/non-specialised** (external valuation – Asset Val effective 30th June 2014)
- **Other structures** (external valuation – Asset Val effective 30th June 2014)
- **Roads assets including roads, bridges and footpaths** (internal valuation – Wentworth Shire Council Assets team effective 30th June 2015 on Gross Current Replacement Value Basis)
- **Bulk earthworks** (internal valuation – Wentworth Shire Council Assets team effective 30th June 2015 on Gross Current Replacement Value Basis)
- **Stormwater drainage** (external valuation – Asset Val effective 30th June 2010)
- **Water and sewerage networks** (external valuation – Asset Val effective 30th June 2012)
- **Swimming pools** (external valuation – Asset Val effective 30th June 2014)
- **Other open space/recreational assets** (external valuation – Asset Val effective 30th June 2014)
- **Other infrastructure** (external valuation – Asset Val effective 30th June 2014)
- **Other assets** (as approximated by depreciated historical cost)

- **Investment properties** – refer Note 1(p),

Initial recognition

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

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

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

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

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

Capitalisation thresholds

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

Land

- Council Land	100% Capitalised
- Open Space	100% Capitalised
- Land Under Roads (purchases after 30/6/08)	100% Capitalised

Plant & Equipment

Office Furniture & Fittings	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

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

Other Structures	> \$10,000
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Water & Sewer Assets

Reticulation Extensions	100% Capitalised
Other	100% Capitalised

Stormwater Assets

Drains & Culverts	100% Capitalised
Other	100% Capitalised

Transport Assets

Road Construction & Reconstruction	100% Capitalised
Reseal/Re-sheet & Major Repairs	100% Capitalised
Bridge Construction & Reconstruction	100% Capitalised

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	3 to 5 years
- Office Furniture & Fittings	up to 10 years
- Computer Equipment	3 to 5 years
- Vehicles	up to 10 years
- Heavy Plant/Road Making Equip.	5 to 10 years
- Other Plant & Equipment	up to 10 years

Other Equipment

- Playground Equipment	5 to 15 years
- Benches, Seats etc	10 to 20 years

Buildings

- Buildings	20 to 100 years
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Stormwater Drainage

- Drains	up to 100 years
- Culverts	up to 100 years
- Flood Control Structures	up to 100 years

Transportation Assets

- Sealed Roads: Surface	15 to 25 years
- Sealed Roads: Structure	up to 100 years
- Unsealed roads	up to 100 years

- Bridge: Concrete	80 to 100 years
- Bridge: Other	up to 50 years
- Kerb, Gutter & Paths	up to 100 years

Water & Sewer Assets

- Dams & Reservoirs	80 to 100 years
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Wentworth Shire Council

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

Note 1. Summary of significant accounting policies (continued)

- Bores	20 to 40 years
- Pumps & Telemetry	15 to 20 years

Other Infrastructure Assets

- Other Structures	10 to 50 years
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

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

Disposal and derecognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

(o) Rural fire service assets

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(p) Investment property

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

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every year.

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

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

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

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs

based on feasibility and engineering studies using current restoration standards and techniques.

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

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

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

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

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

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

line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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

(s) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

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

(u) Borrowings

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined benefit plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its

obligations to defined contribution plans – i.e. as an expense when they become payable.

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

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

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

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

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

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST, other than Trust Account – Money Held in Trust.

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

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

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

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

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

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

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

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

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

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

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

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

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

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

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

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

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

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

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(ac) Rounding of amounts

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

(ad) Comparative figures

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

(ae) Disclaimer

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	1	–	397	1,108	609	(397)	(1,107)	(609)	–	21	1,210	4
Administration	709	502	573	2,044	2,906	3,935	(1,335)	(2,404)	(3,362)	22	31	37,525	30,324
Public order and safety	412	368	317	784	783	760	(372)	(415)	(443)	311	517	1,228	1,253
Health	11	8	8	150	83	74	(139)	(75)	(66)	–	56	–	–
Environment	33	1,569	56	329	1,924	263	(296)	(355)	(207)	151	–	10,007	8,594
Community services and education	32	149	40	69	205	110	(37)	(56)	(70)	127	–	679	719
Housing and community amenities	942	260	1,143	1,930	780	2,090	(988)	(520)	(947)	–	48	7,646	8,443
Water supplies	1,825	2,755	2,581	1,883	2,121	1,789	(58)	634	792	196	209	22,216	28,178
Sewerage services	1,432	1,511	1,470	1,316	1,269	1,058	116	242	412	17	18	20,050	19,746
Recreation and culture	636	217	248	1,892	2,391	2,202	(1,256)	(2,174)	(1,954)	132	56	8,831	9,234
Mining, manufacturing and construction	38	81	68	229	248	234	(191)	(167)	(166)	–	–	–	–
Transport and communication	5,359	6,767	5,089	7,615	8,305	8,787	(2,256)	(1,538)	(3,698)	2,880	848	289,952	277,656
Economic affairs	293	247	521	942	871	1,099	(649)	(624)	(578)	60	30	2,053	2,068
Total functions and activities	11,722	14,435	12,114	19,580	22,994	23,010	(7,858)	(8,559)	(10,896)	3,896	1,834	401,397	386,219
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	11,289	10,688	10,550	–	–	–	11,289	10,688	10,550	5,543	5,355	–	–
Operating result from continuing operations	23,011	25,123	22,664	19,580	22,994	23,010	3,431	2,129	(346)	9,439	7,189	401,397	386,219

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

Wentworth Shire Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Wentworth Shire Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		1,618	1,533
Farmland		1,575	1,550
Business		1,349	1,319
Total ordinary rates		4,542	4,402
Special rates			
Tourism		38	37
Levee bank		113	112
Total special rates		151	149
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		615	594
Water supply services		1,046	1,008
Sewerage services		1,408	1,373
Total annual charges		3,069	2,975
TOTAL RATES AND ANNUAL CHARGES		7,762	7,526

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

Wentworth Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		1,280	1,173
Total user charges		1,280	1,173
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services		5	5
Planning and building regulation		218	202
Private works – section 67		59	64
Section 149 certificates (EPA Act)		56	45
Section 603 certificates		20	18
Tapping fees		25	26
Total fees and charges – statutory/regulatory		383	360
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		26	7
Animal control		20	24
Cemeteries		70	74
Library and art gallery		4	1
RMS (formerly RTA) charges (state roads not controlled by Council)		1,579	2,094
Waste disposal tipping fees		791	193
Other – road opening permits		2	2
Total fees and charges – other		2,492	2,395
TOTAL USER CHARGES AND FEES		4,155	3,928

Wentworth Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		84	241
– Interest earned on investments (interest and coupon payment income)		755	733
Other		–	53
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>839</u>	<u>1,027</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		84	241
General Council cash and investments		519	552
Restricted investments/funds – external:			
Development contributions			
– Section 94		14	22
Water fund operations		152	144
Sewerage fund operations		70	68
<u>Total interest and investment revenue recognised</u>		<u>839</u>	<u>1,027</u>
(d) Other revenues			
Rental income – other council properties		106	114
Diesel rebate		97	92
Facilities revenue		97	95
Insurance claim recoveries		105	106
Insurance rebates		18	69
Rural fire service reimbursements		15	119
Sales – miscellaneous		36	59
Other – other public works		4	37
Other – meter readings		6	5
Other		92	74
<u>TOTAL OTHER REVENUE</u>		<u>576</u>	<u>770</u>

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,611	3,414	–	–
Financial assistance – local roads component	1,884	1,894	–	–
Pensioners' rates subsidies – general component	48	47	–	–
Total general purpose	5,543	5,355	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	18	19	–	–
– Sewerage	18	18	–	–
– Domestic waste management	23	20	–	–
Water supplies	179	190	–	–
Bushfire and emergency services	310	517	–	–
Employment and training programs	22	31	–	–
Library – per capita	13	25	–	–
Library – special projects	–	–	19	6
Noxious weeds	37	56	–	–
Recreation and culture	–	–	100	25
Street lighting	40	39	–	–
Transport (roads to recovery)	2,505	795	–	–
Transport (other roads and bridges funding)	–	–	243	–
Water transport	–	14	92	–
Other e-planning	–	28	–	–
Other – Economic Affairs	–	–	60	30
Other – Environment	–	–	90	–
Other	127	21	–	–
Total specific purpose	3,292	1,773	604	61
Total grants	8,835	7,128	604	61
Grant revenue is attributable to:				
– Commonwealth funding	8,022	6,134	–	–
– State funding	813	994	504	61
– Other funding	–	–	100	–
	8,835	7,128	604	61

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	–	2
S 64 – water supply contributions	–	–	32	12
S 64 – sewerage service contributions	–	–	3	6
Total developer contributions 17	–	–	35	20
Other contributions:				
Community services	–	125	–	–
Recreation and culture	–	–	–	103
Roads and bridges	77	–	188	12
RMS contributions (regional roads, block grant)	1,317	663	692	1,220
Ruby restoration	–	–	9	10
SA water	–	–	–	50
Total other contributions	1,394	788	889	1,395
Total contributions	1,394	788	924	1,415
TOTAL GRANTS AND CONTRIBUTIONS	10,229	7,916	1,528	1,476

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions

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

Unexpended at the close of the previous reporting period	941	1,336
Add: grants and contributions recognised in the current period but not yet spent:	214	72
Less: grants and contributions recognised in a previous reporting period now spent:	(289)	(467)
Net increase (decrease) in restricted assets during the period	(75)	(395)
Unexpended and held as restricted assets	866	941
Comprising:		
– Specific purpose unexpended grants	337	209
– Developer contributions	529	732
	866	941

Wentworth Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		6,587	5,992
Travel expenses		46	42
Employee leave entitlements (ELE)		1,183	1,177
Superannuation – defined contribution plans		563	510
Superannuation – defined benefit plans		184	192
Workers' compensation insurance		269	270
Fringe benefit tax (FBT)		28	32
Training costs (other than salaries and wages)		63	49
Uniforms		29	39
Recruitment		7	11
Total employee costs		8,959	8,314
Less: capitalised costs		(1,014)	(764)
TOTAL EMPLOYEE COSTS EXPENSED		7,945	7,550
Number of 'full-time equivalent' employees (FTE) at year end		101	94
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		57	50
Total interest bearing liability costs expensed		57	50
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		57	50
(c) Materials and contracts			
Raw materials and consumables		938	2,136
Contractor and consultancy costs		3,753	8,545
Auditors remuneration ⁽¹⁾		40	35
Legal expenses:			
– Legal expenses: debt recovery		19	49
– Legal expenses: other		108	93
Total materials and contracts		4,858	10,858
Less: capitalised costs		–	(4,794)
TOTAL MATERIALS AND CONTRACTS		4,858	6,064
(continued on the next page...)			

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
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(c) Materials and contracts (continued)

Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor:

Audit and other assurance services

– Audit and review of financial statements: Council's Auditor

Remuneration for audit and other assurance services**Total Auditor remuneration**

40	35
40	35
40	35

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment	—	—	762	689
Office equipment	—	—	60	64
Furniture and fittings	—	—	16	15
Land improvements (depreciable)	—	—	137	179
Infrastructure:				
– Buildings	—	—	954	—
– Buildings – non-specialised	—	—	—	100
– Buildings – specialised	—	—	—	920
– Other structures	—	—	208	170
– Roads	—	—	3,903	3,685
– Bridges	—	—	98	—
– Footpaths	—	—	80	85
– Stormwater drainage	—	—	61	73
– Water supply network	—	—	424	347
– Sewerage network	—	—	675	461
– Swimming pools	—	—	47	38
– Other open space/recreational assets	—	—	39	39
Other assets				
– Library books	—	—	115	33
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED	—	—	7,579	6,898

Wentworth Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		26	22
Bad and doubtful debts		6	1
Bank charges		27	25
Cleaning		78	64
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		12	10
– NSW Fire Brigade levy		22	21
– NSW Rural Fire Service levy		191	178
– Other contributions/levies		126	19
Councillor expenses – mayoral fee		23	23
Councillor expenses – councillors' fees		95	97
Councillors' expenses (incl. mayor) – other (excluding fees above)		98	97
Donations, contributions and assistance to other organisations (Section 356)		128	373
Election expenses		1	–
Electricity and heating		172	189
Fire control expenses		43	66
Insurance		382	343
Office expenses (including computer expenses)		492	425
Postage		19	19
Printing and stationery		66	57
Street lighting		96	106
Subscriptions and publications		44	39
Telephone and communications		90	85
Tourism expenses (excluding employee costs)		145	158
Valuation fees		32	31
Other – Remeadiation Remeasurement – Tip		141	–
<u>TOTAL OTHER EXPENSES</u>		<u>2,555</u>	<u>2,448</u>

Wentworth Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Less: carrying amount of property assets sold/written off		—	(107)
Net gain/(loss) on disposal		—	(107)
Plant and equipment			
Proceeds from disposal – plant and equipment		39	189
Less: carrying amount of plant and equipment assets sold/written off		(5)	(61)
Net gain/(loss) on disposal		34	128
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		69,000	67,000
Less: carrying amount of financial assets sold/redeemed/matured		(69,000)	(67,000)
Net gain/(loss) on disposal		—	—
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		34	21

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

		2016	2016	2015	2015
\$ '000	Notes	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,134	–	1,883	–
Cash-equivalent assets ¹					
– Short-term deposits		17,000	–	21,000	–
Total cash and cash equivalents		18,134	–	22,883	–
Investments (Note 6b)					
– Long term deposits		8,000	–	1,000	–
Total investments		8,000	–	1,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		26,134	–	23,883	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		18,134	–	22,883	–
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Investments

a. 'Held to maturity'	6(b-i)	8,000	–	1,000	–
Investments		8,000	–	1,000	–

Note 6(b-i)

Reconciliation of investments classified as 'held to maturity'

Balance at the beginning of the year		1,000	–	8,000	–
Disposals (sales and redemptions)		(7,000)	–	(7,000)	–
Balance at end of year		8,000	–	1,000	–

Comprising:

– Long term deposits		8,000	–	1,000	–
Total		8,000	–	1,000	–

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	26,134	–	23,883	–
attributable to:				
External restrictions (refer below)	9,475	–	8,224	–
Internal restrictions (refer below)	6,330	–	8,810	–
Unrestricted	10,329	–	6,849	–
	26,134	–	23,883	–

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

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	732	49	(252)	529
Specific purpose unexpended grants	(F)	209	128	–	337
Water supplies	(G)	4,778	894	–	5,672
Sewerage services	(G)	2,199	405	–	2,604
Domestic waste management	(G)	105	–	–	105
Council reserves – caravan park		201	27	–	228
External restrictions – other		8,224	1,503	(252)	9,475
Total external restrictions		8,224	1,503	(252)	9,475

Internal restrictions

Plant and vehicle replacement		2,080	–	(49)	2,031
Employees leave entitlement		2,042	144	–	2,186
Future development		1,113	–	–	1,113
Capital projects		3,575	–	(2,575)	1,000
Total internal restrictions		8,810	144	(2,624)	6,330
TOTAL RESTRICTIONS		17,034	1,647	(2,876)	15,805

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Wentworth Shire Council

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		807	—	1,527	—
Interest and extra charges		165	—	31	—
User charges and fees		1,716	—	—	—
Accrued revenues					
– Interest on investments		183	—	91	—
– Other income accruals		265	—	890	—
Government grants and subsidies		345	—	308	—
Net GST receivable		122	—	91	—
Total		3,603	—	2,938	—
Less: provision for impairment					
Rates and annual charges		(32)	—	(32)	—
User charges and fees		(3)	—	(1)	—
Other debtors		(4)	—	—	—
Total provision for impairment – receivables		(39)	—	(33)	—
<u>TOTAL NET RECEIVABLES</u>		<u>3,564</u>	<u>—</u>	<u>2,905</u>	<u>—</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		68	—	—	—
– Rates and availability charges		319	—	952	—
– Other		800	—	120	—
Sewerage services					
– Specific purpose grants		38	—	—	—
– Rates and availability charges		233	—	247	—
Total external restrictions		1,458	—	1,319	—
Internally restricted receivables					
Nil					
Unrestricted receivables		2,106	—	1,586	—
TOTAL NET RECEIVABLES		3,564	—	2,905	—

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Wentworth Shire Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		318	–	318	–
Stores and materials		161	–	184	–
Total inventories at cost		479	–	502	–
(ii) Inventories at net realisable value (NRV)					
Nil					
<u>TOTAL INVENTORIES</u>		<u>479</u>	<u>–</u>	<u>502</u>	<u>–</u>
(b) Other assets					
Prepayments		143	–	94	–
<u>TOTAL OTHER ASSETS</u>		<u>143</u>	<u>–</u>	<u>94</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	—	314	—
Industrial/commercial	4	—	4	—
Total real estate for resale	318	—	318	—

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

Represented by:

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

Movements:

Real estate assets at beginning of the year	318	—	318	—
Total real estate for resale	318	—	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;

	2016	2015
Real estate for resale	318	318
	318	318

(c) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

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

Wentworth Shire Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	–	–	–	–	–	776	508	–	–	–	–	–	–	1,284	–	–	1,284
Plant and equipment	–	14,534	10,025	–	4,509	101	421	(5)	(762)	12	–	–	–	13,857	9,581	–	4,276
Office equipment	–	2,260	2,050	–	210	6	–	–	(60)	(32)	–	–	–	2,206	2,082	–	124
Furniture and fittings	–	311	263	–	48	–	–	–	(16)	19	–	–	–	342	291	–	51
Land:																	
– Operational land	–	135	–	–	135	–	–	–	–	–	(135)	–	–	–	–	–	–
– Community land	–	7,154	–	–	7,154	–	–	–	–	–	(507)	–	–	6,647	–	–	6,647
– Land under roads (post 30/6/08)	–	99	–	–	99	–	–	–	–	–	–	–	–	99	–	–	99
Land improvements – depreciable	–	6,876	3,049	–	3,827	–	–	–	(137)	(4)	–	–	–	6,876	3,190	–	3,686
Infrastructure:																	
– Buildings	–	–	–	–	–	40	53	–	(954)	19,524	–	–	–	50,470	31,807	–	18,663
– Buildings – non-specialised	–	2,067	1,268	–	799	–	–	–	–	(799)	–	–	–	–	–	–	–
– Buildings – specialised	–	40,404	26,165	–	14,239	–	–	–	–	(14,239)	–	–	–	–	–	–	–
– Other structures	–	10,432	2,585	–	7,847	106	80	–	(208)	390	–	640	–	10,725	1,870	–	8,855
– Roads	–	364,176	92,069	–	272,107	3,660	–	–	(3,903)	(189,585)	–	4,401	–	173,202	86,522	–	86,680
– Bridges	–	–	–	–	–	–	–	–	(98)	–	–	8,334	–	11,421	3,185	–	8,236
– Footpaths	–	3,907	1,304	–	2,603	275	–	–	(80)	13	(314)	–	–	3,987	1,490	–	2,497
– Bulk earthworks (non-depreciable)	–	–	–	–	–	–	–	–	–	189,567	–	208	–	189,775	–	–	189,775
– Stormwater drainage	–	5,674	965	–	4,709	370	–	–	(61)	(90)	–	69	–	5,973	976	–	4,997
– Water supply network	–	40,630	18,309	–	22,321	68	–	–	(424)	(4,481)	–	261	–	32,403	14,658	–	17,745
– Sewerage network	–	37,618	20,499	–	17,119	117	–	–	(675)	–	–	244	–	37,979	21,174	–	16,805
– Swimming pools	–	2,053	1,432	–	621	45	–	–	(47)	(85)	–	–	–	830	296	–	534
– Other open space/recreational assets	–	609	234	–	375	–	–	–	(39)	(213)	–	–	–	382	259	–	123
Other assets:																	
– Library books	–	1,434	1,321	–	113	–	–	–	(115)	2	–	–	–	–	–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	–	540,373	181,538	–	358,835	5,564	1,062	(5)	(7,579)	(1)	(956)	14,157	–	548,458	177,381	–	371,077

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Infrastructure	–	32,626	14,658	17,968	–	40,643	18,314	22,329
Other assets	–	8,568	4,320	4,248	–	–	–	–
Total water supply	–	41,194	18,978	22,216	–	40,643	18,314	22,329
Sewerage services								
Infrastructure	–	38,362	21,174	17,188	–	37,837	20,537	17,300
Other assets	–	219	49	170	–	–	–	–
Total sewerage services	–	38,581	21,223	17,358	–	37,837	20,537	17,300
TOTAL RESTRICTED I,PP&E	–	79,775	40,201	39,574	–	78,480	38,851	39,629

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

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Wentworth Shire Council

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Payments received In advance		342	–	333	–
Accrued expenses:					
– Borrowings		1	–	1	–
– Salaries and wages		266	–	176	–
– Other expenditure accruals		1,310	–	1,640	–
Trust account – money held in trust		252	–	286	–
Total payables		2,171	–	2,436	–
Borrowings					
Loans – secured ¹		190	826	197	988
Total borrowings		190	826	197	988
Provisions					
Employee benefits:					
Annual leave		889	–	857	–
Long service leave		1,000	98	881	98
Gratuities		173	26	177	29
Sub-total – aggregate employee benefits		2,062	124	1,915	127
Asset remediation/restoration (future works)	26	–	291	–	150
Total provisions		2,062	415	1,915	277
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		4,423	1,241	4,548	1,265

(i) Liabilities relating to restricted assets

	2016		2015	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1	–	–	–
Sewer	1	–	–	–
Liabilities relating to externally restricted assets	2	–	–	–
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	2	–	–	–
Total liabilities relating to unrestricted assets	4,421	1,241	4,548	1,265
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	4,423	1,241	4,548	1,265

¹ Loans are secured over the general rating income of Council

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

	Actual 2016	Actual 2015
\$ '000		

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

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

Provisions – employees benefits	1,135	840
	1,135	840

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	857	482	(450)	–	–	889
Long service leave	979	219	(100)	–	–	1,098
Gratuities	206	20	(27)	–	–	199
Asset remediation	150	141	–	–	–	291
TOTAL	2,192	862	(577)	–	–	2,477

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

Wentworth Shire Council

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

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	18,134	22,883
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		18,134	22,883

**(b) Reconciliation of net operating result
to cash provided from operating activities**

Net operating result from Income Statement		2,129	(346)
Adjust for non-cash items:			
Depreciation and amortisation		7,579	6,898
Net losses/(gains) on disposal of assets		(34)	(21)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other		(3)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(665)	1,013
Increase/(decrease) in provision for doubtful debts		6	1
Decrease/(increase) in inventories		23	(24)
Decrease/(increase) in other assets		(49)	20
Increase/(decrease) in payables		–	(43)
Increase/(decrease) in accrued interest payable		–	(1)
Increase/(decrease) in other accrued expenses payable		(240)	(996)
Increase/(decrease) in other liabilities		(25)	44
Increase/(decrease) in employee leave entitlements		144	322
Increase/(decrease) in other provisions		141	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		9,006	6,867

(c) Non-cash investing and financing activities

Nil

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

Bank overdraft facilities ⁽¹⁾	–	1,010
Credit cards/purchase cards	20	20
Total financing arrangements	20	1,030

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

Wentworth Shire Council

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

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		117	14
Plant and equipment		751	50
Other		465	292
Total commitments		1,333	356
These expenditures are payable as follows:			
Within the next year		1,333	356
Total payable		1,333	356
Sources for funding of capital commitments:			
Unrestricted general funds		1,333	356
Total sources of funding		1,333	356

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Wentworth Shire Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	567	2.41%	-8.71%	-18.25%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	23,561			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	13,332	53.14%	58.52%	64.16%
Total continuing operating revenue ⁽¹⁾	25,089			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	19,069	5.80x	4.73x	4.91x
Current liabilities less specific purpose liabilities ^(3, 4)	3,286			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	8,203	36.30x	16.68x	14.06x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	226			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	940	10.03%	15.08%	19.23%
Rates, annual and extra charges collectible	9,372			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	26,134	18.58 mths	15.3 mths	20.6 mths
Payments from cash flow of operating and financing activities	1,407			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Wentworth Shire Council

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

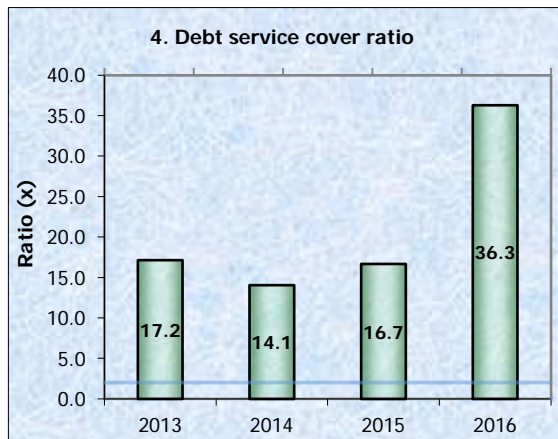
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 2015/16 result</p> <p>2015/16 ratio 2.41%</p> <p>Council's result this year has improved significantly thanks to an increase in Operating Grants. This offsets minor decreases in other income</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 #24</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 2015/16 result</p> <p>2015/16 ratio 53.14%</p> <p>Council's own source revenue figure continues to be enhanced by the inclusion of the Water and Sewer funds. Council is continuing to explore options to increase the General Fund own source income.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</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 2015/16 result</p> <p>2015/16 ratio 5.80x</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 2016

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



Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 36.30x

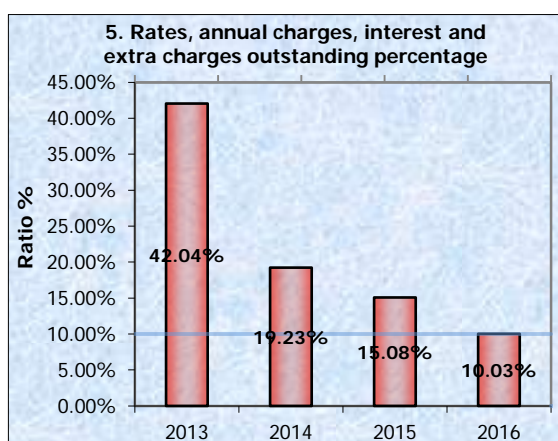
Council continues to have sufficient operating cash to service current debt levels.



Ratio achieves benchmark



Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 10.03%

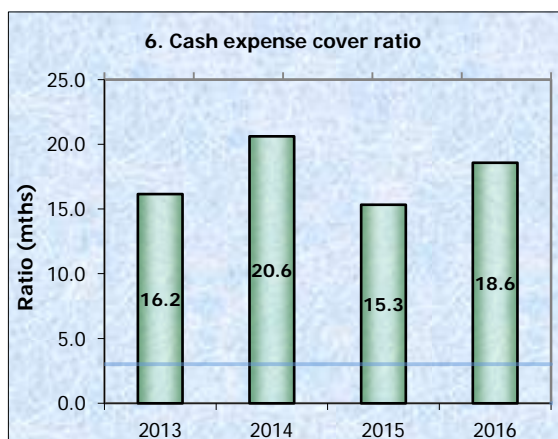
Council's efforts to continually monitor outstanding rates has seen the ratio drop to 10% which is right on industry average.



Ratio is within Benchmark



Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 18.58 mths

Council's ratio indicates that it can continue paying for its immediate expenses for the next 20 months without 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 2016

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	22.11%	15.85%	-1.42%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 30.36%	27.73%	-17.68%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	98.19%	98.61%	43.88%
Total continuing operating revenue ⁽¹⁾	prior period: 98.80%	98.37%	49.78%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	6859.00x	2875.00x	5.80x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: No liabilities	No liabilities	4.73x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	0.00	0.00	26.60x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	6.49x	18.21x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	30.50%	16.54%	5.61%
Rates, annual and extra charges collectible	prior period: 94.44%	17.99%	4.22%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	0.00	0.00	12.70 mths
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	10.86 mths

Notes

(1) - (4) Refer to Notes at Note 13a(i) 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 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	18,134	22,883	25,134	22,883
Investments				
– 'Held to maturity'	8,000	1,000	1,000	1,000
Receivables	3,564	2,905	3,399	2,869
Total financial assets	29,698	26,788	29,533	26,752
Financial liabilities				
Payables	1,829	2,103	1,829	2,103
Loans/advances	1,016	1,185	1,016	1,185
Total financial liabilities	2,845	3,288	2,845	3,288

Fair value is determined as follows:

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 10% movement in market values	213	213	(213)	(213)
Possible impact of a 1% movement in interest rates	21	21	(21)	(21)
2015				
Possible impact of a 10% movement in market values	35	35	(35)	(35)
Possible impact of a 1% movement in interest rates	4	4	(4)	(4)

Wentworth Shire Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		100%	100%	100%	100%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	807	2,796	1,527	1,411
		807	2,796	1,527	1,411
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				33	32
+ new provisions recognised during the year				6	1
Balance at the end of the year				39	33

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	–	1,829	–	–	–	–	–	1,829	1,829
Loans and advances	–	190	190	94	77	77	77	705	1,016
Total financial liabilities	–	2,019	190	94	77	77	77	2,534	2,845
2015									
Trade/other payables	–	2,103	–	–	–	–	–	2,103	2,103
Loans and advances	–	197	163	167	81	85	582	1,275	1,185
Total financial liabilities	–	2,300	163	167	81	85	582	3,378	3,288

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,829	0.00%	2,103	0.00%
Loans and advances – fixed interest rate	1,016	5.00%	1,185	5.50%
	<u>2,845</u>		<u>3,288</u>	

Wentworth Shire Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 29 June 2015.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 Variance* -----		
REVENUES					
Rates and annual charges	7,733	7,762	29	0%	F
User charges and fees	3,531	4,155	624	18%	F
Primarily due to an Increase in Water Consumption charges to budget					
Interest and investment revenue	733	839	106	14%	F
Higher than expected cash balances despite a decrease in interest rates during the financial year					
Other revenues	875	576	(299)	(34%)	U
A number of reimbursements did not occur as the corresponding expenditure did not occur during the financial year					
Operating grants and contributions	7,143	10,229	3,086	43%	F
This has resulted from the movement of Roads to Recover Grant being included as an Operating Grant					
Capital grants and contributions	2,896	1,528	(1,368)	(47%)	U
This has resulted from the movement of Roads to Recover Grant being included as an Operating Grant					
Net gains from disposal of assets	100	34	(66)	(66%)	U
Council do not dispose of as many assets as planned					

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	6,883	7,945	(1,062)	(15%) U
Payments were made during the year for additional staff to assist in capital projects, and also a continuing increase in employee leave entitlements				
Borrowing costs	104	57	47	45% F
As some works did not occur as expected this year, the resulting loans were not drawn as anticipated				
Materials and contracts	4,210	4,858	(648)	(15%) U
As some works did not occur as expected and as a result expenditure was less than planned				
Depreciation and amortisation	6,183	7,579	(1,396)	(23%) U
As council continues to improve its data collection of assets, annual depreciation is showing a more accurate value				
Other expenses	2,200	2,555	(355)	(16%) U
Various other expense increases with the most notable being an increase in Remediation Remeasurement of Tips				

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

Cash flows from operating activities	9,514	9,006	(508)	(5.3%) U
Cash flows from investing activities	(11,655)	(13,586)	(1,931)	16.6% U
Council moved \$7m between short term and long term investments, and this was offset by \$5m of planned capital purchases not spent				
Cash flows from financing activities	1,609	(169)	(1,778)	(110.5%) U
Expected borrowing were not drawn as planned, hence the cashflow was not received				

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	271	–	–	1	(175)	–	97	–
Stormwater	461	–	–	13	(42)	–	432	–
S94 contributions – under a plan	732	–	–	14	(217)	–	529	–
Total S94 revenue under plans	732	–	–	14	(217)	–	529	–
S64 contributions	–	35	–	–	(35)	–	–	–
Total contributions	732	35	–	14	(252)	–	529	–

S94 CONTRIBUTIONS – UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	271	–	–	1	(175)	–	97	–
Stormwater	461	–	–	13	(42)	–	432	–
Total	732	–	–	14	(217)	–	529	–

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

(iii) 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.

(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.

Wentworth Shire Council

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

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

\$ '000

ASSETS NOT RECOGNISED: (continued)

(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.

Note 19. Interests in other entities

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

Wentworth Shire Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		32,091	32,437
a. Correction of prior period errors	20 (c)	(1)	(1)
b. Other comprehensive income (excl. direct to reserves transactions)		(3)	–
c. Net operating result for the year		2,129	(346)
Balance at end of the reporting period		34,216	32,090
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		361,517	348,315
Total		361,517	348,315
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		348,315	267,203
– Revaluations for the year	9(a)	13,201	81,112
– Correction of prior period errors	20(c)	1	–
– Balance at end of year		361,517	348,315
TOTAL VALUE OF RESERVES		361,517	348,315

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,046	1,409	5,307
User charges and fees	1,305	–	2,850
Interest and investment revenue	152	70	617
Other revenues	24	11	541
Grants and contributions provided for operating purposes	196	18	10,015
Grants and contributions provided for capital purposes	32	3	1,493
Other income			
Net gains from disposal of assets	–	–	34
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	2,755	1,511	20,857
Expenses from continuing operations			
Employee benefits and on-costs	322	169	7,454
Borrowing costs	–	–	57
Materials and contracts	1,098	368	3,392
Depreciation and amortisation	665	686	6,228
Impairment	–	–	–
Other expenses	36	46	2,473
Total expenses from continuing operations	2,121	1,269	19,604
Operating result from continuing operations	634	242	1,253
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	634	242	1,253
Net operating result attributable to each council fund	634	242	1,253
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	602	239	(240)

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 2016

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	5,672	2,604	9,858
Investments	–	–	8,000
Receivables	1,187	271	2,106
Inventories	–	–	479
Other	–	–	143
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	6,859	2,875	20,586
Non-current assets			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	–
Infrastructure, property, plant and equipment	22,216	17,358	331,503
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	22,216	17,358	331,503
TOTAL ASSETS	29,075	20,233	352,089
LIABILITIES			
Current liabilities			
Payables	1	1	2,169
Borrowings	–	–	190
Provisions	–	–	2,062
Total current liabilities	1	1	4,421
Non-current liabilities			
Payables	–	–	–
Borrowings	–	–	826
Provisions	–	–	415
Total non-current liabilities	–	–	1,241
TOTAL LIABILITIES	1	1	5,662
Net assets	29,074	20,232	346,427
EQUITY			
Retained earnings	9,551	(6,122)	30,787
Revaluation reserves	19,523	26,354	315,640
Total equity	29,074	20,232	346,427

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 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 28/10/16.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Wentworth Shire Council

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Tips		291	150
Balance at end of the reporting period	10(a)	<u>291</u>	<u>150</u>

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

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

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year	150	150
Amounts capitalised to new or existing assets:		
Remediation Remeasurement	141	–
Total – reinstatement, rehabilitation and restoration provision	<u>291</u>	<u>150</u>

Wentworth Shire Council

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

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

		Fair value measurement hierarchy			
		Level 1	Level 2	Level 3	Total
		Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
2016					
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held to maturity’	30/06/16	–	8,000	–	8,000
Cash and cash equivalents	30/06/16	–	18,134	–	18,134
Total financial assets		–	26,134	–	26,134
Financial liabilities					
Loans/advances	30/06/16	–	1,016	–	1,016
Payables	30/06/16	–	1,829	–	1,829
Total financial liabilities		–	2,845	–	2,845
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/11	–	–	4,326	4,326
Office equipment	30/06/11	–	–	124	124
Furniture and fittings	30/06/11	–	–	51	51
Swimming Pools	30/06/14	–	–	534	534
Community land	1/07/14	–	–	6,652	6,652
Land improvements – depreciable	30/06/14	–	–	3,686	3,686
Buildings	30/06/14	–	–	18,713	18,713
Other structures	30/06/14	–	–	9,372	9,372
Roads	30/06/16	–	–	284,790	284,790
Footpaths	30/06/16	–	–	2,497	2,497
Stormwater drainage	30/06/15	–	–	5,053	5,053
Water supply network	30/06/12	–	–	17,968	17,968
Sewerage network	30/06/12	–	–	17,188	17,188
Other recreational assets	30/06/14	–	–	123	123
Total infrastructure, property, plant and equipment		–	–	371,077	371,077

Wentworth Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held to maturity’	30/06/15	–	1,000	–	1,000
Cash and cash equivalents	30/06/15	–	22,883	–	22,883
Total financial assets		–	23,883	–	23,883
Financial liabilities					
Loans/advances	30/06/15	–	1,185	–	1,185
Payables	30/06/15	–	2,103	–	2,103
Total financial liabilities		–	3,288	–	3,288
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/11	–	–	4,609	4,609
Office equipment	30/06/11	–	–	210	210
Furniture and fittings	30/06/11	–	–	48	48
Operational land	30/06/11	–	–	135	135
Community land	30/06/11	–	–	7,154	7,154
Land improvements – depreciable	30/06/14	–	–	3,827	3,827
Buildings – non specialised	30/06/14	–	–	799	799
Buildings – specialised	30/06/14	–	–	14,239	14,239
Other structures	30/06/14	–	–	7,747	7,747
Roads	30/06/15	–	–	272,206	272,206
Footpaths	30/06/15	–	–	2,603	2,603
Stormwater drainage	30/06/15	–	–	4,709	4,709
Water supply network	30/06/12	–	–	22,321	22,321
Sewerage network	30/06/12	–	–	17,119	17,119
Other recreational assets	30/06/14	–	–	1,109	1,109
Total infrastructure, property, plant and equipment		–	–	358,835	358,835

(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 2016

Note 27. Fair value measurement (continued)

\$ '000

(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:

Investment properties

Level 3 unobservable inputs for all Investment Properties with Level 2 or Level 3 fair values disclosed in the table at Note 27 (1).

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 2014 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 2014 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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Specialised and non-specialised buildings were valued by Asset Val Pty Ltd at 30 June 2014 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.

Other Structures comprises lighting systems, shade shails, 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 2014.

Roads comprises the Road Carrigeway, 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 APV Valuers and Asset Managers at 30 June 2010.

Swimming pools were valued by Asset Val Pty Ltd at 30 June 2014 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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Other Open Space/Recreational Assets include all of Council's playground equipment. They were valued by Asset Val Pty Ltd at 30 June 2014 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.

Wentworth Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/14	3,754	215	57	135	4,161
Purchases (GBV)	1,480	59	6	–	1,545
Disposals (WDV)	(61)	–	–	–	(61)
Depreciation and impairment	(689)	(64)	(15)	–	(768)
Other movement (revaluation)	125	–	–	–	125
Closing balance – 30/6/15	4,609	210	48	135	5,002
Purchases (GBV)	572	6	–	–	578
Disposals (WDV)	(5)	–	–	–	(5)
Depreciation and impairment	(762)	(60)	(16)	–	(838)
Other movement (revaluation)	–	–	–	(135)	(135)
Other movement	(88)	(32)	19	–	(101)
Closing balance – 30/6/16	4,326	124	51	–	4,501

	Community land	Land imp'mts depreciable	Buildings	Total
Opening balance – 1/7/14	7,154	3,911	16,844	27,909
Purchases (GBV)	–	95	1,004	1,099
Disposals (WDV)	–	(179)	(1,020)	(1,199)
Other movement (revaluation)	–	–	(1,790)	(1,790)
Closing balance – 30/6/15	7,154	3,827	15,038	26,019
Purchases (GBV)	5	–	143	148
Depreciation and impairment	–	(137)	(954)	(1,091)
Other movement (revaluation)	(507)	–	–	(507)
Other movement	–	(4)	4,486	4,482
Closing balance – 30/6/16	6,652	3,686	18,713	29,051

Wentworth Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Other structures	Roads	Footpaths	Stormwater drainage	Total
Opening balance – 1/7/14	6,927	193,954	130	3,897	204,908
Transfers from/(to) another asset class	–	(831)	831	–	–
Purchases (GBV)	209	3,082	221	768	4,280
Depreciation and impairment	(170)	(3,685)	(85)	(73)	(4,013)
Other movement (revaluations)	781	79,686	1,506	117	82,090
Closing balance – 30/6/15	7,747	272,206	2,603	4,709	287,265
Purchases (GBV)	703	3,660	275	426	5,064
Depreciation and impairment	(208)	(4,001)	(80)	(61)	(4,350)
Other movement (revaluations)	640	12,943	(314)	69	13,338
Other movement	490	(18)	13	(90)	395
Closing balance – 30/6/16	9,372	284,790	2,497	5,053	301,712

	Water supply network	Sewerage network	Swimming pools	Other assets	Total
Opening balance – 1/7/14	21,859	17,209	633	525	40,226
Purchases (GBV)	480	118	26	37	661
Depreciation and impairment	(347)	(461)	(38)	(72)	(918)
Other movement (revaluations)	329	253	–	(2)	580
Closing balance – 30/6/15	22,321	17,119	621	488	40,549
Purchases (GBV)	291	500	45	–	836
Depreciation and impairment	(424)	(675)	(47)	(154)	(1,300)
Other movement (revaluations)	261	244	–	–	505
Other movement	(4,481)	–	(85)	(211)	(4,777)
Closing balance – 30/6/16	17,968	17,188	534	123	35,813

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

Nil

(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 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	7,762	7,526	7,312	7,056	6,759
User charges revenue	4,155	3,928	3,934	4,071	3,361
Interest and investment revenue (losses)	839	1,027	1,008	986	1,073
Grants income – operating and capital	9,439	7,189	5,141	7,365	8,817
Total income from continuing operations	25,123	22,664	20,048	21,909	23,598
Sale proceeds from I,PP&E	39	189	109	174	52
New loan borrowings and advances	–	920	–	–	2
Outflows:					
Employee benefits and on-cost expenses	7,945	7,550	7,249	7,444	7,177
Borrowing costs	57	50	48	66	80
Materials and contracts expenses	4,858	6,064	5,515	4,517	4,818
Total expenses from continuing operations	22,994	23,010	21,918	20,838	21,495
Total cash purchases of I,PP&E	6,625	7,626	6,848	5,021	4,841
Total loan repayments (incl. finance leases)	169	256	229	211	199
Operating surplus/(deficit) (excl. capital income)	601	(1,822)	(3,303)	(2,106)	(705)
Financial position figures	2016	2015	2014	2013	2012
Current assets	30,320	27,384	28,300	27,815	25,354
Current liabilities	4,423	4,548	5,296	3,059	3,444
Net current assets	25,897	22,836	23,004	24,756	21,910
Available working capital (Unrestricted net current assets)	10,570	6,277	8,837	8,509	9,996
Cash and investments – unrestricted	10,329	6,849	9,339	4,493	6,320
Cash and investments – internal restrictions	6,330	8,810	6,908	8,089	5,496
Cash and investments – total	26,134	23,883	23,789	20,970	18,936
Total borrowings outstanding (Loans, advances and finance leases)	1,016	1,185	521	750	961
Total value of I,PP&E (excl. land and earthworks)	351,937	532,985	431,069	383,511	376,890
Total accumulated depreciation	177,381	181,538	161,154	122,850	115,499
Indicative remaining useful life (as a % of GBV)	50%	66%	63%	68%	69%

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 2016

Note 29. Council information and contact details

Principal place of business:

26-28 Adelaide Street
Wentworth NSW 2648

Contact details
Mailing address:

PO Box 81
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
GENERAL MANAGER

Peter Kozlowski

RESPONSIBLE ACCOUNTING OFFICER

Simon Rule

PUBLIC OFFICER

Simon Rule

AUDITORS

Pitcher Partners - Accountants, Auditors & Advisors
19 Martin Place Sydney NSW 2000

Elected members
MAYOR

Melisa Hedrics

COUNCILLORS

Tim Elston
Greg Evans
Melisa Hedrics
Stephen Heywood
Jane MacAllister
Donald McKinnon
Sue Nichols
Peter Nunan
William Wheeldon

Other information

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WENTWORTH SHIRE COUNCIL
Independent Audit Report to the Council
General Purpose Financial Statements for the Year ended 30 June 2016

Report on the Financial Report

We have audited the general purpose financial statements of Wentworth Shire Council, which comprises the Statement of Financial Position as at 30 June 2016, the Statement by Councillors and Management, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the statutory requirements under the Local Government Act, 1993, and for such internal control that Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Cash Flow Statement, Notes 2(a), and 16 to the financial statements, estimated expenditure in Note 17, additional Council disclosure notes, nor the attached Special Schedules. Accordingly, no opinion is expressed on these matters.

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wentworth Shire Council as of 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

Council's Responsibilities for compliance with other legal and regulatory requirements

Council is responsible for ensuring compliance with the accounting and reporting requirements of Division 2 of Part 3, Chapter 12 of the Local Government Act, 1993. This responsibility includes maintaining such accounting records as are necessary to correctly record and explain its financial transactions and its financial position, and to facilitate convenient and proper auditing of its financial statements.

Auditor's Responsibilities under Section 417(2) of the Local Government Act, 1993

Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

Auditors' Opinion on other legal and regulatory requirements

In our opinion:

- (a) 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 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
 - i) have been prepared in accordance with the requirements of this Division and Regulation;
 - ii) are consistent with the Council's accounting records;
 - iii) present fairly the Council's financial position and the results of its operations;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.


Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Wentworth Shire Council for the year ended 30 June 2016 included on Wentworth Shire Council's web site. The Council is responsible for the integrity of the Wentworth Shire Council's web site. We have not been engaged to report on the integrity of the Council's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.



CARL MILLINGTON
Partner

Sydney, 28 October 2016



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WENTWORTH SHIRE COUNCIL
INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT
(Local Government Act, 1993 – Sections 417(1) and 417(3))
YEAR ENDED 30 JUNE 2016

Wentworth Shire Council has prepared general and special purpose financial reports for the year ended 30 June 2016 on which we issued separate audit reports to the Council dated 27 October 2016. This report has been prepared in accordance with the requirements of the Office of Local Government, and the provisions of Sections 417(1) and 417(3) of the Local Government Act, 1993.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the New South Wales Office of Local Government, or for any purpose other than that for which it was prepared.

Audit Conclusion

Our audit of the financial reports for the year ended 30 June 2016 resulted in unqualified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

Additional Audit Considerations and Comment

Income Statement

Summarised Income Statement

	2016 Actual	2016 Budget	* Budget	2015 Actual
	\$'000	\$'000	Variance %	\$'000
Operating result	2,129	3,430	37.94%U	(346)
Operating result before capital revenue	601	535	12.34%F	(1,822)
Rates & annual charges	7,762	7,733	0.38%F	7,526
Operating grants & contributions	10,229	7,143	43.20%F	7,916
Capital grants & contributions	1,528	2,896	47.23%U	1,476
Depreciation & amortisation	7,579	6,183	22.57%U	6,898

* Detailed explanations for material favourable (F) and unfavourable (U) budget variations are provided in Note 16 to the financial statements

Operating Result. Council's operating result was a surplus compared to deficits in 2015 (\$0.346M) and 2014 (\$1.870M) and was in line with the budgeted surplus of \$3.431M. The variation to budget was largely within employee costs and depreciation expense not decreasing as forecast.

Operating Result before Capital. The operating result before capital grants and contributions was a surplus of \$0.601M compared with the prior year deficit of \$1.822M and budget surplus of \$0.535M.

Rates and Annual Charges. Revenue from rates and annual charges increased to \$7.762M from \$7.526M in 2015, and was in line with budget expectations of \$7.733M based on the NSW rate peg uplift for the year.

Grants and Contributions. Operating grants and contributions for the year totaled \$10.229M and represented 40.7% of total income from continuing operations. This compares with budget of \$7.143M. The increase over the 2015's actual was largely the result of increases in the commonwealth funded Roads to Recovery scheme and the state funded RMS road contributions.

Capital grants and contributions amounted to \$1.528M and represented 6.08% of total income from continuing operations. This amount was similar to 2015 however was less than the budgeted amount of \$2.896M.

Depreciation. Included in the operating result was \$7.579M for the depreciation of infrastructure, property, plant and equipment. This represented an increase from the 2015 expense of \$6.898M and the 2016 budget of \$6.183M and was largely related to the reassessment of useful life estimations made. Depreciation represents 32.96% (2015: 29.99%; 2014: 32.99%) of total expenses and 30.17% (2015: 30.44%; 2014: 36.06%) of total income for the year.

Statement of Financial Position

Council's equity at 30 June 2016 amounted to \$395.733M and is comprised of retained earnings, and reserves arising from revaluation of infrastructure assets in prior years.

The most significant impact on Council's equity in 2016 was the fair valuation of community land and levee banks accounting for an increase of \$13.201M. These valuations were based on state government information as to valuation of these assets.

At balance date Council had not utilised any of its bank overdraft facility.

Movements in Cash and Cash Equivalents

Summarised Statement of Cash Flows

Activities	2015 Actual \$'000	2015 Budget \$'000	* Budget Variance %	2015 Actual \$'000
Net cash flows from operations	9,005	9,514	5.35%U	6,867
Net cash flows from investing	(13,856)	(11,655)	18.89%U	(437)
Net cash flows from financing	(169)	(201)	15.92%F	664
Net movement in cash	(4,750)	(532)		7,094

* Detailed explanations for material budget variations are provided in Note 16 to the financial statements

Council's cash and cash equivalent balances decreased to a total of \$18.133M during the year, with investing activities for the acquisition and sale of non-current assets and investments, with no further borrowings and advances obtained.

Total Investments and Cash Balances

Council's total cash balance at 30 June 2016 was comprised of the following:

	2016	2015
	\$'000	\$'000
Externally restricted cash	9,475	8,224
Internally restricted cash	6,330	8,810
Unrestricted cash	10,329	6,849
<i>Total Cash, Cash Equivalents and Investments</i>	26,134	23,883

Council's cash and investments balance remained stable during the year. Externally restricted cash was reduced due to extinguishment of sewerage service related items.

Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2016 year results with prior years.

Operating performance ratio. At 2.41% this ratio is a significant improvement from 2015 largely due to increases in operating grants as noted previously. As a surplus this ratio meets the benchmarks set by NSW TCorp and expectations of the Office of Local Government.

Own source operating revenue ratio. The ratio of 53.14% is a decrease from 2015 (58.52%). This ratio indicates the extent of Council's reliance on external funding sources. The decrease reflects the increased funding received in the 2015/2016 year.

Unrestricted Current Ratio. This ratio at 5.80 is an improvement to 2015 and exceeds the industry benchmark of 1.50:1 established by TCorp.

Debt Service Cover Ratio. The ratio continues to be well above (favourable to) the industry benchmark; council's debt is not significant.

Rates, Annual Charges, Interest & extra Charges Outstanding Percentage. The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 10.03% representing a continued improvement from 2015 (15.08%) and 2014 (19.23%). The outstanding percentage remains in excess of the industry benchmark of 5%.

Cash expense cover ratio. This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. Council's ratio of 18.58 exceeds the industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short term operations.

Legislative Compliance

As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local Government Act, 1993, and Regulations.

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 24), and other legislatively prescribed standards.

Conduct of the audit

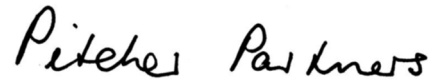
During the conduct of our audit, a number of issues arose that required additional explanation and investigation, however we are able to report that all such issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

We would like to commend the courteous and professional manner in which Council's staff has acted throughout the conduct of our audit, and their willingness to consider issues that we raised and assist us with our audit.



CARL MILLINGTON
Partner

Sydney, 28 October 2016



PITCHER PARTNERS

Wentworth Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

“The Shire on Two Rivers”



Wentworth Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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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 2016

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:

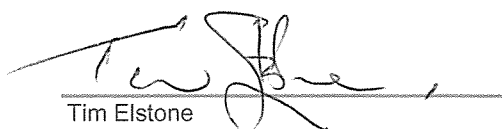
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 20 October 2016.



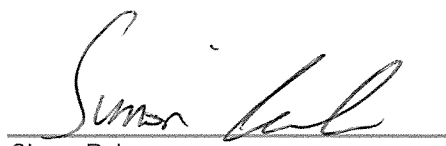
Melisa Hedrics
Mayor



Tim Elstone
Councillor



Peter Kozlowski
General manager



Simon Rule
Responsible accounting officer

Wentworth Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,046	1,008
User charges	1,280	1,173
Fees	25	27
Interest	152	144
Grants and contributions provided for non-capital purposes	196	210
Profit from the sale of assets	—	—
Other income	24	7
Total income from continuing operations	2,723	2,569
Expenses from continuing operations		
Employee benefits and on-costs	322	311
Borrowing costs	—	—
Materials and contracts	1,098	1,043
Depreciation and impairment	665	347
Water purchase charges	—	45
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	36	43
Total expenses from continuing operations	2,121	1,789
Surplus (deficit) from continuing operations before capital amounts	602	780
Grants and contributions provided for capital purposes	32	12
Surplus (deficit) from continuing operations after capital amounts	634	792
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	634	792
Less: corporate taxation equivalent (30%) [based on result before capital]	(181)	(234)
SURPLUS (DEFICIT) AFTER TAX	453	558
Plus opening retained profits	8,917	8,125
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	181	234
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	9,551	8,917
Return on capital %	2.7%	3.5%
Subsidy from Council	—	—
Calculation of dividend payable:		
Surplus (deficit) after tax	453	558
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	453	558
Potential dividend calculated from surplus	227	279

Wentworth Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,409	1,373
User charges	—	—
Liquid trade waste charges	—	—
Fees	—	—
Interest	70	68
Grants and contributions provided for non-capital purposes	18	18
Profit from the sale of assets	—	—
Other income	11	5
Total income from continuing operations	1,508	1,464
Expenses from continuing operations		
Employee benefits and on-costs	169	176
Borrowing costs	—	5
Materials and contracts	368	374
Depreciation and impairment	686	471
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	46	32
Total expenses from continuing operations	1,269	1,058
Surplus (deficit) from continuing operations before capital amounts	239	406
Grants and contributions provided for capital purposes	3	6
Surplus (deficit) from continuing operations after capital amounts	242	412
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	242	412
Less: corporate taxation equivalent (30%) [based on result before capital]	(72)	(122)
SURPLUS (DEFICIT) AFTER TAX	170	290
Plus opening retained profits	(6,364)	(6,776)
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	72	122
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	(6,122)	(6,364)
Return on capital %	1.4%	2.4%
Subsidy from Council	106	111
Calculation of dividend payable:		
Surplus (deficit) after tax	170	290
Less: capital grants and contributions (excluding developer contributions)	—	—
Surplus for dividend calculation purposes	170	290
Potential dividend calculated from surplus	85	145

Wentworth Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	5,672	4,778
Investments	–	–
Receivables	1,187	1,072
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	6,859	5,850
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	22,216	22,329
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	22,216	22,329
TOTAL ASSETS	29,075	28,179
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	1	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	1	–
NET ASSETS	29,074	28,179
EQUITY		
Retained earnings	9,551	8,917
Revaluation reserves	19,523	19,262
Council equity interest	29,074	28,179
Non-controlling equity interest	–	–
TOTAL EQUITY	29,074	28,179

Wentworth Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	2,604	2,199
Investments	–	–
Receivables	271	247
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	2,875	2,446
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	17,358	17,300
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	17,358	17,300
TOTAL ASSETS	20,233	19,746
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	1	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	1	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	1	–
NET ASSETS	20,232	19,746
EQUITY		
Retained earnings	(6,122)	(6,364)
Revaluation reserves	26,354	26,110
Council equity interest	20,232	19,746
Non-controlling equity interest	–	–
TOTAL EQUITY	20,232	19,746

Wentworth Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

Wentworth Shire Council

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

Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 the SPFS 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 also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

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' to 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 government policy statement, *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 standards for disclosure. 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.

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)

Nil

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

Wentworth Shire Council

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

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these 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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, 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 the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 in the Best-Practice Management of Water Supply and Sewerage 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 against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While 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 or 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this 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 Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance 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.

Wentworth Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

The rate of return on capital 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 1.99% at 30/6/16.

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

(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.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Wentworth Shire Council

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

Note 2. Water supply business best-practice management disclosure requirements

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

2016

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	7,389
(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]	226,700
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	73,890
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,627,400

2016 Surplus	453,400	2015 Surplus	558,000	2014 Surplus	616,000
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	73,890
(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	YES
	b. Complete and implement integrated water cycle management strategy	YES

Wentworth Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2016

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	2,425
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)]	%	53.54%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	22,210
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,164
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	291
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)]	%	3.48%
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 2016Note 3. Sewerage business
best-practice management disclosure requirements

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

2016

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	8,037
(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]	85,150
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	80,370
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	689,300

2016 Surplus	170,300	2015 Surplus	290,200	2014 Surplus	228,800
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	80,370
(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	YES
	b. Complete and implement integrated water cycle management strategy	YES

Wentworth Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

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	1,441
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	17,188
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	504
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	500
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)]	%	1.45%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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	4,044
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.89%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	791
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)]	%	2.59%
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 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

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

NWI F22	Net debt to equity (water and sewerage)	%	-16.78%
	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):		871
	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:		- 222
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	876
	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.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

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WENTWORTH SHIRE COUNCIL
Special Purpose Financial Report
Independent Auditors' Report to the Council for the Year ended 30 June 2016

Report on the Financial Statements of Council's Declared Business Activities

We have audited the accompanying financial statements, being special purpose financial statements, of Wentworth Shire Council's declared business activities, which comprises the statement of financial position as at 30 June 2016 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

Council's Responsibilities for the Financial Statements

Council is responsible for the preparation and fair presentation of the financial statements and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to their needs. Council's responsibility also includes such internal controls as the Council determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

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

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Wentworth Shire Council as of 30 June 2016 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to any person other than the Council or the New South Wales Division of Local Government, or for any purpose other than that for which it was prepared.

Other Matter

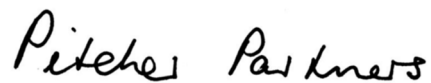
Wentworth Shire Council has prepared a separate financial report for the year ended 30 June 2016 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 28 October 2016.



C R MILLINGTON

Partner

Sydney, 28 October 2016



PITCHER PARTNERS

Wentworth Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

“The Shire on Two Rivers”



Wentworth Shire Council

Special Schedules for the year ended 30 June 2016

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

Background

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

Wentworth Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,108	1	–	(1,107)
Administration	2,906	502	–	(2,404)
Public order and safety				
Fire service levy, fire protection, emergency services	544	347	–	(197)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	238	20	–	(218)
Other	1	1	–	–
Total public order and safety	783	368	–	(415)
Health	83	8	–	(75)
Environment				
Noxious plants and insect/vermin control	70	37	–	(33)
Other environmental protection	168	–	–	(168)
Solid waste management	1,505	1,442	90	27
Street cleaning	–	–	–	–
Drainage	181	–	–	(181)
Stormwater management	–	–	–	–
Total environment	1,924	1,479	90	(355)
Community services and education				
Administration and education	144	142	–	(2)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	35	7	–	(28)
Children's services	26	–	–	(26)
Total community services and education	205	149	–	(56)
Housing and community amenities				
Public cemeteries	205	75	–	(130)
Public conveniences	113	–	–	(113)
Street lighting	–	–	–	–
Town planning	445	183	–	(262)
Other community amenities	17	2	–	(15)
Total housing and community amenities	780	260	–	(520)
Water supplies	2,121	2,723	32	634
Sewerage services	1,269	1,508	3	242

Wentworth Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	578	19	19	(540)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	224	20	—	(204)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	272	15	100	(157)
Swimming pools	346	—	—	(346)
Parks and gardens (lakes)	639	18	—	(621)
Other sport and recreation	332	26	—	(306)
Total recreation and culture	2,391	98	119	(2,174)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	248	81	—	(167)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	248	81	—	(167)
Transport and communication				
Urban roads (UR) – local	571	380	—	(191)
Urban roads – regional	585	—	—	(585)
Sealed rural roads (SRR) – local	3,413	—	—	(3,413)
Sealed rural roads (SRR) – regional	322	1,159	137	974
Unsealed rural roads (URR) – local	1,038	1,624	—	586
Unsealed rural roads (URR) – regional	324	659	537	872
Bridges on UR – local	149	27	—	(122)
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	27	—	—	(27)
Footpaths	256	—	149	(107)
Aerodromes	198	26	243	71
Other transport and communication	1,422	1,677	149	404
Total transport and communication	8,305	5,552	1,215	(1,538)
Economic affairs				
Camping areas and caravan parks	120	80	60	20
Other economic affairs	751	98	9	(644)
Total economic affairs	871	178	69	(624)
Totals – functions	22,994	12,907	1,528	(8,559)
General purpose revenues ⁽¹⁾		10,688		10,688
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	22,994	23,595	1,528	2,129

(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(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	197	988	1,185	–	169	–	–	57	190	826	1,016
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	197	988	1,185	–	169	–	–	57	190	826	1,016
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	197	988	1,185	–	169	–	–	57	190	826	1,016

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

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

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	115	115
b. Engineering and supervision	50	50
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	22	–
d. Maintenance expenses	190	188
– Reservoirs		
e. Operation expenses	8	–
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	30	23
h. Energy costs	120	216
i. Maintenance expenses	40	27
– Treatment		
j. Operation expenses (excluding chemical costs)	240	360
k. Chemical costs	80	–
l. Maintenance expenses	82	14
– Other		
m. Operation expenses	96	9
n. Maintenance expenses	27	26
o. Purchase of water	64	45
3. Depreciation expenses		
a. System assets	–	–
b. Plant and equipment	665	347
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	138	147
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	154	222
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,121	1,789

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	970	1,010
b. Usage charges	1,118	943
7. Non-residential charges		
a. Access (including rates)	76	74
b. Usage charges	162	154
8. Extra charges	—	—
9. Interest income	152	144
10. Other income	49	35
10a. Aboriginal Communities Water and Sewerage Program	178	190
11. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	18	19
c. Other grants	—	—
12. Contributions		
a. Developer charges	32	12
b. Developer provided assets	—	—
c. Other contributions	—	—
13. Total income	2,755	2,581
14. Gain (or loss) on disposal of assets	—	—
15. Operating result	634	792
15a. Operating result (less grants for acquisition of assets)	634	792

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	165	36
b. New assets for growth	77	–
c. Renewals	49	444
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	291	480
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)	2,177	2,146
b. Residential (unoccupied, ie. vacant lot)	102	112
c. Non-residential (occupied)	184	184
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	26 ET	2 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 34,638	\$ 35,019

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	5,672	–	5,672
26. Receivables			
a. Specific purpose grants	68	–	68
b. Rates and availability charges	319	–	319
c. User charges	800	–	800
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	22,210	22,210
b. Plant and equipment	–	6	6
29. Other assets	–	–	–
30. Total assets	6,859	22,216	29,075
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	1	–	1
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	1	–	1
36. NET ASSETS COMMITTED	6,858	22,216	29,074
EQUITY			
37. Accumulated surplus			9,551
38. Asset revaluation reserve			19,523
39. TOTAL EQUITY			29,074
Note to system assets:			
40. Current replacement cost of system assets			41,183
41. Accumulated current cost depreciation of system assets			(18,973)
42. Written down current cost of system assets			22,210

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	74	74
b. Engineering and supervision	30	30
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	2	44
b. Maintenance expenses	58	22
– Pumping stations		
c. Operation expenses (excluding energy costs)	34	33
d. Energy costs	67	51
e. Maintenance expenses	74	107
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	106	91
g. Chemical costs	–	–
h. Energy costs	5	4
i. Effluent management	–	3
j. Biosolids management	–	–
k. Maintenance expenses	42	46
– Other		
l. Operation expenses	–	16
m. Maintenance expenses	12	3
3. Depreciation expenses		
a. System assets	680	471
b. Plant and equipment	6	–
4. Miscellaneous expenses		
a. Interest expenses	–	5
b. Revaluation decrements	–	–
c. Other expenses	79	58
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	1,269	1,058

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	1,227	1,231
7. Non-residential charges		
a. Access (including rates)	182	142
b. Usage charges	—	—
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	70	68
11. Other income	11	5
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	18	18
c. Other grants	—	—
13. Contributions		
a. Developer charges	3	6
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	1,511	1,470
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	242	412
16a. Operating result (less grants for acquisition of assets)	242	412

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	61	118
b. New assets for growth	115	–
c. Renewals	324	–
d. Plant and equipment	–	–
18. Repayment of debt	–	131
19. Totals	500	249
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)	2,387	2,375
b. Residential (unoccupied, ie. vacant lot)	108	129
c. Non-residential (occupied)	184	184
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	2 ET	1 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 31,723	\$ 32,431

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	2,604	—	2,604
27. Receivables			
a. Specific purpose grants	38	—	38
b. Rates and availability charges	233	—	233
c. User charges	—	—	—
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	17,188	17,188
b. Plant and equipment	—	170	170
30. Other assets	—	—	—
31. Total assets	2,875	17,358	20,233
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	1	—	1
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	1	—	1
37. NET ASSETS COMMITTED	2,874	17,358	20,232
EQUITY			
38. Accumulated surplus			(6,122)
39. Asset revaluation reserve			26,354
40. TOTAL EQUITY			20,232
Note to system assets:			
41. Current replacement cost of system assets			38,362
42. Accumulated current cost depreciation of system assets			(21,174)
43. Written down current cost of system assets			17,188

Wentworth Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2016

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 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	2,426	2,426	120	120	18,663	50,470	31%	40%	16%	10%	3%
	Sub-total	2,426	2,426	120	120	18,663	50,470	31.0%	40.0%	16.0%	10.0%	3.0%
Other structures	Other structures	177	177	70	70	8,855	–	33%	53%	12%	2%	0%
	Sub-total	177	177	70	70	8,855	–	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	4,135	4,135	1,163	1,163	68,928	129,845	34%	43%	17%	6%	0%
	Unsealed roads	1,496	1,496	1,425	1,425	12,466	34,412	14%	40%	30%	11%	5%
	Bridges	2,306	2,306	36	36	8,236	11,421	22%	44%	6%	28%	0%
	Footpaths	50	50	176	176	2,497	3,987	44%	49%	5%	2%	0%
	Bulk earthworks	–	–	–	–	189,775	189,775					100%
	Kerb	158	158	45	45	5,286	8,945	45%	41%	11%	3%	0%
	Sub-total	8,145	8,145	2,845	2,845	287,188	378,385	15.1%	21.2%	9.1%	4.0%	50.6%
Water supply network	Water supply network	3,276	3,276	339	339	17,745	32,403	39%	21%	19%	21%	0%
	Sub-total	3,276	3,276	339	339	17,745	32,403	39.0%	21.0%	19.0%	21.0%	0.0%
Sewerage network	Sewerage network	4,201	4,201	186	186	16,805	37,979	18%	12%	45%	25%	0%
	Sub-total	4,201	4,201	186	186	16,805	37,979	18.0%	12.0%	45.0%	25.0%	0.0%

Wentworth Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	649	649	22	22	4,997	5,973	12%	38%	37%	7%	6%
	Sub-total	649	649	22	22	4,997	5,973	12.0%	38.0%	37.0%	7.0%	6.0%
Open space/recreational assets	Swimming pools	165	165	99	99	534	–	0%	0%	69%	31%	
	Playgrounds	14	14	–	–	123	382	27%	38%	23%	8%	4%
	Sub-total	179	179	99	99	657	382	27.0%	38.0%	23.0%	8.0%	4.0%
	TOTAL – ALL ASSETS	19,053	19,053	3,681	3,681	354,910	505,592	18.4%	22.6%	13.4%	7.3%	38.2%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Wentworth Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	4,681	72.14%	93.63%	70.28%
Depreciation, amortisation and impairment	6,489			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	19,053	11.29%	11.56%	4.93%
Carrying value of infrastructure assets	168,821			
3. Asset maintenance ratio				
Actual asset maintenance	3,681	1.00	1.00	1.00
Required asset maintenance	3,681			
4. Capital expenditure ratio				
Annual capital expenditure	6,621	0.87	1.08	0.94
Annual depreciation	7,579			

Notes

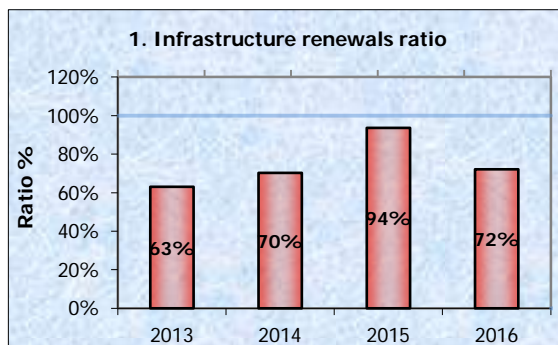
* All asset performance indicators are calculated using the asset classes identified in the previous table.

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

Wentworth Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016



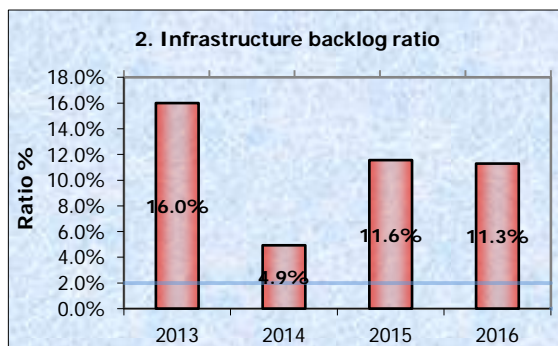
Purpose of asset renewals ratio

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

2015/16 Ratio 72.14%

Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark



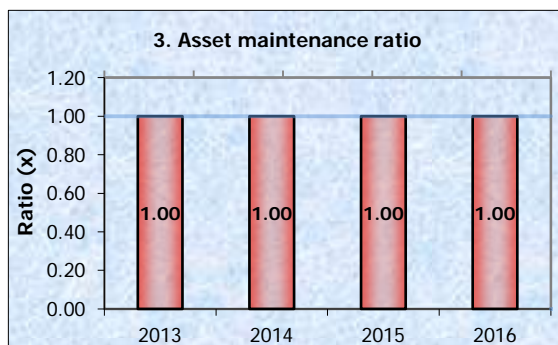
Purpose of infrastructure backlog ratio

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

2015/16 Ratio 11.29%

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark



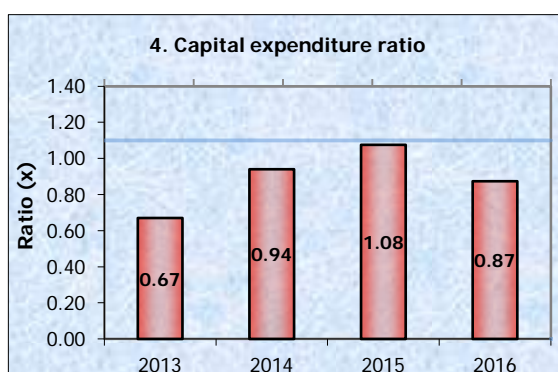
Purpose of asset maintenance ratio

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

2015/16 Ratio 1.00 x

Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

2015/16 Ratio 0.87 x

Benchmark: — Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark

Wentworth Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	16.04%	17.33%	83.41%
Depreciation, amortisation and impairment			
prior period:	127.95%	0.00%	99.75%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	18.46%	25.00%	8.62%
Carrying value of infrastructure assets			
prior period:	23.83%	20.55%	10.17%
3. Asset maintenance ratio			
Actual asset maintenance	1.00	1.00	1.00
Required asset maintenance			
prior period:	1.00	1.00	1.00
4. Capital expenditure ratio			
Annual capital expenditure	0.44	0.73	0.94
Annual depreciation			
prior period:	1.38	0.25	1.12

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (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 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	4,631	4,763
Plus or minus adjustments ⁽²⁾	b	20	25
Notional general income	c = (a + b)	4,651	4,788
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c – g)	—	—
Or plus rate peg amount	i = c x e	112	86
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	4,763	4,874
Plus (or minus) last year's carry forward total	l	—	—
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	—	—
Total permissible income	o = k + n	4,763	4,874
Less notional general income yield	p	4,763	4,873
Catch-up or (excess) result	q = o – p	—	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	(1)
Carry forward to next year	t = q + r – s	—	—

Notes

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

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WENTWORTH SHIRE COUNCIL

Special Schedule No. 8

Independent Auditors' Report to the Council for the Year ended 30 June 2017

Report on Special Schedule No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Wentworth Shire Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

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

Auditor's Responsibilities

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

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

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

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

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

Auditor's Opinion

In our opinion, Special Schedule No. 8 of Wentworth Shire Council for the year ending 30 June 2017 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

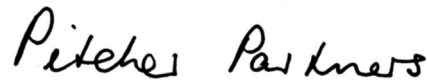
Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income for the year ending 30 June 2017 is presented fairly. As a result, the schedule may not be suitable for another purpose.



C R MILLINGTON
Partner

Sydney, 28 October 2016



PITCHER PARTNERS