

Wentworth Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“The Shire on Two Rivers”



Wentworth Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for 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 guiding principles are detailed in Chapter 3 of the LGA and includes:

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 31 October 2017. 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 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 16/17 financial year can be found at Note 29 of the financial statements.

Wentworth Shire Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

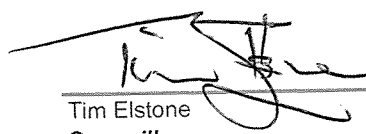
To the best of our knowledge and belief, these financial statements:


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


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

Signed in accordance with a resolution of Council made on 18 October 2017.



Melisa Hederics
Mayor

Tim Elstone
Councillor

Peter Kozlowski
General manager

Simon Rule
Responsible accounting officer

Wentworth Shire Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017 \$ '000		Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
7,851	Rates and annual charges	3a	7,938	7,762
3,278	User charges and fees	3b	5,570	4,155
735	Interest and investment revenue	3c	808	839
841	Other revenues	3d	692	576
10,610	Grants and contributions provided for operating purposes	3e,f	13,789	10,229
1,062	Grants and contributions provided for capital purposes	3e,f	2,472	1,528
Other income:				
100	Net gains from the disposal of assets	5	310	34
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
24,477	Total income from continuing operations		31,579	25,123
Expenses from continuing operations				
7,284	Employee benefits and on-costs	4a	8,478	7,945
353	Borrowing costs	4b	74	57
4,335	Materials and contracts	4c	5,296	4,617
6,361	Depreciation and amortisation	4d	7,713	7,579
–	Impairment	4d	–	–
2,369	Other expenses	4e	3,391	2,796
20,702	Total expenses from continuing operations		24,952	22,994
3,775	Operating result from continuing operations		6,627	2,129
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
3,775	Net operating result for the year		6,627	2,129
3,775	Net operating result attributable to Council		6,627	2,129
–	Net operating result attributable to non-controlling interests		–	–
2,713	Net operating result for the year before grants and contributions provided for capital purposes		4,155	601

¹ Original budget as approved by Council – refer Note 16

Wentworth Shire Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		6,627	2,129
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	21,692	13,201
Total items which will not be reclassified subsequently to the operating result		21,692	13,201
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	116	(3)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		116	(3)
Total other comprehensive income for the year		21,808	13,198
Total comprehensive income for the year		28,435	15,327
Total comprehensive income attributable to Council		28,435	15,327
Total comprehensive income attributable to non-controlling interests		—	—

Wentworth Shire Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	7,523	18,134
Investments	6b	21,000	8,000
Receivables	7	4,593	3,564
Inventories	8	507	479
Other	8	162	143
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		33,785	30,320
Non-current assets			
Investments	6b	—	—
Receivables	7	—	—
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	399,223	371,078
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		399,223	371,078
TOTAL ASSETS		433,008	401,398
LIABILITIES			
Current liabilities			
Payables	10	2,027	1,829
Income received in advance	10	395	342
Borrowings	10	311	190
Provisions	10	2,003	2,062
Total current liabilities		4,736	4,423
Non-current liabilities			
Payables	10	—	—
Borrowings	10	3,440	826
Provisions	10	664	415
Total non-current liabilities		4,104	1,241
TOTAL LIABILITIES		8,840	5,664
Net assets		424,168	395,734
EQUITY			
Retained earnings	20	54,575	47,832
Revaluation reserves	20	369,593	347,902
Other reserves	20	—	—
Council equity interest		424,168	395,734
Non-controlling equity interests		—	—
Total equity		424,168	395,734

This statement should be read in conjunction with the accompanying notes.

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Wentworth Shire Council

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

		2017	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity	2016	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
\$ '000	Notes	Retained earnings						Retained earnings					
Opening balance (as per last year's audited accounts)		47,832	347,902	—	395,734	—	395,734	32,091	348,315	—	380,406	—	380,406
a. Correction of prior period errors	20 (c)	—	—	—	—	—	—	—	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—	—	—	—	—	—	—	—
Revised opening balance		47,832	347,902	—	395,734	—	395,734	32,091	348,315	—	380,406	—	380,406
c. Net operating result for the year		6,627	—	—	6,627	—	6,627	2,129	—	—	2,129	—	2,129
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	21,692	—	21,692	—	21,692	—	13,201	—	13,201	—	13,201
– Other movements	20a	116	(1)	—	115	—	115	(3)	1	—	(2)	—	(2)
Other comprehensive income		116	21,691	—	21,807	—	21,807	(3)	13,202	—	13,199	—	13,199
Total comprehensive income (c&d)		6,743	21,691	—	28,434	—	28,434	2,126	13,202	—	15,328	—	15,328
e. Distributions to/(contributions from) non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	—
f. Transfers between equity		—	—	—	—	—	—	13,615	(13,615)	—	—	—	—
Equity – balance at end of the reporting period		54,575	369,593	—	424,168	—	424,168	47,832	347,902	—	395,734	—	395,734

Wentworth Shire Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
7,851	Rates and annual charges		7,970	8,482
3,278	User charges and fees		6,779	2,657
735	Investment and interest revenue received		816	613
11,672	Grants and contributions		14,002	11,768
841	Other		2,126	2,196
Payments:				
(7,284)	Employee benefits and on-costs		(8,411)	(7,738)
(4,335)	Materials and contracts		(6,874)	(5,806)
(353)	Borrowing costs		(65)	(57)
(2,369)	Other		(3,499)	(3,109)
10,036	Net cash provided (or used in) operating activities	11b	12,844	9,006
Cash flows from investing activities				
Receipts:				
75,000	Sale of investment securities		75,000	69,000
100	Sale of infrastructure, property, plant and equipment		383	39
Payments:				
(77,000)	Purchase of investment securities		(88,000)	(76,000)
(16,952)	Purchase of infrastructure, property, plant and equipment		(13,573)	(6,625)
(18,852)	Net cash provided (or used in) investing activities		(26,190)	(13,586)
Cash flows from financing activities				
Receipts:				
6,250	Proceeds from borrowings and advances		2,936	–
Payments:				
–	Repayment of borrowings and advances		(201)	(169)
6,250	Net cash flow provided (used in) financing activities		2,735	(169)
(2,566)	Net increase/(decrease) in cash and cash equivalents		(10,611)	(4,749)
25,000	Plus: cash and cash equivalents – beginning of year	11a	18,134	22,883
22,434	Cash and cash equivalents – end of the year	11a	7,523	18,134
Additional Information:				
plus:	Investments on hand – end of year	6b	21,000	8,000
Total cash, cash equivalents and investments			28,523	26,134

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 2017

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n/a – not applicable

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

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

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

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Rates, annual charges, grants and contributions

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

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

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

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

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) 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

(i) The Consolidated Fund

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) Leases

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

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

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

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(g) Inventories

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

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

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(ii) Inventory held for distribution

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

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

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

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

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

(iii) Held-to-maturity investments

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

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

(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. They are included in non-current assets unless

management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

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

(i) Assets carried at amortised cost

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

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of

amounts previously written off are credited against other expenses in the income statement.

Investment Policy

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

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

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

(j) 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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

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

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

Externally valued:

- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets

Internally valued:

- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Swimming pools

As approximated by depreciated historical cost:

- Plant and equipment
- Other infrastructure
- Other assets

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

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 asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ

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

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

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Depreciation

Land and Formation are not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant & Equipment

- Communication Equipment	2 to 10 years
- Office Furniture & Fittings	up to 10 years
- Computer Equipment	3 to 5 years
- Motor 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
- Fences	up to 40 years

Buildings

- Buildings	20 to 100 years
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Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Stormwater Drainage

- Drainage Pits	up to 100 years
- Drainage Pipes	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	up to 100 years
- Footpaths / Shared paths	up to 60 years
- Culverts	60 to 80 years
- Cattle Grids	up to 50 years
- Bus Shelters	25 to 40 years
- Guard Rails	up to 30 years

Water & Sewer Assets

- Dams & Reservoirs	80 to 100 years
- Bores	20 to 40 years
- Pumps & Telemetry	15 to 20 years
- Reticulation Pipes	25 to 80 years
- Trunk Mains	up to 80 years
- Standpipes	up to 20 years

Other Infrastructure Assets

- Other Structures	10 to 50 years
- Landfill Sites	50 to 100 years
- Land Improvements	10 to 100 years
- Swimming Pools	30 to 40 years
- Playground Equipment	5 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active

markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(o) Borrowing costs

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

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

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

amounts expected to be paid when the liabilities are settled.

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

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

Defined Contribution Plans

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

(r) Land under roads

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

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

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

(s) Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims, the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims; these are detailed in Note 6(c).

(t) Intangible assets

Council has not classified any assets as intangible.

(u) 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.

(v) Rural fire service assets

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

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

(w) Goods and Services Tax (GST)

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

(y) Rounding of amounts

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

(z) 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.

(aa) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	66	1	454	1,185	1,108	(454)	(1,119)	(1,107)	161	–	–	–
Administration	1,364	851	502	2,152	3,328	2,906	(788)	(2,477)	(2,404)	10	22	35,480	31,810
Public order and safety	435	446	368	812	897	783	(377)	(451)	(415)	303	311	1,237	1,228
Health	8	7	8	186	73	83	(178)	(66)	(75)	–	–	–	–
Environment	34	2,147	1,569	279	2,514	1,924	(245)	(367)	(355)	62	151	8,003	10,007
Community services and education	33	165	149	90	215	205	(57)	(50)	(56)	155	127	640	679
Housing and community amenities	670	990	260	2,279	1,020	780	(1,609)	(30)	(520)	41	–	20,109	7,646
Water supplies	1,862	3,139	2,755	1,952	2,314	2,121	(90)	825	634	488	196	41,782	29,075
Sewerage services	1,458	1,631	1,511	1,374	1,407	1,269	84	224	242	42	17	21,290	20,233
Recreation and culture	717	635	217	2,151	2,400	2,391	(1,434)	(1,765)	(2,174)	412	132	10,208	8,715
Mining, manufacturing and construction	38	94	81	260	280	248	(222)	(186)	(167)	–	–	–	–
Transport and communication	6,512	7,398	6,767	7,771	8,596	8,305	(1,259)	(1,198)	(1,538)	2,717	2,880	292,385	289,952
Economic affairs	295	145	247	942	723	871	(647)	(578)	(624)	–	60	1,874	2,053
Total functions and activities	13,426	17,714	14,435	20,702	24,952	22,994	(7,276)	(7,238)	(8,559)	4,391	3,896	433,008	401,398
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	11,051	13,865	10,688	–	–	–	11,051	13,865	10,688	8,684	5,543	–	–
Operating result from continuing operations	24,477	31,579	25,123	20,702	24,952	22,994	3,775	6,627	2,129	13,075	9,439	433,008	401,398

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 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

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 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		1,650	1,618
Farmland		1,615	1,575
Business		1,370	1,349
Total ordinary rates		4,635	4,542
Special rates			
Tourism		38	38
Levee bank		114	113
Total special rates		152	151
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		643	615
Water supply services		1,073	1,046
Sewerage services		1,435	1,408
Total annual charges		3,151	3,069
TOTAL RATES AND ANNUAL CHARGES		7,938	7,762

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 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific ‘actual use’ charges)			
Water supply services		1,125	1,280
Total user charges		1,125	1,280
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services		5	5
Planning and building regulation		261	218
Private works – section 67		25	59
Section 149 certificates (EPA Act)		59	56
Section 603 certificates		25	20
Tapping fees		23	25
Total fees and charges – statutory/regulatory		398	383
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		38	26
Animal control		15	20
Cemeteries		44	70
Fire and emergency services levy (FESL) implementation		49	–
Library and art gallery		1	4
RMS charges (state roads not controlled by Council)		2,522	1,579
Waste disposal tipping fees		1,375	791
Other – road opening permits		3	2
Total fees and charges – other		4,047	2,492
TOTAL USER CHARGES AND FEES		5,570	4,155

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		97	84
– Interest earned on investments (interest and coupon payment income)		711	755
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>808</u>	<u>839</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		97	84
General Council cash and investments		449	519
Restricted investments/funds – external:			
Development contributions			
– Section 94		13	14
Water fund operations		180	152
Sewerage fund operations		69	70
<u>Total interest and investment revenue recognised</u>		<u>808</u>	<u>839</u>
(d) Other revenues			
Rental income – other council properties		116	106
Diesel rebate		88	97
Facilities revenue		99	97
Insurance claim recoveries		66	105
Insurance rebates		58	18
Rural fire service reimbursements		109	15
Sales – miscellaneous		33	36
Other – other public works		5	4
Other – meter readings		8	6
Other		110	92
<u>TOTAL OTHER REVENUE</u>		<u>692</u>	<u>576</u>

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	5,786	3,611	–	–
Financial assistance – local roads component	2,853	1,884	–	–
Pensioners' rates subsidies – general component	45	48	–	–
Total general purpose	8,684	5,543	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	19	18	–	–
– Sewerage	17	18	–	–
– Domestic waste management	20	23	–	–
Water supplies	150	179	319	–
Sewerage services	–	–	25	–
Bushfire and emergency services	303	310	–	–
Employment and training programs	44	22	–	–
Environmental protection	16	–	48	–
Library	–	–	151	–
Library – per capita	26	13	–	–
Library – special projects	–	–	6	19
Noxious weeds	25	37	–	–
Recreation and culture	80	–	150	100
Street lighting	41	40	–	–
Transport (roads to recovery)	2,063	2,505	–	–
Transport (other roads and bridges funding)	–	–	–	243
Water transport	–	–	233	92
Other – economic affairs	–	–	–	60
Other – environment	500	–	–	90
Other	155	127	–	–
Total specific purpose	3,459	3,292	932	604
Total grants	12,143	8,835	932	604
Grant revenue is attributable to:				
– Commonwealth funding	10,746	8,022	–	–
– State funding	1,397	813	932	504
– Other funding	–	–	–	100
	12,143	8,835	932	604

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	5	–
S 64 – water supply contributions	–	–	192	32
S 64 – sewerage service contributions	–	–	75	3
Total developer contributions 17	–	–	272	35
Other contributions:				
Community services	1	–	–	–
Other councils – joint works/services	89	–	–	–
Recreation and culture	–	–	123	–
Roads and bridges	247	77	749	188
RMS contributions (regional roads, block grant)	1,309	1,317	394	692
Ruby restoration	–	–	2	9
Total other contributions	1,646	1,394	1,268	889
Total contributions	1,646	1,394	1,540	924
TOTAL GRANTS AND CONTRIBUTIONS	13,789	10,229	2,472	1,528

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

(g) Unspent grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	866	941
Add: grants and contributions recognised in the current period but not yet spent:	72	214
Less: grants and contributions recognised in a previous reporting period now spent:	–	(289)
Net increase (decrease) in restricted assets during the period	72	(75)
Unexpended and held as restricted assets	938	866
Comprising:		
– Specific purpose unexpended grants	391	337
– Developer contributions	547	529
	938	866

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		7,234	6,587
Travel expenses		62	46
Employee leave entitlements (ELE)		1,117	1,183
Superannuation – defined contribution plans		652	563
Superannuation – defined benefit plans		124	184
Workers' compensation insurance		304	269
Fringe benefit tax (FBT)		17	28
Training costs (other than salaries and wages)		104	63
Uniforms		55	29
Recruitment		9	7
Total employee costs		9,678	8,959
Less: capitalised costs		(1,200)	(1,014)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>8,478</u>	<u>7,945</u>
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		74	57
Total interest bearing liability costs expensed		74	57
(ii) Other borrowing costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>74</u>	<u>57</u>
(c) Materials and contracts			
Raw materials and consumables		1,042	938
Contractor and consultancy costs		4,174	3,512
Auditors remuneration ⁽¹⁾		34	40
Legal expenses:			
– Legal expenses: planning and development		1	–
– Legal expenses: debt recovery		18	19
– Legal expenses: other		27	108
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>5,296</u>	<u>4,617</u>
(continued on the next page...)			

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
Nil			
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		34	40
Remuneration for audit and other assurance services		34	40
Total remuneration of other Council's Auditors		34	40
Total Auditor remuneration		34	40
(d) Depreciation, amortisation and impairment			
Plant and equipment		866	762
Office equipment		46	60
Furniture and fittings		16	16
Land improvements (depreciable)		145	137
Infrastructure:			
– Buildings		955	954
– Other structures		251	208
– Roads		3,912	3,903
– Bridges		114	98
– Footpaths		80	80
– Stormwater drainage		68	61
– Water supply network		433	424
– Sewerage network		695	675
– Swimming pools		50	47
– Other open space/recreational assets		39	39
Other assets			
– Library books		43	115
Total gross depreciation and amortisation costs		7,713	7,579
Less: capitalised costs		–	–
Total depreciation and amortisation costs		7,713	7,579
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		7,713	7,579

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		36	26
Bad and doubtful debts		38	6
Bank charges		30	27
Cleaning		103	78
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		13	12
– NSW Fire Brigade levy		22	22
– NSW Rural Fire Service levy		225	191
– Other contributions/levies		155	126
Councillor expenses – mayoral fee		25	23
Councillor expenses – councillors' fees		99	95
Councillors' expenses (incl. mayor) – other (excluding fees above)		94	98
Donations, contributions and assistance to other organisations (Section 356)		140	128
Election expenses		46	1
Electricity and heating		470	413
Fire and emergency services levy (FESL) implementation costs		18	–
Fire control expenses		83	43
Insurance		410	382
Office expenses (including computer expenses)		453	492
Postage		23	19
Printing and stationery		66	66
Street lighting		112	96
Subscriptions and publications		64	44
Telephone and communications		105	90
Tourism expenses (excluding employee costs)		142	145
Valuation fees		135	32
Other – remediation remeasurement – tip		263	141
Other		21	–
<u>TOTAL OTHER EXPENSES</u>		<u>3,391</u>	<u>2,796</u>

Wentworth Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		62	–
Less: carrying amount of property assets sold/written off		(39)	–
Net gain/(loss) on disposal		23	–
Plant and equipment			
Proceeds from disposal – plant and equipment		321	39
Less: carrying amount of plant and equipment assets sold/written off		(34)	(5)
Net gain/(loss) on disposal		287	34
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		75,000	69,000
Less: carrying amount of financial assets sold/redeemed/matured		(75,000)	(69,000)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		310	34

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,523	–	1,134	–
Cash-equivalent assets ¹					
– Short-term deposits		6,000	–	17,000	–
Total cash and cash equivalents		7,523	–	18,134	–
Investments (Note 6b)					
– Long term deposits		21,000	–	8,000	–
Total investments		21,000	–	8,000	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		28,523	–	26,134	–

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'		7,523	–	18,134	–
Investments					
a. 'Held to maturity'		21,000	–	8,000	–
Investments		21,000	–	8,000	–

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 2017

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

	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	28,523	–	26,134	–
attributable to:				
External restrictions (refer below)	10,898	–	10,069	–
Internal restrictions (refer below)	10,010	–	6,660	–
Unrestricted	7,615	–	9,405	–
	28,523	–	26,134	–
2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions				
External restrictions – included in liabilities				
Other Trust Account	252	31	–	283
Other Cemeteries Trust	342	60	(7)	395
External restrictions – included in liabilities	594	91	(7)	678
External restrictions – other				
Developer contributions – general (D)	529	285	(267)	547
Specific purpose unexpended grants (F)	337	54	–	391
Water supplies (G)	5,672	813	–	6,485
Sewerage services (G)	2,604	–	(201)	2,403
Domestic waste management (G)	105	–	–	105
Council reserves – caravan park	228	106	(45)	289
External restrictions – other	9,475	1,258	(513)	10,220
Total external restrictions	10,069	1,349	(520)	10,898
Internal restrictions				
Plant and vehicle replacement	2,031	169	–	2,200
Employees leave entitlement	2,186	590	(663)	2,113
Capital projects	1,000	–	–	1,000
Future development	1,113	–	–	1,113
Loan guarantee	–	30	–	30
Tip remediation	291	263	–	554
Other doubtful debts provision	39	39	(17)	61
FAG received in advance	–	2,939	–	2,939
Total internal restrictions	6,660	4,030	(680)	10,010
TOTAL RESTRICTIONS	16,729	5,379	(1,200)	20,908

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 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		770	—	807	—
Interest and extra charges		175	—	165	—
User charges and fees		843	—	1,716	—
Accrued revenues					
– Interest on investments		165	—	183	—
– Other income accruals		481	—	265	—
Government grants and subsidies		2,041	—	345	—
Net GST receivable		178	—	122	—
Total		4,653	—	3,603	—
Less: provision for impairment					
Rates and annual charges		(27)	—	(32)	—
User charges and fees		(1)	—	(3)	—
Other debtors		(32)	—	(4)	—
Total provision for impairment – receivables		(60)	—	(39)	—
<u>TOTAL NET RECEIVABLES</u>		<u>4,593</u>	<u>—</u>	<u>3,564</u>	<u>—</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		79	—	68	—
– Rates and availability charges		315	—	319	—
– Other		725	—	800	—
Sewerage services					
– Specific purpose grants		39	—	38	—
– Rates and availability charges		242	—	233	—
– Other		1	—	—	—
Total external restrictions		1,401	—	1,458	—
Internally restricted receivables					
Nil					
Unrestricted receivables		3,192	—	2,106	—
TOTAL NET RECEIVABLES		4,593	—	3,564	—

Notes on debtors above:

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		318	—	318	—
Stores and materials		189	—	161	—
Total inventories at cost		507	—	479	—
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		507	—	479	—
(b) Other assets					
Prepayments		162	—	143	—
TOTAL OTHER ASSETS		162	—	143	—
Externally restricted assets					
There are no restrictions applicable to the above assets.					
(i) 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 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;					
				2017	2016
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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,284	–	1,284	3,845	586	–	–	(835)	(1)	–	4,878	–	4,878
Plant and equipment	13,857	9,581	4,276	2,296	–	(34)	(866)	–	(8)	–	15,023	9,360	5,663
Office equipment	2,206	2,082	124	28	–	–	(46)	50	–	–	2,174	2,019	155
Furniture and fittings	342	291	51	–	–	–	(16)	–	8	–	351	308	43
Land:													
– Community land	6,647	–	6,647	139	405	(39)	–	5	–	304	7,462	–	7,462
– Land under roads (post 30/6/08)	99	–	99	–	148	–	–	–	–	–	247	–	247
Land improvements – depreciable	6,876	3,190	3,686	142	81	–	(145)	–	–	–	7,099	3,334	3,765
Infrastructure:													
– Buildings	50,470	31,807	18,663	62	388	–	(955)	46	–	–	50,966	32,762	18,204
– Other structures	10,725	1,870	8,855	123	14	–	(251)	111	–	–	12,818	3,965	8,853
– Roads	173,202	86,522	86,680	3,119	308	–	(3,912)	–	–	–	176,629	90,434	86,195
– Bridges	11,421	3,185	8,236	194	–	–	(114)	–	–	–	11,615	3,300	8,315
– Footpaths	3,987	1,490	2,497	30	184	–	(80)	–	–	–	4,201	1,570	2,631
– Bulk earthworks (non-depreciable)	189,775	–	189,775	369	27	–	–	–	–	–	190,171	–	190,171
– Stormwater drainage	5,973	976	4,997	89	–	–	(68)	30	1	8,672	21,931	8,211	13,720
– Water supply network	32,404	14,658	17,746	15	490	–	(433)	209	–	11,882	53,538	23,630	29,908
– Sewerage network	37,979	21,174	16,805	459	443	–	(695)	383	–	834	42,669	24,440	18,229
– Swimming pools	830	296	534	17	81	–	(50)	–	–	–	928	347	581
– Other open space/recreational assets	382	259	123	–	17	–	(39)	–	–	–	399	297	102
Other assets:													
– Library books	–	–	–	–	29	–	(43)	–	116	–	246	145	101
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	548,459	177,381	371,078	10,927	3,201	(73)	(7,713)	(1)	116	21,692	603,345	204,122	399,223

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 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	263	—	263	223	—	223
Plant and equipment	4	4	—	—	—	—
Furniture and fittings	1	1	—	—	—	—
Land						
– Improvements – depreciable	7	2	5	—	—	—
Buildings	8,557	4,555	4,002	—	—	—
Infrastructure	53,538	23,630	29,908	32,403	14,658	17,745
Other assets	—	—	—	8,568	4,320	4,248
Total water supply	62,370	28,192	34,178	41,194	18,978	22,216
Sewerage services						
WIP	218	—	218	383	—	383
Plant and equipment	61	18	43	—	—	—
Land						
– Improvements – depreciable	37	7	30	—	—	—
Buildings	32	14	18	—	—	—
Other structures	88	20	68	—	—	—
Infrastructure	42,669	24,440	18,229	37,979	21,174	16,805
Other assets	—	—	—	219	49	170
Total sewerage services	43,105	24,499	18,606	38,581	21,223	17,358
TOTAL RESTRICTED I,PP&E	105,475	52,691	52,784	79,775	40,201	39,574

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 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Accrued expenses:					
– Borrowings		10	–	1	–
– Salaries and wages		420	–	266	–
– Other expenditure accruals		1,314	–	1,310	–
Trust account – money held in trust		283	–	252	–
Total payables		2,027	–	1,829	–
Income received in advance					
Payments received in advance		395	–	342	–
Total income received in advance		395	–	342	–
Borrowings					
Loans – secured ¹		311	3,440	190	826
Total borrowings		311	3,440	190	826
Provisions					
Employee benefits:					
Annual leave		956	–	889	–
Long service leave		890	87	1,000	98
Gratuities		157	23	173	26
Sub-total – aggregate employee benefits		2,003	110	2,062	124
Asset remediation/restoration (future works)	26	–	554	–	291
Total provisions		2,003	664	2,062	415
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		4,736	4,104	4,423	1,241

(i) Liabilities relating to restricted assets

	2017		2016	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	–	–	1	–
Sewer	–	–	1	–
Other	678	–	–	–
Liabilities relating to externally restricted assets	678	–	2	–
Internally restricted assets				
Nil	–	–	–	–
Total liabilities relating to restricted assets	678	–	2	–
Total liabilities relating to unrestricted assets	4,058	4,104	4,421	1,241
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	4,736	4,104	4,423	1,241

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 2017

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

	Actual 2017	Actual 2016
\$ '000		

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

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

Provisions – employees benefits	1,001	1,135
	1,001	1,135

Note 10b. Description of and movements in provisions

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	889	565	(498)	–	–	956
Long service leave	1,098	24	(145)	–	–	977
Gratuities	199	1	(20)	–	–	180
Asset remediation	291	263	–	–	–	554
TOTAL	2,477	853	(663)	–	–	2,667

- a. 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.
- b. 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 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	7,523	18,134
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		7,523	18,134
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,627	2,129
Adjust for non-cash items:			
Depreciation and amortisation		7,713	7,579
Net losses/(gains) on disposal of assets		(310)	(34)
Non-cash capital grants and contributions		(666)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other		115	(3)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,050)	(665)
Increase/(decrease) in provision for doubtful debts		21	6
Decrease/(increase) in inventories		(28)	23
Decrease/(increase) in other assets		(19)	(49)
Increase/(decrease) in accrued interest payable		9	–
Increase/(decrease) in other accrued expenses payable		158	(240)
Increase/(decrease) in other liabilities		84	(25)
Increase/(decrease) in employee leave entitlements		(73)	144
Increase/(decrease) in other provisions		263	141
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,844	9,006
(c) Non-cash investing and financing activities			
Other non-cash items (roads and bridges)		666	–
Total non-cash investing and financing activities		666	–
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit cards/purchase cards		20	20
Total financing arrangements		20	20
(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 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,348	117
Plant and equipment		25	751
Other		2,120	465
Total commitments		3,493	1,333
These expenditures are payable as follows:			
Within the next year		3,493	1,333
Total payable		3,493	1,333
Sources for funding of capital commitments:			
Unrestricted general funds		2,183	1,333
New loans (to be raised)		1,310	–
Total sources of funding		3,493	1,333

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Wentworth Shire Council

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

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016 2015		Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3,845	13.35%	2.41%	-8.71%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	28,797				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	15,008	48.00%	53.14%	58.52%	>60.00%
Total continuing operating revenue ⁽¹⁾	31,269				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	21,168	6.92x	5.62x	4.73x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,057				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	11,632	42.30x	36.30x	16.68x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	275				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	918	10.23%	10.03%	15.08%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	8,975				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	28,523	17.97 mths	18.6 mths	15.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,588				

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 2017

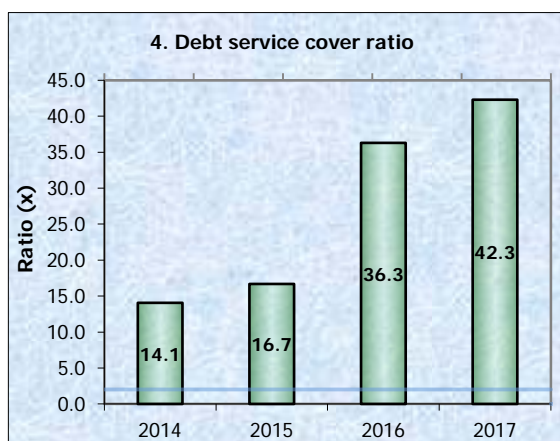
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</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 2016/17 result</p> <p>2016/17 ratio 13.35%</p> <p>Council's 2016/17 performance has been seasonally adjusted due to the additional Financial Assistance Grant payment received in 2016/17</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 #25</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 2016/17 result</p> <p>2016/17 ratio 48.00%</p> <p>Ratio has declined due to the additional Financial Assistance Grant payment received in 2016/17</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</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 2016/17 result</p> <p>2016/17 ratio 6.92x</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 2017

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

Benchmark: — Minimum ≥ 2.00

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

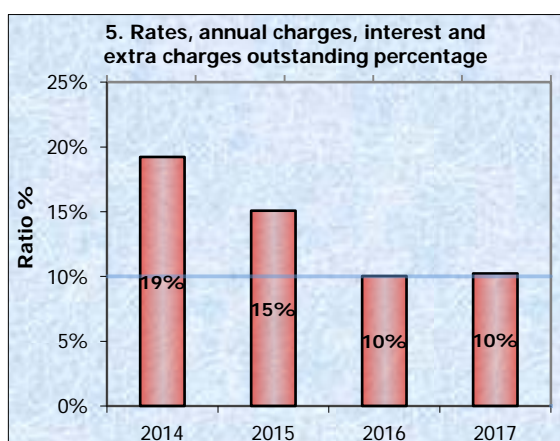
Purpose of debt service cover ratio

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

Commentary on 2016/17 result**2016/17 ratio 42.30x**

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 #25

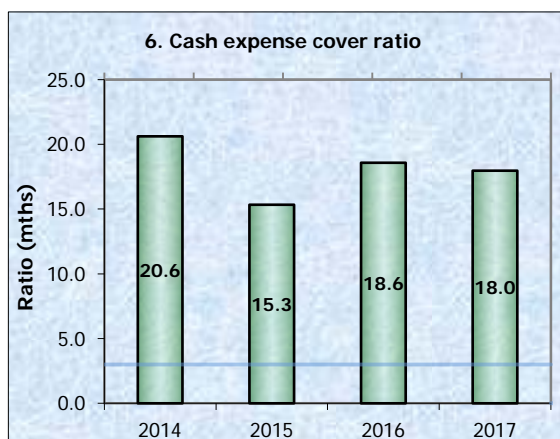
Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result**2016/17 ratio 10.23%**

Council ratios remained steady during the 2016/17 financial year and remains right on the industry average

Ratio is within Benchmark
Ratio is outside Benchmark

Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2016/17 result**2016/17 ratio 17.97 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 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	13.74%	-1.42%	12.00%	22.11%	9.58%	15.85%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue ⁽¹⁾	41.08%	43.88%	83.10%	98.19%	92.83%	98.61%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾							
<hr/>							
Current liabilities less specific purpose liabilities ^(3, 4)	6.92x	5.62x	No liabilities	6,859.00x	No liabilities	2,875.00x	>1.5x

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 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	35.59x	26.60x	0.00x	0.00x	0.00x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	5.58%	5.61%	29.36%	30.50%	16.86%	16.54%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.37	12.70	0.00	0.00	0.00	0.00	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) 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 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	7,523	18,134	7,523	18,134
Investments				
– 'Held to maturity'	21,000	8,000	21,000	8,000
Receivables	4,593	3,564	4,593	3,564
Total financial assets	33,116	29,698	33,116	29,698
Financial liabilities				
Payables	2,027	1,829	2,027	1,829
Loans/advances	3,751	1,016	3,751	1,016
Total financial liabilities	5,778	2,845	5,778	2,845

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 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	663	663	(663)	(663)
Possible impact of a 1% movement in interest rates	8	8	(8)	(8)
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)

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	100%	100%	100%	100%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges		Other receivables	Rates and annual charges	Other receivables
Current		Current		
	770	3,883	807	2,796
	770	3,883	807	2,796
(iii) Movement in provision for impairment of receivables			2017	2016
Balance at the beginning of the year			39	33
+ new provisions recognised during the year			39	6
– amounts already provided for and written off this year			(17)	–
Balance at the end of the year			61	39

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	–	2,027	–	–	–	–	–	2,027	2,027
Loans and advances	–	311	326	290	256	267	2,301	3,751	3,751
Total financial liabilities	–	2,338	326	290	256	267	2,301	5,778	5,778
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

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	2,027	0.00%	1,829	0.00%
Loans and advances – fixed interest rate	3,751	4.40%	1,016	5.00%
	<u>5,778</u>		<u>2,845</u>	

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 29 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	7,851	7,938	87	1%	F
User charges and fees	3,278	5,570	2,292	70%	F
Primarily due to an Increase in Buronga Landfill Fees					
Interest and investment revenue	735	808	73	10%	F
Other revenues	841	692	(149)	(18%)	U
Council received a number of unbudgeted reimbursements during the year					
Operating grants and contributions	10,610	13,789	3,179	30%	F
Council received a number of unbudgeted operating grants during the year					
Capital grants and contributions	1,062	2,472	1,410	133%	F
Council received a number of unbudgeted capital grants during the year					
Net gains from disposal of assets	100	310	210	210%	F
Trade in values received from disposal of assets was higher than budgeted for					

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	7,284	8,478	(1,194)	(16%) U
Payments were made during the year for additional staff to assist in capital projects, and also an increase in overtime and allowances				
Borrowing costs	353	74	279	79% F
As some works did not occur as expected, resulting loans were not drawn as budgeted				
Materials and contracts	4,335	5,296	(961)	(22%) U
Council undertook additional unbudgeted ordered works for the RMS				
Depreciation and amortisation	6,361	7,713	(1,352)	(21%) U
As Council continues to improve its data collection of assets, the annual depreciation amount is showing a more accurate value				
Other expenses	2,369	3,391	(1,022)	(43%) 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	10,036	12,844	2,808	28.0% F
Primarily due to an advance payment received for Financial Assistance Grant				
Cash flows from investing activities	(18,852)	(26,190)	(7,338)	38.9% U
Council moved \$11m between short term and long term investments, and this has been offset by \$4m in planned capital				
Cash flows from financing activities	6,250	2,735	(3,515)	(56.2%) U
Expected borrowings were not drawn as planned, hence cashflow was not received				

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	97	5	–	2	–	–	104	–
Stormwater	432	–	–	11	–	–	443	–
S94 contributions – under a plan	529	5	–	13	–	–	547	–
Total S94 revenue under plans	529	5	–	13	–	–	547	–
S64 contributions	–	267	–	–	(267)	–	–	–
Total contributions	529	272	–	13	(267)	–	547	–

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	97	5	–	2	–	–	104	–
Stormwater	432	–	–	11	–	–	443	–
Total	529	5	–	13	–	–	547	–

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) 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 2017

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 2017

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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		47,832	32,091
b. Other comprehensive income (excl. direct to reserves transactions)		116	(3)
c. Net operating result for the year		6,627	2,129
f. Transfers between equity		–	13,615
Balance at end of the reporting period		54,575	47,832
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		369,593	347,901
Total		369,593	347,901
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		347,901	348,315
– Revaluations for the year	9(a)	21,692	13,201
– Other movements - transfer to Retained Earnings		–	(13,615)
– Balance at end of year		369,593	347,901
TOTAL VALUE OF RESERVES		369,593	347,901

(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 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,073	1,435	5,430
User charges and fees	1,148	–	4,422
Interest and investment revenue	180	69	559
Other revenues	56	10	626
Grants and contributions provided for operating purposes	169	17	13,603
Grants and contributions provided for capital purposes	511	100	1,861
Other income			
Net gains from disposal of assets	–	–	310
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	3,137	1,631	26,811
Expenses from continuing operations			
Employee benefits and on-costs	315	163	8,000
Borrowing costs	–	–	74
Materials and contracts	1,017	405	3,874
Depreciation and amortisation	674	706	6,333
Impairment	–	–	–
Other expenses	305	133	2,953
Total expenses from continuing operations	2,311	1,407	21,234
Operating result from continuing operations	826	224	5,577
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	826	224	5,577
Net operating result attributable to each council fund	826	224	5,577
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	315	124	3,716

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

* represents ADD DESCRIPTION HERE...

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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	6,485	2,403	–
Investments	–	–	19,635
Receivables	1,119	281	3,193
Inventories	–	–	507
Other	–	–	162
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	7,604	2,684	23,497
Non-current assets			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	–
Infrastructure, property, plant and equipment	34,178	18,607	346,438
Investments accounted for using the equity method	–	–	–
Intangible assets	–	–	–
Total non-current assets	34,178	18,607	346,438
TOTAL ASSETS	41,782	21,291	369,935
LIABILITIES			
Current liabilities			
Payables	–	–	2,027
Income received in advance	–	–	395
Borrowings	–	–	311
Provisions	–	–	2,003
Total current liabilities	–	–	4,736
Non-current liabilities			
Payables	–	–	–
Borrowings	–	–	3,440
Provisions	–	–	664
Total non-current liabilities	–	–	4,104
TOTAL LIABILITIES	–	–	8,840
Net assets	41,782	21,291	361,095
EQUITY			
Retained earnings	14,834	3,261	36,480
Revaluation reserves	26,948	18,030	324,615
Other reserves	–	–	–
Total equity	41,782	21,291	361,095

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 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) 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 31/10/17.

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 2017.

(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

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 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Tips		554	291
Balance at end of the reporting period	10(a)	<u>554</u>	<u>291</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	291	150
Amounts capitalised to new or existing assets:		
Remediation Remeasurement	263	141
Total – reinstatement, rehabilitation and restoration provision	<u>554</u>	<u>291</u>

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

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

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

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

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

(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 2017

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:

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.

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.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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 Carriageway, Bus Shelters, Carparks, Guardrails, Kerb & Guttering, Boat Ramps, Wharfs and traffic facilities. The road carriage way is defined as the trafficable portion of a road, between but not including the kerb & gutter. The cost approach using Level 3 inputs was used to value the road carriage way and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were internally valued by Council's Asset team at 30 June 2016. The cost approach was utilised with inputs such as estimates of patterns of consumption, residual value, asset condition and useful live 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 live required extensive professional judgement and impacted significantly on the final determination of fair value. Accordingly due to limitations in the historical records of very long lives assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no changes to the valuation process during the reporting period. These assets were valued by Rapid Map Services Pty Ltd at 30 June 2017.

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

The cost approach estimated the replacement cost of each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The level of componentisation adopted by Council is in accordance with OLG Circular 09-09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). Inputs such as estimates of the pattern of consumption, residual value, asset condition and useful live required extensive professional judgement and impacted significantly on the final determination of fair value. Accordingly due to limitations in the historical records of very long lives assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. There has been no changes to the valuation process during the reporting period. These assets were valued by AGIS Pty Ltd at 30 June 2017.

Wentworth Shire Council

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

Note 27. Fair value measurement (continued)

\$ '000

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

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.

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 2017

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 – 1/7/15	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
Transfers from/(to) another asset class	(58)	50	8	–	–
Purchases (GBV)	2,296	28	–	–	2,324
Disposals (WDV)	(34)	–	–	–	(34)
Depreciation and impairment	(866)	(46)	(16)	–	(928)
Closing balance – 30/6/17	5,664	156	43	–	5,863

	Library Books	Community land	Land imp'mts depreciable	Buildings	Total
Opening balance – 1/7/15	–	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
Transfers from/(to) another asset class	–	–	294	–	294
Purchases (GBV)	29	564	2,312	1,612	4,517
Depreciation and impairment	(43)	(39)	(145)	(955)	(1,182)
Other movement (revaluation)	–	304	–	–	304
Other movement	115	–	–	–	115
Closing balance – 30/6/17	101	7,481	6,147	19,370	33,099

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 – 1/7/15	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
Transfers from/(to) another asset class	(294)	–	–	–	(294)
Purchases (GBV)	259	4,518	214	305	5,296
Depreciation and impairment	(251)	(4,026)	(80)	(68)	(4,425)
Other movement (revaluations)	–	–	–	8,672	8,672
Closing balance – 30/6/17	9,086	285,282	2,631	13,962	310,961

	Water supply network	Sewerage network	Swimming pools	Open Space	Total
Opening balance – 1/7/15	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
Purchases (GBV)	754	1,120	98	17	1,989
Depreciation and impairment	(433)	(695)	(50)	(39)	(1,217)
Other movement (revaluations)	11,882	834	–	–	12,716
Closing balance – 30/6/17	30,171	18,447	582	101	49,301

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 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	1,459
Total	1,459

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Purchase of Heavy Plant, Parts and Servicing ¹	1	1,463	200	30 Day Terms on invoice		
Sale of Plant and Equipment ²	2	194	28	30 Day Terms on invoice		
Property Management Fees ³	3	1	–	Standard Industry Commission		
Fees and Charges ⁴	4	31	–	30 Day Terms on invoice		
River Cruise Charter Services ⁵	5	2	–	30 Day Terms on invoice		
Contribution to Operating Costs ⁶	6	–	4			
Employee Expenses relating to a close family member of KMP ⁷	7	90	–	Local Government State Award		
Supply of Hardware materials ⁸	8	1	–	30 Day Terms on invoice		
Donations, Grants and Contributions ⁹	9	18	–	Donations, Contribution and Grants Program.		
Tree Removal Services ¹⁰	10	39	11	30 Day Terms on invoice		
Cleaning Services ¹¹	11	73	–	30 Day Terms on invoice		
Venue Hire and Catering ¹²	12	14	–	30 Day Terms on invoice		
Professional Consulting Services ¹³	13	262	58	30 Day Terms on invoice		
Document Destruction Services ¹⁴	14	4	–	30 Day Terms on invoice		
Transfer of Water ¹⁵	15	–	–			

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

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

- 1 Council purchased Heavy Plant, parts and machinery servicing from William Adams Pty Ltd, a company that employs a close family member of a Council KMP. Plant purchase to the value of \$852,800 was awarded through a competitive tender process based on market rates for these machines. Amounts were billed and paid following delivery. Service and spare parts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 1 Council purchased Heavy Plant, parts and machinery servicing from Mildura Truck Centre Pty Ltd, a company that employs a Council KMP and is controlled by a close family member of a Council KMP. Plant purchase to the value of \$495,280 was awarded through a competitive tender process based on market rates for these machines. Amounts were billed and paid following delivery. Servicing and spare parts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 2 Council disposed of Heavy Plant to William Adams Pty Ltd, a company that employs a close family member of a Council KMP. Asset was disposed of as a trade-in for the purchase of new plant that was awarded through a competitive tender process.
- 2 Council disposed of Heavy Plant to Mildura Truck Centre Pty Ltd, a company that employs a Council KMP and is controlled by a close family member of a Council KMP. Asset was disposed as a trade-in for the purchase of new plant that was awarded through a competitive tender process.
- 3 Council has an investment property that is managed by Elstone Agencies Pty Ltd, a company directly controlled by a Council KMP. Commission was paid under standard industry terms following Council's procurement process.
- 4 Planning fees were received in relation to Sec 149 Certificates from Elstone Agencies Pty Ltd, a company which is directly controlled by a Council KMP. The certificates relate to blocks of land on Pooncarie Road.
- 4 Hire fees were received in relation to the use of Council buildings and parks by Wentworth Rotary Club which is jointly controlled by a Council KMP.
- 4 Fees were received in relation to the purchase of supplies from Council's store by the Wentworth Golf Club which is jointly controlled by a Council KMP.
- 4 Planning fees were received in relation to a Development Application from the Coomealla Memorial Sporting Club which employs a close family member of a Council KMP and is jointly controlled by a Council KMP. The application relates to a building modification in Matong Street.
- 4 Tip fees were received from the Coomealla Memorial Sporting Club for disposing of rubbish at the Dareton Transfer Station. The business employs a close family member of a Council KMP and is jointly controlled by a Council KMP.
- 5 Council transacted during the year with Wentworth River Cruises, a business that employs a Council KMP and is jointly controlled by a Council KMP. Tickets for the business were sold at the Visitor Information Centre, with the funds then transferred. The business was engaged for a Charter Cruise as part of the Western Division Conference held in Wentworth in February 2017. This business is the only one of its type in the Shire.

Wentworth Shire Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

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

- 6 An Outstanding amount is owed to Council by Wentworth Cruises a business that employs a Council KMP and is jointly controlled by a Council KMP. The amount is a contribution to the operating costs of a Crown Reserve which Council is the Reserve Trustee.
- 7 A close family member of a Council KMP is employed by Council under the Local Government State Award on an arm's length basis.
- 8 Council purchased hardware supplies from Wheeldon's Hardware, a business directly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement processes.
- 9 Council approved Donations and Contributions to Wentworth Rotary Club, Murray House Inc., Wentworth Golf Club and Wentworth Pioneer Homes as part of Council's annual Donations, Grants and Contributions program. All four organisations are jointly controlled by a Council KMP
- 10 Council transacted during the year with XCAV8IT a business that is controlled by a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 11 Council transacted during the year with Wally Green's Hygiene & Cleaning Services a business that employs a close family member of a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 12 Council transacted with the Commealla Memorial Sporting Club, a business that employs a close family member of a Council KMP and is jointly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement process.
- 13 Council transacted with Aurecon Pty Ltd, a company that employs a close family member of a Council KMP. Amounts billed were based on normal rates for such supplies and were due and payable under normal payment terms following Council's procurement and a competitive tender process where required.
- 13 Council transacted with Juxter Pty Ltd, a company that employs a close family member of a Council KMP. Amounts billed were based on normal rates for such supplies and were payable under normal payment terms following Council's procurement process.
- 14 Council transacted with the Christie Centre Inc., an organisation that is jointly controlled by a Council KMP. Amounts were billed based on normal rates for such supplies and were payable under normal payment terms following Council's procurement process.
- 15 During the year Council transferred 100 ML of temporary water to the Coomealla Memorial Sporting Club for zero consideration. The club operates the Coomealla Golf and leases Crown Reserve of which Council has been appointed as Reserve Trust Manager on behalf of the Crown. The club employs a close family member of a Council KMP and is jointly controlled by a Council KMP.

Wentworth Shire Council

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

Note 29. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	2017	2016	2015	2014	2013
Inflows:					
Rates and annual charges revenue	7,938	7,762	7,526	7,312	7,056
User charges revenue	5,570	4,155	3,928	3,934	4,071
Interest and investment revenue (losses)	808	839	1,027	1,008	986
Grants income – operating and capital	13,075	9,439	7,189	5,141	7,365
Total income from continuing operations	31,579	25,123	22,664	20,048	21,909
Sale proceeds from I,PP&E	383	39	189	109	174
New loan borrowings and advances	2,936	–	920	–	–
Outflows:					
Employee benefits and on-cost expenses	8,478	7,945	7,550	7,249	7,444
Borrowing costs	74	57	50	48	66
Materials and contracts expenses	5,296	4,617	6,064	5,515	4,517
Total expenses from continuing operations	24,952	22,994	23,010	21,918	20,838
Total cash purchases of I,PP&E	13,573	6,625	7,626	6,848	5,021
Total loan repayments (incl. finance leases)	201	169	256	229	211
Operating surplus/(deficit) (excl. capital income)	4,155	601	(1,822)	(3,303)	(2,106)
Financial position figures	2017	2016	2015	2014	2013
Current assets	33,785	30,320	27,384	28,300	27,815
Current liabilities	4,736	4,423	4,548	5,296	3,059
Net current assets	29,049	25,897	22,836	23,004	24,756
Available working capital (Unrestricted net current assets)	9,414	9,646	6,277	8,837	8,509
Cash and investments – unrestricted	7,615	9,405	6,849	9,339	4,493
Cash and investments – internal restrictions	10,010	6,660	8,810	6,908	8,089
Cash and investments – total	28,523	26,134	23,883	23,789	20,970
Total borrowings outstanding (Loans, advances and finance leases)	3,751	1,016	1,185	521	750
Total value of I,PP&E (excl. land and earthworks)	405,465	351,938	532,985	431,069	383,511
Total accumulated depreciation	204,122	177,381	181,538	161,154	122,850
Indicative remaining useful life (as a % of GBV)	50%	50%	66%	63%	68%

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 2017

Note 30. Council information and contact details

Principal place of business:

26-28 Adelaide Street
Wentworth NSW 2648

Contact details**Mailing address:**

26-28 Adelaide Street
Wentworth NSW 2648

Opening hours:

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

Telephone: 03 5027 5027

Facsimile: 03 5027 5000

Internet: www.wentworth.nsw.gov.au

Email: council@wentworth.nsw.gov.au

Officers**GENERAL MANAGER**

Peter Kozlowski

Elected members**MAYOR**

Melisa Hederics

RESPONSIBLE ACCOUNTING OFFICER

Simon Rule



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Wentworth Shire Council

To the Councillors of the Wentworth Shire Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

A handwritten signature in blue ink, reading "Karen Taylor". The signature is fluid and cursive, with the first name "Karen" and the last name "Taylor" clearly distinguishable.

Karen Taylor
Director, Financial Audit Services

31 October 2017
SYDNEY

Councillor Melisa Hederics
Mayor
Wentworth Shire Council
PO Box 81
Wentworth NSW 2648

Contact: Karen Taylor
Phone no: 02 9275 7100
Our ref: D1728696/1806

31 October 2017

Dear Mayor

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

I have audited the general purpose financial statements of the Wentworth Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2017 \$m	2016 \$m	Variance %
Rates and annual charges revenue	7.9	7.8	1.3 ↑
Grants and contributions revenue	16.3	11.8	38.1 ↑
Operating result for the year	6.6	2.1	214.3 ↑
Net operating result before capital amounts	4.2	0.6	600.0 ↑

Rates and annual charges revenue

Growth in revenue from rates and annual charges of 1.3 per cent is consistent with rate pegging and the 2016–17 budget.

Grants and Contributions revenue

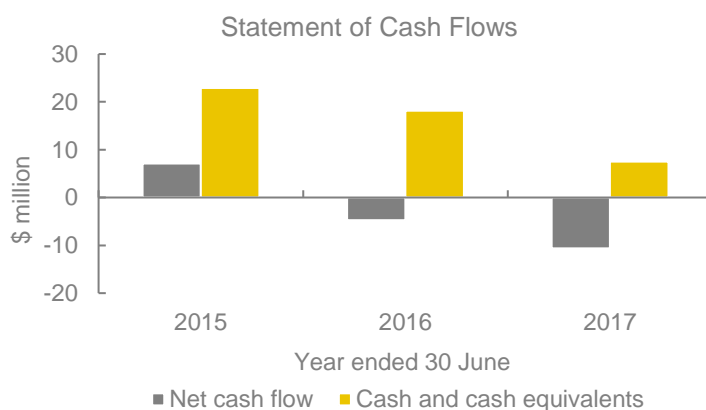
The advance receipt of \$2.9 million for the 2017–18 financial assistance grant contributed to the overall increase in grants and contributions revenue. Operating grants and contributions of \$13.8 million (2016: \$10.2 million) represented 43.7 per cent (2016: 40.7 per cent) of total income from continuing operations. Capital grants and contributions amounted to \$2.5 million (2016: \$1.5 million) and represented 7.8 per cent (2016: 6.1 per cent) of total income from continuing operations.

Operating Result.

Council's operating result from continuing operations of \$6.6 million (2016: \$2.1 million) was also impacted by increase in user charges and fees mainly due to increased work on state roads funded by Roads and Maritime Services. This improved result flowed on to the operating result before capital amounts.

STATEMENT OF CASH FLOWS

Council's cash and cash equivalent balances decreased by \$10.6 million to a total of \$7.5 million, with \$12.8 million being provided from operations, \$26.1 million net used investing in financial assets and non-current assets, and \$2.7 million provided from financing activities.



FINANCIAL POSITION

Cash and Investments

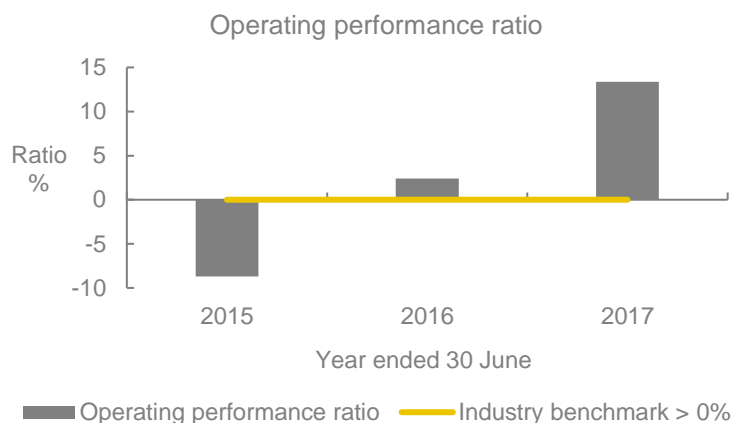
Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	10.9	10.1	Council's externally restricted cash and investments increased by 8 per cent mainly due to more money being held in trust, unexpended specific purpose grants and positive results for water and sewer being retained for future projects.
Internal restrictions	10.0	6.7	
Unrestricted	7.6	9.4	
Cash and investments	28.5	26.2	<p>Council's internally restricted cash and investments increased by 49.3 per cent due to advance receipt of the 2017-18 financial assistance grant.</p> <p>Council's unrestricted cash and investments have decreased by \$1.8 million, but Council can still meet day-to-day obligations.</p>

PERFORMANCE RATIOS

Operating performance ratio

Council's operating performance ratio of 13.4 per cent in 2016-17 exceeds the industry benchmark. The advance receipt of the 2017-18 financial assistance grant contributed to the positive result.

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

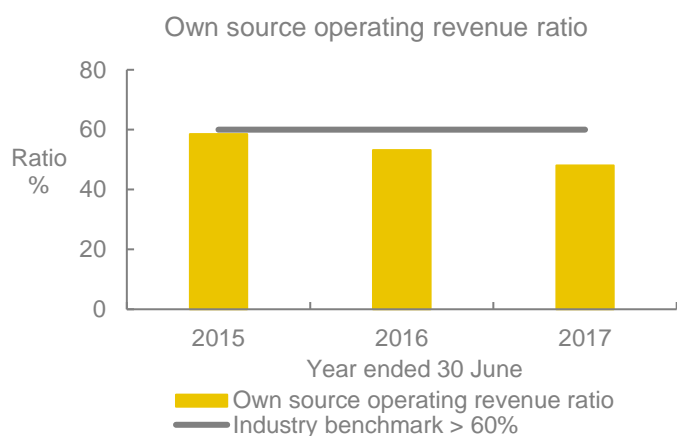


Own source operating revenue ratio

Council's own source operating ratio of 48.0 per cent reflects a high level of reliance on externally sourced grant revenue and is not meeting the industry benchmark

The ratio has experienced a downward trend over the last three years with the 2016-17 ratio impacted by the advance receipt of the 2017-18 financial assistance grant

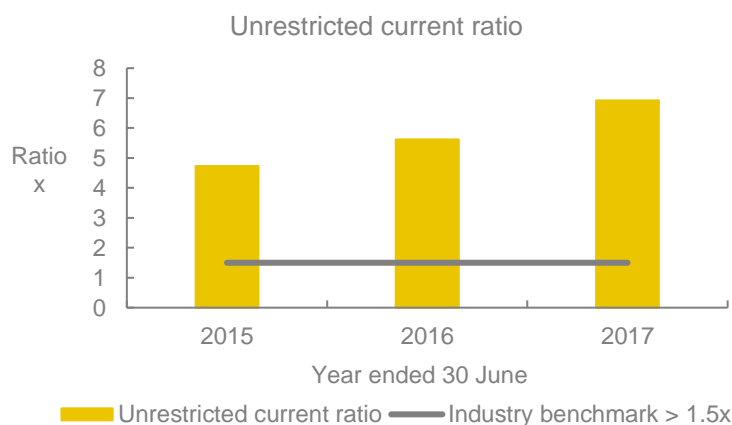
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

This ratio indicates that Council currently has \$6.92 of unrestricted assets available to service every \$1.0 of its unrestricted current liabilities. This reflects a sufficient operating buffer for use in Council's operations and exceeds the industry benchmark. The advance receipt of 2017-18 financial assistance grant positively impacts this ratio.

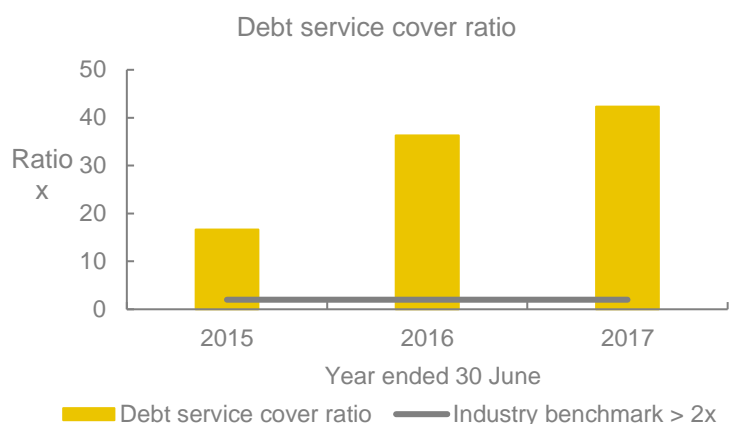
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio of 42.3 times continues to exceed industry benchmark. The ratio is well above industry benchmarks because of Council's low levels of debt.

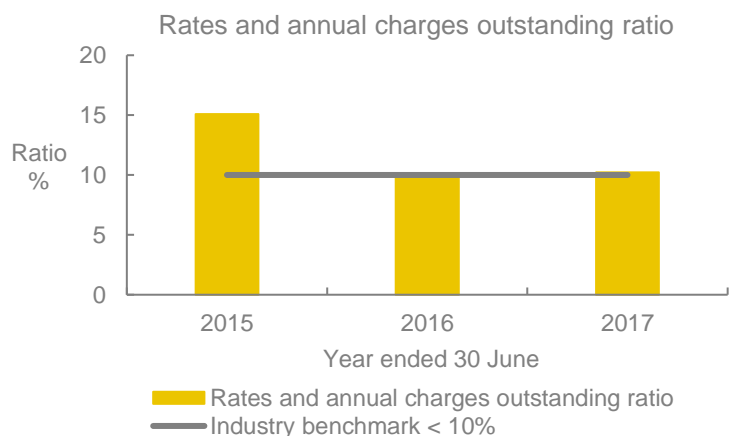
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council's outstanding rates and charges ratio of 10.2 per cent is slightly above the industry benchmark of below ten per cent.

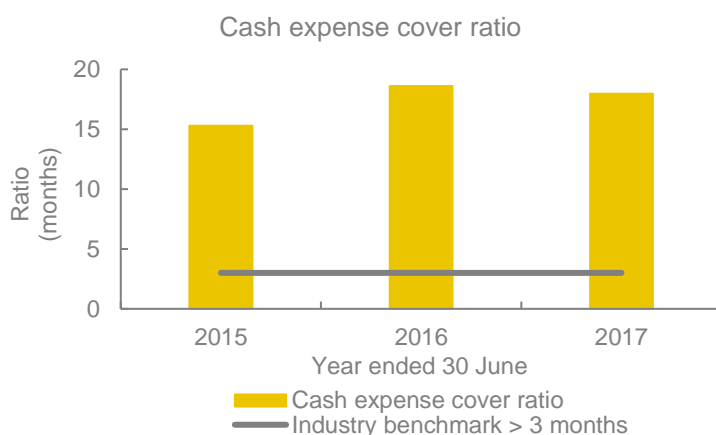
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's cash expense cover ratio of 17.97 months continues to exceed industry benchmark as the Council has low levels of debt.

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

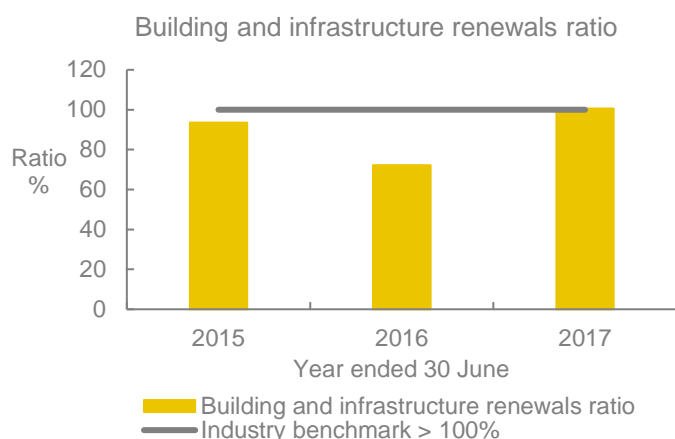


Building and infrastructure renewals ratio

Council's infrastructure renewals ratio for 2016-17 meets the industry benchmark. This ratio has improved due to Council's increased commitment to asset renewal.

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

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



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

Legislative compliance

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

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



Karen Taylor
Director, Financial Audit Services

Wentworth Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

“The Shire on Two Rivers”



Wentworth Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	n/a
Statement of Financial Position – Water Supply Business Activity	5
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Statement of Financial Position – Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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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 2017

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:

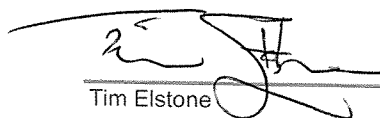
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 18 October 2017.



Melisa Hederics
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 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,073	1,046
User charges	1,125	1,280
Fees	23	25
Interest	180	152
Grants and contributions provided for non-capital purposes	169	196
Profit from the sale of assets	—	—
Share of profit from equity accounted investment	—	—
Other income	56	24
Total income from continuing operations	2,626	2,723
Expenses from continuing operations		
Employee benefits and on-costs	315	322
Borrowing costs	—	—
Materials and contracts	1,017	930
Depreciation, amortisation and impairment	674	665
Water purchase charges	—	—
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	305	204
Total expenses from continuing operations	2,311	2,121
Surplus (deficit) from continuing operations before capital amounts	315	602
Grants and contributions provided for capital purposes	511	32
Surplus (deficit) from continuing operations after capital amounts	826	634
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	826	634
Less: corporate taxation equivalent (30%) [based on result before capital]	(95)	(181)
SURPLUS (DEFICIT) AFTER TAX	732	453
Plus opening retained profits	14,008	13,374
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	95	181
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	14,834	14,008
Return on capital %	0.9%	2.7%
Subsidy from Council	498	—
Calculation of dividend payable:		
Surplus (deficit) after tax	732	453
Less: capital grants and contributions (excluding developer contributions)	(319)	—
Surplus for dividend calculation purposes	413	453
Potential dividend calculated from surplus	206	227

Wentworth Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	1,435	1,409
User charges	—	—
Liquid trade waste charges	—	—
Fees	—	—
Interest	69	70
Grants and contributions provided for non-capital purposes	17	18
Profit from the sale of assets	—	—
Share of profit from equity accounted investment	—	—
Other income	10	11
Total income from continuing operations	1,531	1,508
Expenses from continuing operations		
Employee benefits and on-costs	163	169
Borrowing costs	—	—
Materials and contracts	405	296
Depreciation, amortisation and impairment	706	686
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	133	118
Total expenses from continuing operations	1,407	1,269
Surplus (deficit) from continuing operations before capital amounts	124	239
Grants and contributions provided for capital purposes	100	3
Surplus (deficit) from continuing operations after capital amounts	224	242
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	224	242
Less: corporate taxation equivalent (30%) [based on result before capital]	(37)	(72)
SURPLUS (DEFICIT) AFTER TAX	187	170
Plus opening retained profits	3,037	2,795
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	37	72
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	3,261	3,037
Return on capital %	0.7%	1.4%
Subsidy from Council	319	106
Calculation of dividend payable:		
Surplus (deficit) after tax	187	170
Less: capital grants and contributions (excluding developer contributions)	(25)	—
Surplus for dividend calculation purposes	162	170
Potential dividend calculated from surplus	81	85

Wentworth Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	6,485	5,672
Investments	–	–
Receivables	1,119	1,187
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	7,604	6,859
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	34,178	22,216
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	34,178	22,216
TOTAL ASSETS	41,782	29,075
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	1
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	1
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	1
NET ASSETS	41,782	29,074
EQUITY		
Retained earnings	14,834	14,008
Revaluation reserves	26,948	15,066
Other reserves	–	–
Council equity interest	41,782	29,074
Non-controlling equity interest	–	–
TOTAL EQUITY	41,782	29,074

Wentworth Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	2,403	2,604
Investments	–	–
Receivables	281	271
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	2,684	2,875
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	18,607	17,359
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	18,607	17,359
TOTAL ASSETS	21,291	20,234
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	1
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	1
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	1
NET ASSETS	21,291	20,233
EQUITY		
Retained earnings	3,261	3,037
Revaluation reserves	18,030	17,196
Other reserves	–	–
Council equity interest	21,291	20,233
Non-controlling equity interest	–	–
TOTAL EQUITY	21,291	20,233

Wentworth Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

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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 2017

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

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

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

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, except for 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 2017

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

Wentworth Shire Council

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

Note 1. Significant accounting policies (continued)

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Wentworth Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

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	7,413
(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]	206,250
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	74,130
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,423,900

2017 Surplus	412,500	2016 Surplus	453,400	2015 Surplus	558,000
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	74,130
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Wentworth Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2017

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	2,488
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)]	%	47.24%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	30,171
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,275
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	754
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)]	%	2.02%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	319

- 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 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

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]	80,900
(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 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	622,300

2017 Surplus	161,800	2016 Surplus	170,300	2015 Surplus	290,200
		2016 Dividend	–	2015 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	NO
	b. Complete and implement integrated water cycle management strategy	NO

Wentworth Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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	1,562
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	18,447
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	526
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,120
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)]	%	1.77%
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	4,200
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.86%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,874
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)]	%	1.93%
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 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage)	%	-14.09%
	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):		892
	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:		- 249
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	731
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	36
	Grants for pensioner rebates (w11b + s12b)		

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

Wentworth Shire Council

To the Councillors of the Wentworth Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Wentworth Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services.

31 October 2017
SYDNEY

Wentworth Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

“The Shire on Two Rivers”



Wentworth Shire Council

Special Schedules for the year ended 30 June 2017

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Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
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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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,185	66	–	(1,119)
Administration	3,328	851	–	(2,477)
Public order and safety				
Fire service levy, fire protection, emergency services	673	430	–	(243)
Beach control	–	–	–	–
Enforcement of local government regulations	2	1	–	(1)
Animal control	222	15	–	(207)
Other	–	–	–	–
Total public order and safety	897	446	–	(451)
Health	73	7	–	(66)
Environment				
Noxious plants and insect/vermin control	65	26	–	(39)
Other environmental protection	198	14	48	(136)
Solid waste management	2,033	2,059	–	26
Street cleaning	–	–	–	–
Drainage	38	–	–	(38)
Stormwater management	180	–	–	(180)
Total environment	2,514	2,099	48	(367)
Community services and education				
Administration and education	–	1	–	1
Social protection (welfare)	–	–	–	–
Aged persons and disabled	39	8	–	(31)
Children's services	176	156	–	(20)
Total community services and education	215	165	–	(50)
Housing and community amenities				
Public cemeteries	157	49	–	(108)
Public conveniences	139	–	–	(139)
Street lighting	131	41	–	(90)
Town planning	499	215	671	387
Other community amenities	94	14	–	(80)
Total housing and community amenities	1,020	319	671	(30)
Water supplies	2,314	2,628	511	825
Sewerage services	1,407	1,531	100	224

Wentworth Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	478	33	157	(288)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	242	20	150	(72)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	339	24	42	(273)
Swimming pools	336	3	—	(333)
Parks and gardens (lakes)	744	96	81	(567)
Other sport and recreation	261	29	—	(232)
Total recreation and culture	2,400	205	430	(1,765)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	280	94	—	(186)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	280	94	—	(186)
Transport and communication				
Urban roads (UR) – local	517	—	—	(517)
Urban roads – regional	992	—	—	(992)
Sealed rural roads (SRR) – local	2,691	1,309	336	(1,046)
Sealed rural roads (SRR) – regional	478	—	—	(478)
Unsealed rural roads (URR) – local	736	—	—	(736)
Unsealed rural roads (URR) – regional	303	2,063	—	1,760
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	17	—	—	(17)
Footpaths	253	—	—	(253)
Aerodromes	159	38	—	(121)
Other transport and communication	2,450	3,278	374	1,202
Total transport and communication	8,596	6,688	710	(1,198)
Economic affairs				
Camping areas and caravan parks	70	81	—	11
Other economic affairs	653	62	2	(589)
Total economic affairs	723	143	2	(578)
Totals – functions	24,952	15,242	2,472	(7,238)
General purpose revenues ⁽¹⁾		13,865		13,865
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	24,952	29,107	2,472	6,627

(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 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	190	826	1,016	2,936	201	–	–	74	311	3,440	3,751
Other	–	–	–							–	–
Total loans	190	826	1,016	2,936	201	–	–	74	311	3,440	3,751
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	190	826	1,016	2,936	201	–	–	74	311	3,440	3,751

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 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income Expenses		
1. Management expenses		
a. Administration	115	115
b. Engineering and supervision	52	50
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	21	22
d. Maintenance expenses	239	190
– Reservoirs		
e. Operation expenses	10	8
f. Maintenance expenses	–	–
– Pumping stations		
g. Operation expenses (excluding energy costs)	34	30
h. Energy costs	116	120
i. Maintenance expenses	81	40
– Treatment		
j. Operation expenses (excluding chemical costs)	270	240
k. Chemical costs	99	80
l. Maintenance expenses	130	82
– Other		
m. Operation expenses	14	96
n. Maintenance expenses	31	27
o. Purchase of water	63	64
3. Depreciation expenses		
a. System assets	674	–
b. Plant and equipment	–	665
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	235	138
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	127	154
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,311	2,121

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	995	970
b. Usage charges	891	1,118
7. Non-residential charges		
a. Access (including rates)	78	76
b. Usage charges	234	162
8. Extra charges	—	—
9. Interest income	180	152
10. Other income	79	49
10a. Aboriginal Communities Water and Sewerage Program	150	178
11. Grants		
a. Grants for acquisition of assets	319	—
b. Grants for pensioner rebates	19	18
c. Other grants	—	—
12. Contributions		
a. Developer charges	192	32
b. Developer provided assets	—	—
c. Other contributions	—	—
13. Total income	3,137	2,755
14. Gain (or loss) on disposal of assets	—	—
15. Operating result	826	634
15a. Operating result (less grants for acquisition of assets)	507	634

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	460	165
b. New assets for growth	234	77
c. Renewals	60	49
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	754	291
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)	2,209	2,177
b. Residential (unoccupied, ie. vacant lot)	78	102
c. Non-residential (occupied)	184	184
d. Non-residential (unoccupied, ie. vacant lot)	–	–
23. Number of ETs for which developer charges were received	23 ET	26 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 34,344	\$ 34,638

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 2017

\$'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	6,485	—	6,485
26. Receivables			
a. Specific purpose grants	79	—	79
b. Rates and availability charges	315	—	315
c. User charges	725	—	725
d. Other	—	—	—
27. Inventories	—	—	—
28. Property, plant and equipment			
a. System assets	—	30,171	30,171
b. Plant and equipment	—	4,007	4,007
29. Other assets	—	—	—
30. Total assets	7,604	34,178	41,782
LIABILITIES			
31. Bank overdraft	—	—	—
32. Creditors	—	—	—
33. Borrowings	—	—	—
34. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
35. Total liabilities	—	—	—
36. NET ASSETS COMMITTED	7,604	34,178	41,782
EQUITY			
37. Accumulated surplus			14,834
38. Asset revaluation reserve			26,948
39. Other reserves			—
40. TOTAL EQUITY			41,782
Note to system assets:			
41. Current replacement cost of system assets			53,801
42. Accumulated current cost depreciation of system assets			(23,630)
43. Written down current cost of system assets			30,171

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 2017

\$'000	Actuals 2017	Actuals 2016
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
b. Maintenance expenses	81	58
– Pumping stations		
c. Operation expenses (excluding energy costs)	31	34
d. Energy costs	69	67
e. Maintenance expenses	73	74
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	97	106
g. Chemical costs	–	–
h. Energy costs	8	5
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	46	42
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	17	12
3. Depreciation expenses		
a. System assets	700	680
b. Plant and equipment	6	6
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	175	79
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	1,407	1,269

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 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	1,253	1,227
7. Non-residential charges		
a. Access (including rates)	182	182
b. Usage charges	—	—
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	69	70
11. Other income	10	11
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	17	18
c. Other grants	25	—
13. Contributions		
a. Developer charges	75	3
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	1,631	1,511
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	224	242
16a. Operating result (less grants for acquisition of assets)	224	242

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 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	475	61
b. New assets for growth	172	115
c. Renewals	473	324
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	1,120	500
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)	2,417	2,387
b. Residential (unoccupied, ie. vacant lot)	78	108
c. Non-residential (occupied)	184	184
d. Non-residential (unoccupied, ie. vacant lot)	–	–
24. Number of ETs for which developer charges were received	83 ET	2 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 31,370	\$ 31,723

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 2017

\$'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	2,403	—	2,403
27. Receivables			
a. Specific purpose grants	39	—	39
b. Rates and availability charges	242	—	242
c. User charges	—	—	—
d. Other	1	—	1
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	18,447	18,447
b. Plant and equipment	—	159	159
30. Other assets	—	—	—
31. Total assets	2,685	18,606	21,291
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	2,685	18,606	21,291
EQUITY			
38. Accumulated surplus			3,261
39. Asset revaluation reserve			18,030
40. Other reserves			—
41. TOTAL EQUITY			21,291
Note to system assets:			
42. Current replacement cost of system assets			42,887
43. Accumulated current cost depreciation of system assets			(24,440)
44. Written down current cost of system assets			18,447

Wentworth Shire Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

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 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	2,367	2,367	257	210	18,204	50,966	31.0%	40.0%	16.0%	10.0%	3.0%
	Sub-total	2,367	2,367	257	210	18,204	50,966	31.0%	40.0%	16.0%	10.0%	3.0%
Other structures	Other structures	177	177	9	13	8,853	12,818	33.0%	53.0%	12.0%	2.0%	0.0%
	Sub-total	177	177	9	13	8,853	12,818	33.0%	53.0%	12.0%	2.0%	0.0%
Roads	Sealed roads	1,396	1,396	458	850	63,438	129,164	30.7%	53.5%	13.6%	2.1%	0.1%
	Unsealed roads	5,242	5,242	813	965	16,431	33,618	23.2%	23.7%	21.1%	16.3%	15.6%
	Bridges	114	114	23	21	8,121	11,421	44.0%	54.5%	0.1%	1.4%	0.0%
	Footpaths	26	26	188	188	2,601	3,987	48.8%	46.8%	3.4%	1.0%	0.0%
	Other road assets	–	–	–	–	189,802	189,775	100.0%				0.0%
	Kerb	180	180	22	31	6,918	14,155	37.7%	49.7%	10.0%	2.3%	0.3%
	Sub-total	6,957	6,957	1,504	2,055	287,312	382,120	65.3%	24.1%	6.9%	2.3%	1.4%
Water supply network	Water supply network	9,182	9,182	1,253	1,473	29,908	53,538	15.3%	41.2%	12.8%	30.7%	0.0%
	Sub-total	9,182	9,182	1,253	1,473	29,908	53,538	15.3%	41.2%	12.8%	30.7%	0.0%
Sewerage network	Sewerage network	5,341	5,341	676	597	18,229	39,306	11.1%	20.2%	39.4%	18.0%	11.3%
	Sub-total	5,341	5,341	676	597	18,229	39,306	11.1%	20.2%	39.4%	18.0%	11.3%

Wentworth Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	27	27	56	161	13,720	21,931	25.9%	58.6%	14.3%	0.1%	0.1%
	Sub-total	27	27	56	161	13,720	21,931	25.9%	58.6%	14.3%	0.1%	0.1%
Open space/recreational assets	Swimming pools	180	180	249	263	581	928			69.0%	31.0%	0.0%
	Playgrounds	12	12	4	8	102	399	27.0%	38.0%	23.0%	8.0%	4.0%
	Sub-total	192	192	253	271	683	1,327	8.1%	11.4%	55.2%	24.1%	1.2%
	TOTAL – ALL ASSETS	24,243	24,243	4,008	4,780	376,909	562,006	51.2%	28.9%	11.1%	6.7%	2.0%

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 2017

\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 20162015	
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	6,640	100.65%	>= 100%	72.14%	93.63%
Depreciation, amortisation and impairment	6,597				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	24,243	12.73%	< 2.00%	11.29%	11.56%
Net carrying amount of infrastructure assets	190,503				
3. Asset maintenance ratio					
Actual asset maintenance	4,780	1.19	> 1.00	1.00	1.00
Required asset maintenance	4,008				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	24,243	4.31%		3.68%	7.93%
Gross replacement cost	562,006				

Notes

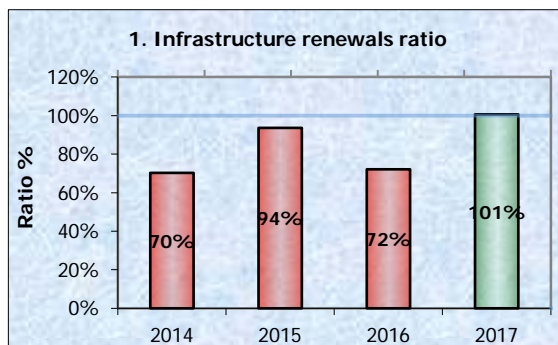
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(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 2017



Benchmark: 100.00%

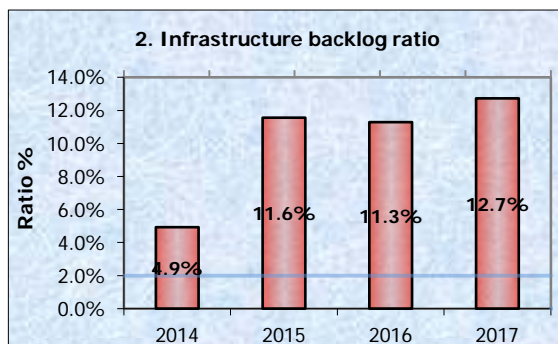
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset renewals ratio

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

2016/17 Ratio 100.65%

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: 2.00%

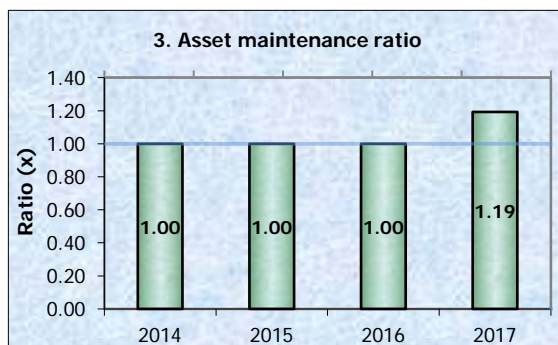
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of infrastructure backlog ratio

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

2016/17 Ratio 12.73%

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: 1.00

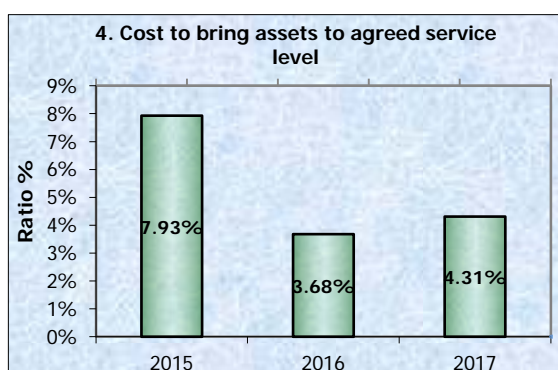
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of asset maintenance ratio

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

2016/17 Ratio 1.19 x

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

2016/17 Ratio 4.31%

Wentworth Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
<u>Asset renewals ⁽²⁾</u>				
Depreciation, amortisation and impairment				
	>= 100%	60.97%	97.41%	104.21%
	prior period:	16.04%	17.33%	83.41%
2. Infrastructure backlog ratio				
<u>Estimated cost to bring assets to a satisfactory standard</u>				
Net carrying amount of infrastructure assets				
	< 2.00%	30.70%	29.30%	6.83%
	prior period:	18.46%	25.00%	8.62%
3. Asset maintenance ratio				
<u>Actual asset maintenance</u>				
Required asset maintenance				
	> 1.00	1.18	0.88	1.30
	prior period:	1.00	1.00	1.00
4. Cost to bring assets to agreed service level				
<u>Estimated cost to bring assets to an agreed service level set by Council</u>				
Gross replacement cost				
		17.15%	13.59%	2.07%

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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	4,763	4,873
Plus or minus adjustments ⁽²⁾	b	25	31
Notional general income	c = (a + b)	4,788	4,904
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	86	74
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	4,874	4,978
Plus (or minus) last year's carry forward total	l	—	0
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	—	0
Total permissible income	$o = k + n$	4,874	4,978
Less notional general income yield	p	4,873	4,977
Catch-up or (excess) result	$q = o - p$	1	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	(1)	(1)
Carry forward to next year	$t = q + r - s$	0	(0)

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Wentworth Shire Council

To the Councillors of Wentworth Shire Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 31 October 2016.

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Karen Taylor
Director, Financial Audit Services

31 October 2017
SYDNEY