

# Weddin Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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"...a harmony of urban and rural interests with a strong commitment to improving the quality of life for all residents."



## Weddin Shire Council

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

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#### Overview

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

Corner of Camp & Weddin Streets  
Grenfell NSW 2810

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

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

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

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

## Weddin Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2018

## Understanding Council's financial statements

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### Introduction

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

### What you will find in the statements

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

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

### About the Councillor/Management Statement

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

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

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

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

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

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

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

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

#### 5. The Statement of Cash Flows

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

### About the Notes to the Financial Statements

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

### About the Auditor's Reports

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

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

### Who uses the financial statements?

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

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

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

## Weddin Shire Council

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

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 September 2018.



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Cr Mark Liebech  
Mayor  
20 September 2018



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Cr Paul Best  
Councillor  
20 September 2018



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Glenn Carroll  
General Manager  
20 September 2018



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Lachlan Gibson  
Responsible Accounting Officer  
20 September 2018

## Weddin Shire Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
3,393	Rates and annual charges	3a	3,336	3,153
2,136	User charges and fees	3b	2,842	3,838
149	Interest and investment revenue	3c	191	202
278	Other revenues	3d	193	187
3,916	Grants and contributions provided for operating purposes	3e,f	5,816	7,997
4,535	Grants and contributions provided for capital purposes	3e,f	2,015	1,306
<b>Other income:</b>				
5	Net gains from the disposal of assets	5	–	75
–	Net share of interests in joint ventures and associates using the equity method	14	180	–
14,412	<b>Total income from continuing operations</b>		<b>14,573</b>	<b>16,758</b>
<b>Expenses from continuing operations</b>				
3,922	Employee benefits and on-costs	4a	4,355	4,065
163	Borrowing costs	4b	204	101
2,833	Materials and contracts	4c	5,465	4,643
2,591	Depreciation and amortisation	4d	2,799	2,583
913	Other expenses	4e	932	925
–	Net losses from the disposal of assets	5	18	–
10,422	<b>Total expenses from continuing operations</b>		<b>13,773</b>	<b>12,317</b>
<b>3,990</b>	<b>Operating result from continuing operations</b>		<b>800</b>	<b>4,441</b>
<b>3,990</b>	<b>Net operating result for the year</b>		<b>800</b>	<b>4,441</b>
3,990	Net operating result attributable to Council		800	4,441
(545)	Net operating result for the year before grants and contributions provided for capital purposes		(1,215)	3,135

## Weddin Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>800</b>	<b>4,441</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	3,077	(4,471)
Other comprehensive income – joint ventures and associates	14a	3,709	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>6,786</b>	<b>(4,471)</b>
<b>Total other comprehensive income for the year</b>		<b>6,786</b>	<b>(4,471)</b>
<b>Total comprehensive income for the year</b>		<b>7,586</b>	<b>(30)</b>
Total comprehensive income attributable to Council		7,586	(30)

## Weddin Shire Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	7,193	10,609
Receivables	7	787	692
Inventories	8	297	202
Other	8	24	19
<b>Total current assets</b>		<b>8,301</b>	<b>11,522</b>
<b>Non-current assets</b>			
Receivables	7	59	–
Infrastructure, property, plant and equipment	9	162,158	155,502
Investments accounted for using the equity method	14	24,213	20,324
<b>Total non-current assets</b>		<b>186,430</b>	<b>175,826</b>
<b>TOTAL ASSETS</b>		<b>194,731</b>	<b>187,348</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,223	1,031
Income received in advance	10	–	300
Borrowings	10	74	71
Provisions	11	1,561	1,628
<b>Total current liabilities</b>		<b>2,858</b>	<b>3,030</b>
<b>Non-current liabilities</b>			
Borrowings	10	3,821	3,895
Provisions	11	638	595
<b>Total non-current liabilities</b>		<b>4,459</b>	<b>4,490</b>
<b>TOTAL LIABILITIES</b>		<b>7,317</b>	<b>7,520</b>
<b>Net assets</b>		<b>187,414</b>	<b>179,828</b>
<b>EQUITY</b>			
Accumulated surplus	12	144,937	140,428
Revaluation reserves	12	42,477	39,400
Council equity interest		187,414	179,828
<b>Total equity</b>		<b>187,414</b>	<b>179,828</b>

## Weddin Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018		Total equity	2017		Total equity
		Accumulated surplus	IPP&E revaluation reserve		Accumulated surplus	IPP&E revaluation reserve	
<b>Opening balance</b>		140,428	39,400	<b>179,828</b>	135,987	43,871	<b>179,858</b>
<b>Net operating result for the year</b>		<b>800</b>	<b>–</b>	<b>800</b>	<b>4,441</b>	<b>–</b>	<b>4,441</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of IPP&E	9	–	3,077	<b>3,077</b>	–	(4,471)	<b>(4,471)</b>
Joint ventures and associates	14a	3,709	–	<b>3,709</b>	–	–	<b>–</b>
<b>Other comprehensive income</b>		<b>3,709</b>	<b>3,077</b>	<b>6,786</b>	<b>–</b>	<b>(4,471)</b>	<b>(4,471)</b>
<b>Total comprehensive income</b>		<b>4,509</b>	<b>3,077</b>	<b>7,586</b>	<b>4,441</b>	<b>(4,471)</b>	<b>(30)</b>
<b>Equity – balance at end of the reporting period</b>		<b>144,937</b>	<b>42,477</b>	<b>187,414</b>	<b>140,428</b>	<b>39,400</b>	<b>179,828</b>



## Weddin Shire Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
3,393	Rates and annual charges		3,336	3,155
2,136	User charges and fees		2,630	4,477
149	Investment and interest revenue received		200	236
8,451	Grants and contributions		7,926	9,318
–	Bonds, deposits and retention amounts received		5	–
562	Other		1,062	819
<b>Payments:</b>				
(3,922)	Employee benefits and on-costs		(4,436)	(4,188)
(3,116)	Materials and contracts		(6,098)	(4,800)
(163)	Borrowing costs		(191)	(185)
	Bonds, deposits and retention amounts refunded		–	(5)
(913)	Other		(1,365)	(1,519)
<b>6,577</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>3,069</b>	<b>7,308</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of real estate assets		–	105
–	Sale of infrastructure, property, plant and equipment		173	51
<b>Payments:</b>				
(8,324)	Purchase of infrastructure, property, plant and equipment		(6,569)	(6,751)
–	Purchase of interests in joint ventures and associates		(18)	–
–	Deferred debtors and advances made		–	(77)
<b>(8,324)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(6,414)</b>	<b>(6,672)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
–	Proceeds from borrowings and advances		–	4,000
<b>Payments:</b>				
(71)	Repayment of borrowings and advances		(71)	(34)
<b>(71)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(71)</b>	<b>3,966</b>
<b>(1,818)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(3,416)</b>	<b>4,602</b>
8,500	Plus: cash and cash equivalents – beginning of year	13a	10,609	6,007
<b>6,682</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>7,193</b>	<b>10,609</b>
	<b>Total cash, cash equivalents and investments</b>		<b>7,193</b>	<b>10,609</b>

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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n/a – not applicable

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 20/09/2018.

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

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.

##### **Basis of preparation**

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

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

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

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

and are clearly marked.

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

Council adopted the following Australian accounting standard amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 10 (c).

##### **(b) Historical cost convention**

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

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

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

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

- (iv) Impairment of receivables

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

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

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

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

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

- General purpose operations
- Sewerage service

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

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

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

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

#### **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.

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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.

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

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

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

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

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

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

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

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

- AASB 16 *Leases*

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

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

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Administration	626	308	3,281	1,903	(2,655)	(1,595)	400	8	12,744	14,105
Public Order and Safety	83	78	363	376	(280)	(298)	76	89	207	194
Community Services and Education	–	1	–	1	–	–	–	1	–	–
Housing and Community Amenities	562	571	985	924	(423)	(353)	35	35	8,157	8,429
Health	171	41	410	387	(239)	(346)	144	20	1,560	720
Sewer Services	552	653	420	401	132	252	20	79	3,365	3,209
Recreation and Cultural	1,163	50	1,104	877	59	(827)	1,366	40	11,527	8,117
Mining, Manufacturing and Construction	68	51	4	3	64	48	–	–	–	–
Transport and Communications	3,416	5,248	5,220	3,844	(1,804)	1,404	2,381	4,319	132,043	131,099
Economic Affairs	2,517	3,603	1,986	3,601	531	2	16	41	915	1,151
General Purposes Revenue	5,235	6,154	–	–	5,235	6,154	2,604	3,688	–	–
Share of Central Tablelands Water	180	–	–	–	180	–	–	–	24,213	20,324
<b>Total functions and activities</b>	<b>14,573</b>	<b>16,758</b>	<b>13,773</b>	<b>12,317</b>	<b>800</b>	<b>4,441</b>	<b>7,042</b>	<b>8,320</b>	<b>194,731</b>	<b>187,348</b>

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Administration**

Includes civic activities, 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, enforcement of regulations and animal control.

##### **Community Services and Education**

Includes administration and education; other community services a; youth services; aged and disabled persons services and other family and children services.

##### **Housing and Community Amenities**

Includes other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management, public cemeteries, public conveniences, street lighting, town planning, housing and other community amenities.

##### **Health**

Includes inspections, immunisation, food control, health centres, destruction of noxious pests.

##### **Sewer Services**

Reticulated sewerages services.

##### **Recreation and Cultural**

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

##### **Mining, Manufacturing and Construction**

Includes building control, quarries and pits

##### **Transport and Communications**

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

##### **Economic Affairs**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; real estate development; and other business undertakings.

##### **General Purposes Revenue**

Includes rate and charges (excluding water and sewer) non capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and charges.

##### **Share of Central Tablelands Water**

Council's share of the assets of the water supply authority servicing the shire.

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	764	704
Farmland	1,543	1,439
Mining	6	6
Business	127	122
<b>Total ordinary rates</b>	<b>2,440</b>	<b>2,271</b>
<b>Special rates</b>		
Nil		
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	323	313
Sewerage services	490	488
Waste management services (non-domestic)	83	81
<b>Total annual charges</b>	<b>896</b>	<b>882</b>
<b><u>TOTAL RATES AND ANNUAL CHARGES</u></b>	<b><u>3,336</u></b>	<b><u>3,153</u></b>

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

#### Accounting policy for rates and annual charges

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

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



## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Sewerage services	21	20
<b>Total specific user charges</b>	<b>21</b>	<b>20</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Building regulation	112	55
Private works – section 67	115	278
Town planning	25	39
<b>Total fees and charges – statutory/regulatory</b>	<b>252</b>	<b>372</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Caravan park	72	64
Cemeteries	46	53
Fire and emergency services levy (FESL) implementation	–	59
RMS (formerly RTA) charges (state roads not controlled by Council)	2,202	3,060
Swimming centres	40	–
Waste disposal tipping fees	14	9
Community technology centre	93	113
Other	102	88
<b>Total fees and charges – other</b>	<b>2,569</b>	<b>3,446</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>2,842</b>	<b>3,838</b>

**Accounting policy for user charges and fees**

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

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	30	36
– Cash and investments	161	166
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>191</b>	<b>202</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	27	33
General Council cash and investments	157	162
<b>Restricted investments/funds – external:</b>		
Sewerage fund operations	7	7
<b>Total interest and investment revenue recognised</b>	<b>191</b>	<b>202</b>

**Accounting policy for interest and investment revenue**

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

**(d) Other revenues**

Rental income – other council properties	41	35
Commissions and agency fees	61	42
Diesel rebate	49	47
Recycling income (non-domestic)	14	17
Insurance rebates	16	21
Southern phone company dividend	12	25
<b>TOTAL OTHER REVENUE</b>	<b>193</b>	<b>187</b>

**Accounting policy for other revenue**

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

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

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

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,553	2,197	–	–
Financial assistance – local roads component	991	1,430	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	60	61	–	–
<b>Total general purpose</b>	<b>2,604</b>	<b>3,688</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Sewerage	15	16	–	–
Sewerage services	–	–	5	63
Bushfire and emergency services	76	76	–	–
Economic development	16	36	–	–
Employment and training programs	–	8	–	–
Flood restoration	939	2,200	–	–
Grenfell flood study	–	13	–	–
Heritage and cultural	6	7	10	–
Library	19	19	50	5
Noxious weeds	31	20	–	–
Recreation and culture	–	–	77	9
Street lighting	35	35	–	–
Transport (roads to recovery)	931	1,177	–	–
Transport (other roads and bridges funding)	–	–	477	942
Swimming Pool	–	–	950	–
Stronger Country Communities	–	–	254	–
Medical Centre	–	–	113	–
Innovation Fund	400	–	–	–
Other	34	6	–	–
<b>Total specific purpose</b>	<b>2,502</b>	<b>3,613</b>	<b>1,936</b>	<b>1,019</b>
<b>Total grants</b>	<b>5,106</b>	<b>7,301</b>	<b>1,936</b>	<b>1,019</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	3,475	4,804	–	–
– State funding	1,631	2,497	1,936	1,019
	<b>5,106</b>	<b>7,301</b>	<b>1,936</b>	<b>1,019</b>

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 64 – sewerage service contributions		–	–	11	56
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>11</b>	<b>56</b>
<b>Total developer contributions</b>	21	<b>–</b>	<b>–</b>	<b>11</b>	<b>56</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
RMS contributions (regional roads, block grant)		710	696	68	231
<b>Total other contributions – cash</b>		<b>710</b>	<b>696</b>	<b>68</b>	<b>231</b>
<b>Total other contributions</b>		<b>710</b>	<b>696</b>	<b>68</b>	<b>231</b>
<b>Total contributions</b>		<b>710</b>	<b>696</b>	<b>79</b>	<b>287</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>5,816</b>	<b>7,997</b>	<b>2,015</b>	<b>1,306</b>

**Accounting policy for contributions**

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

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

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.

## Weddin Shire Council

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

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,103	5
<b>Add:</b> operating grants recognised in the current period but not yet spent	–	1,103
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(1,103)	(5)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>–</u>	<u>1,103</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	161	105
<b>Add:</b> contributions recognised in the current period but not yet spent	11	56
<b>Unexpended and held as restricted assets (contributions)</b>	<u>172</u>	<u>161</u>

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		3,654	3,473
Employee leave entitlements (ELE)		–	12
Superannuation – defined contribution plans		303	261
Superannuation – defined benefit plans		182	188
Workers' compensation insurance		101	50
Fringe benefit tax (FBT)		46	26
Occupational health and safety		32	16
Training costs (other than salaries and wages)		37	39
<b>Total employee costs</b>		<b>4,355</b>	<b>4,065</b>
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>4,355</b>	<b>4,065</b>
Number of 'full-time equivalent' employees (FTE) at year end		59	59

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

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

**Retirement benefit obligations**

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

**Superannuation plans**

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

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

(b) Borrowing costs		2018	2017
<b>(i) Interest bearing liability costs</b>			
Interest on loans		191	86
<b>Total interest bearing liability costs expensed</b>		<b>191</b>	<b>86</b>
<b>(ii) Other borrowing costs</b>			
– Remediation liabilities	11	13	15
<b>Total other borrowing costs</b>		<b>13</b>	<b>15</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>204</b>	<b>101</b>

**Accounting policy for borrowing costs**

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

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(c) Materials and contracts</b>			
Raw materials and consumables		5,427	4,602
Auditors remuneration <sup>(1)</sup>		37	34
– Legal expenses: other		1	7
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>5,465</b>	<b>4,643</b>
<b>1. Auditor remuneration</b>			
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms			
<b>Auditors of the Council – NSW Auditor-General:</b>			
<b>(i) Audit and other assurance services</b>			
Audit and review of financial statements		37	34
<b>Total Auditor-General remuneration</b>		<b>37</b>	<b>34</b>
<b>Total Auditor remuneration</b>		<b>37</b>	<b>34</b>
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		386	367
Office equipment		42	38
Furniture and fittings		5	7
<b>Infrastructure:</b>			
– Buildings – non-specialised		283	283
– Buildings – specialised		133	133
– Other structures		86	85
– Roads		1,196	1,196
– Bridges		256	257
– Footpaths		35	35
– Stormwater drainage		71	71
– Sewerage network		130	53
– Swimming pools		138	18
<b>Other assets:</b>			
– Library books		12	10
– Other		1	1
<b>Reinstatement, rehabilitation and restoration assets:</b>			
Asset reinstatement costs	9 & 11	25	29
<b>Total depreciation and amortisation costs</b>		<b>2,799</b>	<b>2,583</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Nil			
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>		<b>2,799</b>	<b>2,583</b>

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

###### Depreciation and amortisation

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

###### Impairment of non-financial assets

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

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

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	36	74
– Emergency services levy (includes FRNSW, SES, and RFS levies)	6	7
– NSW fire brigade levy	25	24
– NSW rural fire service levy	187	182
Councillor expenses – mayoral fee	25	25
Councillor expenses – councillors' fees	104	102
Councillors' expenses (incl. mayor) – other (excluding fees above)	5	5
Donations, contributions and assistance to other organisations (Section 356)	58	75
Electricity and heating	125	91
Insurance	213	207
Postage	13	14
Street lighting	101	85
Telephone and communications	34	34
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>932</u></b>	<b><u>925</u></b>

##### Accounting policy for other expenses

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



## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		107	51
Less: carrying amount of plant and equipment assets sold/written off		(125)	(61)
<b>Net gain/(loss) on disposal</b>		<b>(18)</b>	<b>(10)</b>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		66	–
Less: carrying amount of infrastructure assets sold/written off		(66)	–
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		–	105
Less: carrying amount of real estate assets sold/written off		–	(20)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>85</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(18)</u></b>	<b><u>75</u></b>

**Accounting policy for disposal of assets**

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

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

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,193	1,859
Cash-equivalent assets		
– Short-term deposits	6,000	8,750
<b>Total cash and cash equivalents</b>	<b>7,193</b>	<b>10,609</b>

**Accounting policy for cash and cash equivalents**

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

## Weddin Shire Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	7,193	–	10,609	–
<b>attributable to:</b>				
External restrictions (refer below)	957	–	2,692	–
Internal restrictions (refer below)	4,840	–	5,319	–
Unrestricted	1,396	–	2,598	–
	<b>7,193</b>	<b>–</b>	<b>10,609</b>	<b>–</b>

\$ '000	2018		2017	
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general			–	742
<b>External restrictions – included in liabilities</b>			<b>–</b>	<b>742</b>
<b>External restrictions – other</b>				
Developer contributions – sewer fund			172	161
Specific purpose unexpended grants			–	1,103
Sewerage services			785	686
<b>External restrictions – other</b>			<b>957</b>	<b>1,950</b>
<b>Total external restrictions</b>			<b>957</b>	<b>2,692</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement			62	151
Employees leave entitlement			500	500
Development projects			93	93
Gravel pits			34	34
Grenfell medical centre			1,228	1,843
Office equipment			47	20
Town and shire works			1,586	1,445
Financial Assistance Grant advance payment			1,290	1,233
<b>Total internal restrictions</b>			<b>4,840</b>	<b>5,319</b>
<b>TOTAL RESTRICTIONS</b>			<b>5,797</b>	<b>8,011</b>

## Weddin Shire Council

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

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	232	–	195	–
Interest and extra charges	36	–	45	–
Private works	298	–	106	–
– Other income accruals	159	–	233	–
Deferred debtors	102	59	143	–
Government grants and subsidies	15	–	12	–
Net GST receivable	24	–	–	–
<b>Total</b>	<b>866</b>	<b>59</b>	<b>734</b>	<b>–</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(74)	–	(37)	–
User charges and fees	(5)	–	(5)	–
<b>Total provision for impairment – receivables</b>	<b>(79)</b>	<b>–</b>	<b>(42)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>787</u></b>	<b><u>59</u></b>	<b><u>692</u></b>	<b><u>–</u></b>
<b>Externally restricted receivables</b>				
<b>Sewerage services</b>				
– Rates and availability charges	35	–	36	–
– Other	6	–	6	–
<b>Total external restrictions</b>	<b>41</b>	<b>–</b>	<b>42</b>	<b>–</b>
<b>Internally restricted receivables</b>				
Nil				
<b>Unrestricted receivables</b>	<b>746</b>	<b>59</b>	<b>650</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b><u>787</u></b>	<b><u>59</u></b>	<b><u>692</u></b>	<b><u>–</u></b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			42	37
+ new provisions recognised during the year			37	5
<b>Balance at the end of the year</b>			<b><u>79</u></b>	<b><u>42</u></b>

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

##### Accounting policy for receivables

##### Recognition and measurement

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

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

##### Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes 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.

#### Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>Inventories at cost</b>				
Real estate for resale (refer below)	62	–	62	–
Stores and materials	235	–	140	–
<b>Total inventories at cost</b>	<b>297</b>	<b>–</b>	<b>202</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>297</b>	<b>–</b>	<b>202</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	24	–	19	–
<b>TOTAL OTHER ASSETS</b>	<b>24</b>	<b>–</b>	<b>19</b>	<b>–</b>

##### Externally restricted assets

There are no restrictions applicable to the above assets.

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
<b>Other disclosures</b>					
<b>(a) Details for real estate development</b>					
Industrial/commercial		62	–	62	–
<b>Total real estate for resale</b>		<b>62</b>	<b>–</b>	<b>62</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		62	–	62	–
<b>Total real estate for resale</b>		<b>62</b>	<b>–</b>	<b>62</b>	<b>–</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		62	–	82	–
– WDV of sales (expense)	5	–	–	(20)	–
<b>Total real estate for resale</b>		<b>62</b>	<b>–</b>	<b>62</b>	<b>–</b>

**(b) Current assets not anticipated to be settled within the next 12 months**

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2018	2017
Real estate for resale	42	42
	<b>42</b>	<b>42</b>

**Accounting policy****Raw materials and stores, work in progress and finished goods**

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

**Inventory held for distribution**

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

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

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

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

## Weddin Shire Council

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

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

Asset class	as at 30/6/2017			Asset movements during the reporting period						as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>												
Capital work in progress	87	–	87	–	728	–	–	362	–	1,547	370	1,177
Plant and equipment	6,182	3,958	2,224	–	543	(125)	(386)	–	–	6,394	4,138	2,256
Office equipment	1,062	838	224	–	15	–	(42)	–	–	1,076	879	197
Furniture and fittings	135	103	32	–	6	–	(5)	–	–	141	108	33
<b>Land:</b>												
– Operational land	1,305	–	1,305	–	–	–	–	46	45	1,396	–	1,396
– Community land	1,179	–	1,179	–	–	–	–	(46)	–	1,133	–	1,133
<b>Infrastructure:</b>												
– Buildings – non-specialised	10,078	6,643	3,435	–	–	–	(283)	(362)	1,965	11,189	6,434	4,755
– Buildings – specialised	4,604	3,166	1,438	–	–	–	(133)	–	1,024	5,458	3,129	2,329
– Other structures	2,664	931	1,733	188	–	(66)	(86)	–	–	2,786	1,017	1,769
– Roads	91,469	16,783	74,686	842	–	–	(1,196)	–	–	92,311	17,979	74,332
– Bridges	32,565	7,622	24,943	–	–	–	(256)	–	–	32,565	7,878	24,687
– Footpaths	1,543	705	838	26	–	–	(35)	–	–	1,569	740	829
– Bulk earthworks (non-depreciable)	30,719	–	30,719	1,475	–	–	–	–	–	32,194	–	32,194
– Stormwater drainage	8,628	2,512	6,116	18	–	–	(71)	–	–	8,646	2,583	6,063
– Sewerage network	12,353	10,302	2,051	152	–	–	(130)	–	43	12,765	10,649	2,116
– Swimming pools	4,446	535	3,911	2,511	–	–	(138)	–	–	6,955	671	6,284
<b>Other assets:</b>												
– Library books	459	383	76	34	–	–	(12)	–	–	492	394	98
– Other	65	46	19	–	–	–	(1)	–	–	65	47	18
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>												
– Tip assets	665	179	486	–	–	–	(25)	31	–	696	204	492
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>210,208</b>	<b>54,706</b>	<b>155,502</b>	<b>5,246</b>	<b>1,292</b>	<b>(191)</b>	<b>(2,799)</b>	<b>31</b>	<b>3,077</b>	<b>219,378</b>	<b>57,220</b>	<b>162,158</b>

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

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

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

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

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

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	10	Playground equipment	5 to 15
Office furniture	10	Benches, seats etc.	10 to 20
Computer equipment	10	Library Books	10
Vehicles	10		
Heavy plant/road making equipment	10	<b>Buildings</b>	
Other plant and equipment	10	Buildings	20 to 40
<b>Sewer assets</b>		<b>Stormwater assets</b>	
Reticulation pipes	50 to 85	RC Pipe	100 to 140
Pumps and telemetry	15 to 50	Pits	100
Treatment Works	20 to 50	Covered Drains	100
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	26 to 32	Bulk earthworks	Infinite
Sealed roads: structure	26 to 112	Swimming pools	15 to 50
Unsealed roads	10 to 33	Other open space/recreational assets	10 to 80
Bridges, Culverts, Causeways	80 to 200		
Kerb & Gutter	90		
Footpaths	20 to 50		

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

##### Land under roads

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

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

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Crown reserves

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

##### Rural Fire Service assets

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

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

#### Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	632	–	625	–
– Other expenditure accruals	358	–	178	–
Security bonds, deposits and retentions	233	–	228	–
<b>Total payables</b>	<b>1,223</b>	<b>–</b>	<b>1,031</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	–	–	300	–
<b>Total income received in advance</b>	<b>–</b>	<b>–</b>	<b>300</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	74	3,821	71	3,895
<b>Total borrowings</b>	<b>74</b>	<b>3,821</b>	<b>71</b>	<b>3,895</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>1,297</b>	<b>3,821</b>	<b>1,402</b>	<b>3,895</b>

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

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

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

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



## Weddin Shire Council

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

## Note 10. Payables and borrowings (continued)

\$ '000

**(b) Current payables and borrowings not anticipated to be settled within the next twelve months**

Nil

**(c) Changes in liabilities arising from financing activities**

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	3,966	(71)	–	–	–	3,895
<b>TOTAL</b>	<b>3,966</b>	<b>(71)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,895</b>

\$ '000

2018

2017

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

Bank overdraft facilities <sup>(1)</sup>	250	250
Credit cards/purchase cards	50	50
<b>Total financing arrangements</b>	<b>300</b>	<b>300</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	18	9
<b>Total drawn financing arrangements</b>	<b>18</b>	<b>9</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	250	250
– Credit cards/purchase cards	32	41
<b>Total undrawn financing arrangements</b>	<b>282</b>	<b>291</b>

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

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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##### **Accounting policy for payables and borrowings**

###### **Payables**

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

###### **Borrowings**

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

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

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

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	636	–	628	–
Long service leave	925	41	1,000	42
<b>Sub-total – aggregate employee benefits</b>	<b>1,561</b>	<b>41</b>	<b>1,628</b>	<b>42</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	597	–	553
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>597</b>	<b>–</b>	<b>553</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>1,561</u></b>	<b><u>638</u></b>	<b><u>1,628</u></b>	<b><u>595</u></b>

## (a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Sewer	20	–	22	–
Provisions relating to externally restricted assets	20	–	22	–
<b>Internally restricted assets</b>				
Nil				
<b>Total provisions relating to restricted assets</b>	<b>20</b>	<b>–</b>	<b>22</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>1,541</b>	<b>638</b>	<b>1,606</b>	<b>595</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>1,561</u></b>	<b><u>638</u></b>	<b><u>1,628</u></b>	<b><u>595</u></b>

\$ '000

2018

2017

## (b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,063	1,336
	<b>1,063</b>	<b>1,336</b>

## Weddin Shire Council

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

## Note 11. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions		Total
	Annual leave	Long service leave	
At beginning of year	628	1,042	1,670
Other	8	(76)	(68)
<b>Total ELE provisions at end of year</b>	<b>636</b>	<b>966</b>	<b>1,602</b>
<b>2017</b>			
At beginning of year	657	1,126	1,783
Additional provisions	233	47	280
Amounts used (payments)	(262)	(131)	(393)
<b>Total ELE provisions at end of year</b>	<b>628</b>	<b>1,042</b>	<b>1,670</b>
2018	Other provisions		Total
	Asset remediation		
At beginning of year	553		553
<b>Changes to provision:</b>			
– Revised costs	31		31
Unwinding of discount	13		13
<b>Total other provisions at end of year</b>	<b>597</b>		<b>597</b>
<b>2017</b>			
At beginning of year	637		637
<b>Changes to provision:</b>			
Remeasurement effects	(99)		(99)
Unwinding of discount	15		15
<b>Total other provisions at end of year</b>	<b>553</b>		<b>553</b>

## Nature and purpose of non-employee benefit provisions

## Asset remediation

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

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

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

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

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

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

##### **Employee benefits**

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

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

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

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

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

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

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

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.

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Revaluation reserves

## (a) Nature and purpose of reserves

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

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

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

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	7,193	10,609
<b>Balance as per the Statement of Cash Flows</b>		<b>7,193</b>	<b>10,609</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>800</b>	<b>4,441</b>
Adjust for non-cash items:			
Depreciation and amortisation		2,799	2,583
Net losses/(gains) on disposal of assets		18	(75)
Unwinding of discount rates on reinstatement provisions		13	(84)
Share of net (profits) or losses of associates/joint ventures		(180)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(173)	(112)
Increase/(decrease) in provision for doubtful debts		37	5
Decrease/(increase) in inventories		(95)	(98)
Decrease/(increase) in other assets		(5)	(17)
Increase/(decrease) in payables		7	401
Increase/(decrease) in other accrued expenses payable		180	82
Increase/(decrease) in other liabilities		(295)	295
Increase/(decrease) in employee leave entitlements		(68)	(113)
Increase/(decrease) in other provisions		31	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>3,069</b>	<b>7,308</b>

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Associates	180	–	24,213	20,324
<b>Total</b>	<b>180</b>	<b>–</b>	<b>24,213</b>	<b>20,324</b>

## (a) Associates

Council has incorporated the following associates into its consolidated financial statements.

## (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Central Tablelands Water County Council Associate		Equity method	24,213	20,324
<b>Total carrying amounts – material associates</b>			<b>24,213</b>	<b>20,324</b>

## (b) Details

Name of entity	Principal activity	Place of business
Central Tablelands Water County Council	Maintains and administers water supply schemes	Blayney

## (c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Central Tablelands Water County Council	33%	33%	33%	33%	33%	33%

## (d) Summarised financial information for associates

	Central Tablelands Water County Council	
	2018	2017
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,165	873
Other current assets	6,835	7,738
<b>Non-current assets</b>	<b>67,961</b>	<b>56,284</b>
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	437	409
Other current liabilities	967	1,156
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	<b>1,912</b>	<b>2,352</b>
<b>Net assets</b>	<b>72,645</b>	<b>60,978</b>

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 14. Interests in other entities

\$ '000

	Central Tablelands Water County Council	
	2018	2017
<b>(d) Summarised financial information for associates (continued)</b>		
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	60,978	60,978
Profit/(loss) for the period	539	–
Other comprehensive income – revaluations	11,128	–
<b>Closing net assets</b>	<b>72,645</b>	<b>60,978</b>
<b>Council's share of net assets (%)</b>	<b>33.3%</b>	<b>33.3%</b>
<b>Council's share of net assets (\$)</b>	<b>24,213</b>	<b>20,324</b>
<b>Statement of comprehensive income</b>		
Income	5,774	–
Interest income	210	–
Depreciation and amortisation	(1,807)	–
Interest expense	(172)	–
Other expenses	(3,466)	–
<b>Profit/(loss) from continuing operations</b>	<b>539</b>	<b>–</b>
Other comprehensive income	11,128	–
<b>Total comprehensive income</b>	<b>11,667</b>	<b>–</b>
<b>Share of income – Council (%)</b>	<b>33.3%</b>	<b>33.3%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>180</b>	<b>–</b>
<b>Total comprehensive income – Council (\$)</b>	<b>3,889</b>	<b>–</b>

## Note 15. Commitments for expenditure

\$ '000

2018

2017

## (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**

Grenfell Pool Renewal	–	2,000
<b>Total commitments</b>	<b>–</b>	<b>2,000</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	–	2,000
<b>Total payable</b>	<b>–</b>	<b>2,000</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	–	359
Future grants and contributions	–	950
Unexpended loans	–	691
<b>Total sources of funding</b>	<b>–</b>	<b>2,000</b>



## Weddin Shire Council

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

#### Note 16. Contingencies and other liabilities/assets not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

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

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

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

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

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

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

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

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### 1. Guarantees (continued)

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$152,097.54.

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

Council's expected contributions to the Fund for the next annual reporting period is \$127,875.32.

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

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

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

## Weddin Shire Council

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

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

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

##### 1. Guarantees (continued)

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

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

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

\* Plus promotional increases

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

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

Council's additional lump sum contribution is around 0.21% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

##### (ii) 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.

## Weddin Shire Council

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

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

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

##### **1. Guarantees (continued)**

##### **(iv) Other guarantees**

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

##### **2. Other liabilities**

##### **(i) Third party claims**

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

Council has been notified of a Statement of Claim filed with the Dust Diseases Tribunal of NSW on 9 July 2018. At this stage any potential liability arising from this claim cannot be quantified. Accordingly no estimate of liability has been disclosed because it is not practicable to do so.

Other than the Statement of claim disclosed in the preceding paragraph Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

##### **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.

##### **(iii) Rural Fire Service Assets**

Throughout the shire there are numerous 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 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.

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. 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.

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

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.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 1% movement in interest rates	60	60	(60)	(60)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	88	88	(88)	(88)

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	13%	60%	13%	57%
Overdue	87%	40%	87%	43%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

##### (ii) Ageing of receivables – value

###### Rates and annual charges

	2018	2017
Current	28	26
< 1 year overdue	30	23
1 – 2 years overdue	29	22
2 – 5 years overdue	50	45
> 5 years overdue	95	79
	<b>232</b>	<b>195</b>

###### Other receivables

Current	426	467
0 – 30 days overdue	142	31
31 – 60 days overdue	–	1
61 – 90 days overdue	1	2
> 91 days overdue	124	38
	<b>693</b>	<b>539</b>

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables		233	955	–	–	1,188	1,223
Loans and advances	4.13%	–	233	932	5,483	6,648	3,895
<b>Total financial liabilities</b>		<b>233</b>	<b>1,188</b>	<b>932</b>	<b>5,483</b>	<b>7,836</b>	<b>5,118</b>
<b>2017</b>							
Trade/other payables		228	803	–	–	1,031	1,031
Loans and advances	4.13%	–	233	932	5,716	6,881	3,966
<b>Total financial liabilities</b>		<b>228</b>	<b>1,036</b>	<b>932</b>	<b>5,716</b>	<b>7,912</b>	<b>4,997</b>

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 15 June 2017 and is not required to be audited.

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

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

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

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>3,393</b>	<b>3,336</b>	<b>(57)</b>	<b>(2%)</b>	<b>U</b>
<b>User charges and fees</b>	<b>2,136</b>	<b>2,842</b>	<b>706</b>	<b>33%</b>	<b>F</b>
Council received additional income from Roads and Maritime Services for works on state roads.					
<b>Interest and investment revenue</b>	<b>149</b>	<b>191</b>	<b>42</b>	<b>28%</b>	<b>F</b>
Interest rates and the value of investments held were higher than anticipated.					
<b>Other revenues</b>	<b>278</b>	<b>193</b>	<b>(85)</b>	<b>(31%)</b>	<b>U</b>
Revenue from the Community Technology Centre, Insurance Rebate, Southern Phone Dividends were all less than budgeted.					
<b>Operating grants and contributions</b>	<b>3,916</b>	<b>5,816</b>	<b>1,900</b>	<b>49%</b>	<b>F</b>
Council received an advance payment of 50% of the 2018/19 Financial Assistance Grant \$1,290,357 and additional Roads to Recovery allocation.					
<b>Capital grants and contributions</b>	<b>4,535</b>	<b>2,015</b>	<b>(2,520)</b>	<b>(56%)</b>	<b>U</b>
The timing of payment of budgeted Capital Grants was later than forecast.					
<b>Net gains from disposal of assets</b>	<b>5</b>	<b>-</b>	<b>(5)</b>	<b>(100%)</b>	<b>U</b>
<b>Joint ventures and associates - net profits</b>	<b>-</b>	<b>180</b>	<b>180</b>	<b>0%</b>	<b>F</b>
Council does not include gains or losses from its interest in Central Tablelands Water in its estimates. These gains or losses are non cash items that cannot be accurately estimated by Council.					



## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>3,922</b>	<b>4,355</b>	<b>(433)</b>	(11%)	<b>U</b>
Several long term employees left Council which resulted in unbudgeted termination payments.					
<b>Borrowing costs</b>	<b>163</b>	<b>204</b>	<b>(41)</b>	(25%)	<b>U</b>
Council did not include the non-cash loan interest accrual and borrowing costs associated with the provision for reinstatement costs in its original budget.					
<b>Materials and contracts</b>	<b>2,833</b>	<b>5,465</b>	<b>(2,632)</b>	(93%)	<b>U</b>
Council undertook a significant amount of work on state roads for the Roads and Maritime Services in addition costs associated with flood damage emergency works and repairs increased material and contract expenses.					
<b>Depreciation and amortisation</b>	<b>2,591</b>	<b>2,799</b>	<b>(208)</b>	(8%)	<b>U</b>
<b>Other expenses</b>	<b>913</b>	<b>932</b>	<b>(19)</b>	(2%)	<b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>18</b>	<b>(18)</b>	0%	<b>U</b>
Council does not include gains or losses made from the disposal of its assets in its original estimates. These gains or losses result from a movement in their written down value which is a non-cash item. Council only budgets for the cash proceeds received from the sale of the asset.					
<b>Budget variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash flows from operating activities</b>	<b>6,577</b>	<b>3,069</b>	<b>(3,508)</b>	(53.3%)	<b>U</b>
<b>Cash flows from investing activities</b>	<b>(8,324)</b>	<b>(6,414)</b>	<b>1,910</b>	(22.9%)	<b>F</b>
<b>Cash flows from financing activities</b>	<b>(71)</b>	<b>(71)</b>	<b>–</b>	0.0%	<b>F</b>

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial liabilities

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

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

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

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

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

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

	Date	Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
	of latest valuation	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
<b>2018</b>					
<b>Recurring fair value measurements</b>					
<b>Financial liabilities</b>					
Loans/advances	30/06/18	–	3,895	–	3,895
<b>Total financial liabilities</b>		<b>–</b>	<b>3,895</b>	<b>–</b>	<b>3,895</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	–	2,256	2,256
Office equipment	30/06/18	–	–	197	197
Furniture and fittings	30/06/18	–	–	32	32
Operational land	30/06/18	–	–	1,396	1,396
Community land		–	–	1,133	1,133
Buildings – non specialised	30/06/18	–	–	5,845	5,845
Buildings – specialised	30/06/18	–	–	2,329	2,329
Other structures	30/06/16	–	–	1,769	1,769
Roads	30/06/15	–	–	74,332	74,332
Bridges	30/06/15	–	–	24,687	24,687
Footpaths	30/06/15	–	–	829	829
Bulk earthworks	30/06/15	–	–	32,194	32,194
Stormwater drainage	1/07/15	–	–	6,063	6,063
Sewerage network	30/06/17	–	–	2,116	2,116
Swimming pools	30/06/16	–	–	6,284	6,284
Library books	30/06/18	–	–	98	98
Other assets	30/06/16	–	–	18	18
Reinstatement tip assets	30/06/18	–	–	493	493
Work in Progress	30/06/18	–	–	87	87
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>162,158</b>	<b>162,158</b>

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial liabilities</b>					
Loans/advances	30/06/17	–	3,966	–	3,966
Payables	30/06/17	–	1,089	–	1,089
<b>Total financial liabilities</b>		<b>–</b>	<b>5,055</b>	<b>–</b>	<b>5,055</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/15	–	–	2,224	2,224
Office equipment	30/06/15	–	–	224	224
Furniture and fittings	30/06/15	–	–	32	32
Operational land	30/06/13	–	–	1,305	1,305
Community land		–	–	1,179	1,179
Buildings – non specialised	30/06/13	–	–	3,435	3,435
Buildings – specialised	30/06/13	–	–	1,438	1,438
Other structures	30/06/16	–	–	1,733	1,733
Roads	30/06/15	–	–	74,686	74,686
Bridges	30/06/15	–	–	24,943	24,943
Footpaths	30/06/15	–	–	838	838
Bulk earthworks	30/06/15	–	–	30,719	30,719
Stormwater drainage	1/07/15	–	–	6,116	6,116
Sewerage network	30/06/17	–	–	2,051	2,051
Swimming pools	30/06/16	–	–	3,913	3,913
Library books	30/06/15	–	–	76	76
Other assets	30/06/16	–	–	17	17
Reinstatement tip assets	30/06/16	–	–	486	486
Work in Progress	30/06/17	–	–	87	87
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>155,502</b>	<b>155,502</b>

## (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.

## Weddin Shire Council

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

#### Note 19. Fair value measurement (continued)

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##### (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 (i.e. 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:

##### Financial liabilities

**Loans** – Outstanding amount payable on loans

**Payables** – Outstanding creditor payments, security bonds & deposits

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service

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##### Infrastructure, property, plant and equipment

##### Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are valued at cost. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors and motor vehicles.
- Office Equipment - Computers, photocopiers, calculators etc.
- Furniture & Fittings - Chairs, desks etc.

There has been no change to the valuation process during the reporting period.

##### Operational & Community Land

The valuation of Council's operational land was undertaken at 30 June 2018 by AssetVal Pty Ltd with the direct comparison method.

Community land values are based on the Land Value provided by the Valuer-General as these are considered representative of the actual market values in the Weddin Shire LGA.

Since extensive professional judgements were required to determine the inputs 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.

##### Buildings Non Specialised & Specialised

The valuation of Council's Buildings – Non-Specialised & Specialised was undertaken at 30 June 2018 by AssetVal Pty Ltd cost approach to determine Depreciated Replacement Cost.

Since extensive professional judgements were required to determine the inputs 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.

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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##### **Other Structures**

Other Structures were valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016. Examples of assets within this class are fencing, lighting, playground equipment etc. Since extensive professional judgements were required to determine the inputs 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.

##### **Roads**

Roads comprise road carriageway, roadside shoulders & kerb & gutter. The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

##### **Bridges**

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. While all bridges were physically inspected and unit rates based on square metres were other inputs (such as estimates of residual value and pattern of consumption) require extensive professional judgement that impacts significantly on the final determination of fair value. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

##### **Footpaths**

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

##### **Bulk Earthworks**

The Cost Approach using Level 3 inputs was used to value this asset class. Valuations for this asset class were undertaken in-house based on actual costs and assumptions from Council's Engineering Department. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

There has been no change to the valuation process during the reporting period.

##### **Storm Water Drainage**

Assets within this class comprise pits and pipes.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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evidence (Level 2) other 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.

During the reporting period the valuation approach changed from utilising the Modern Engineering Equivalent Replacement Asset cost approach to replacing the existing drainage infrastructure with like infrastructure. This resulted in a material reduction in the fair value of the drainage infrastructure during this reporting period.

##### **Sewerage Network**

Assets within this class comprise treatment works, pumping stations and, sewerage mains.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar may be supported from market evidence (Level 2) other 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. Additionally, due to limitations in the historical records of very long-lived assets there is uncertainty regarding the actual design, specifications and dimensions of some assets. These assets are indexed each year in line with the NSW Reference Rates Manual as published by the Department of Primary Industries Water.

There has been no change to the valuation process during the reporting period.

##### **Swimming Pools**

Other Structures including Swimming Pools were valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016.

Since extensive professional judgements were required to determine the inputs 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.

##### **Library Books**

Library Books were valued using the cost approach. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. No market based evidence (Level 2) could be supported 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.

##### **Other Assets**

This asset class relates to the town clock which was valued by Scott Fullarton Valuations Pty Ltd as at 30 June 2016.

Since extensive professional judgements were required to determine the inputs 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.

## Weddin Shire Council

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

#### Note 19. Fair value measurement (continued)

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##### **Reinstatement Tip Assets**

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of tip/landfill sites. Closure of the landfill sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuations are based on actual timing of costs and future management requirements.

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## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)****a. The following tables present the changes in level 3 fair value asset classes.**

	Total	Total
<b>Opening balance – 1/7/16</b>	155,997	155,997
Purchases (GBV)	6,720	6,720
Disposals (WDV)	(61)	(61)
Depreciation and impairment	(2,583)	(2,583)
FV gains – other comprehensive income	(4,471)	(4,471)
Other movement - Adjustments & Transfers	(100)	(100)
<b>Closing balance – 30/6/17</b>	<b><u>155,502</u></b>	<b><u>155,502</u></b>
Purchases (GBV)	6,538	6,538
Disposals (WDV)	(191)	(191)
Depreciation and impairment	(2,799)	(2,799)
FV gains – other comprehensive income	3,077	3,077
Other movement - Adjustments & Transfers	31	31
<b>Closing balance – 30/6/18</b>	<b><u>162,158</u></b>	<b><u>162,158</u></b>

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

No transfers were made in or out of the Level 3 Fair Value Hierarchy.



## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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

##### c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

##### I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Plant, equipment, furniture, fittings and office equipment	2,485	Refer to Note 19(3) above	Increase/decrease in cost of unit or useful life
Operational land	1,396	Refer to Note 19(3) above	Land value, land area
Community land	1,133	Refer to Note 19(3) above	Land value, land area
Buildings	8,174	Refer to Note 19(3) above	Increase/decrease in cost of unit or useful life
Roads, Bridges, Footpaths, Earthworks	132,042	Refer to Note 19(3) above	Increase/decrease in cost of unit or useful life
Other Structures, Pools, Library Assets, Town Clock, Work in Progress	8,256	Refer to Note 19(3) above	Increase/decrease in cost of unit or useful life
Drainage Network	6,063	Refer to Note 19(3) above	Increase/decrease in cost of unit or useful life
Sewerage Network	2,116	Refer to Note 19(3) above	Increase/decrease in cost of unit or useful life
Reinstatement Tip Assets	493	Refer to Note 19(3) above	Increase/decrease in cost of unit or useful life

##### (5). Highest and best use

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

## Weddin Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Related party transactions

\$ '000

##### a. Key management personnel

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

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

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	868	784
<b>Total</b>	<b>868</b>	<b>784</b>

##### 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.

<b>Nature of the transaction</b>	<b>Value of transactions during year</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	Actual \$	(incl. loans and commitments) Actual \$		Actual \$	Actual \$
<b>2018</b>					
Nil	Ref				
<b>2017</b>					
Planning proposal for rezoning of land	1	2,000		-	-

1 Council undertook a planning proposal to change the zoning of a parcel of land with an existing residence owned by a related party of Council KMP from Industrial to Residential after it was incorrectly changed to Industrial as part of the review of the Weddin LEP in 2011

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S64 contributions	161	11	–	–	–	–	172	
<b>Total contributions</b>	<b>161</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>172</b>	<b>–</b>

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Financial result and financial position by fund

Income Statement by fund	2018	2018
\$ '000		
	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Continuing operations</b>		
<b>Income from continuing operations</b>		
Rates and annual charges	500	2,836
User charges and fees	24	2,818
Interest and investment revenue	7	184
Other revenues	–	193
Grants and contributions provided for operating purposes	15	5,801
Grants and contributions provided for capital purposes	16	1,999
<b>Other income</b>		
Share of interests in joint ventures and associates using the equity method	–	180
<b>Total income from continuing operations</b>	<b>562</b>	<b>14,011</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	170	4,185
Borrowing costs	–	204
Materials and contracts	97	5,368
Depreciation and amortisation	134	2,665
Other expenses	24	908
Net losses from the disposal of assets	–	18
<b>Total expenses from continuing operations</b>	<b>425</b>	<b>13,348</b>
<b>Operating result from continuing operations</b>	<b>137</b>	<b>663</b>
<b>Net operating result for the year</b>	<b>137</b>	<b>663</b>
<b>Net operating result attributable to each council fund</b>	<b>137</b>	<b>663</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>121</b>	<b>(1,336)</b>

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

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

## Weddin Shire Council

## Notes to the Financial Statements

as at 30 June 2018

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

Statement of Financial Position by fund		
\$ '000	2018	2018
<b>ASSETS</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>		
Cash and cash equivalents	957	6,236
Receivables	41	746
Inventories	–	297
Other	–	24
<b>Total current assets</b>	<b>998</b>	<b>7,303</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	2,367	159,791
Investments accounted for using the equity method	–	24,213
<b>Total non-current assets</b>	<b>2,367</b>	<b>184,063</b>
<b>TOTAL ASSETS</b>	<b>3,365</b>	<b>191,366</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	–	1,223
Borrowings	–	74
Provisions	20	1,541
<b>Total current liabilities</b>	<b>20</b>	<b>2,838</b>
<b>Non-current liabilities</b>		
Borrowings	–	3,821
Provisions	–	638
<b>Total non-current liabilities</b>	<b>–</b>	<b>4,459</b>
<b>TOTAL LIABILITIES</b>	<b>20</b>	<b>7,297</b>
<b>Net assets</b>	<b>3,345</b>	<b>184,069</b>
<b>EQUITY</b>		
Accumulated surplus	2,809	142,128
Revaluation reserves	536	41,941
<b>Council equity interest</b>	<b>3,345</b>	<b>184,069</b>
<b>Total equity</b>	<b>3,345</b>	<b>184,069</b>

<sup>1</sup> 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.

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(1,377)</u>	<b>-11.12%</b>	19.90%	11.78%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>12,378</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>6,562</u>	<b>45.59%</b>	44.24%	49.17%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>14,393</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>7,261</u>	<b>4.09x</b>	5.23x	5.90x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>1,775</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>1,626</u>	<b>5.91x</b>	42.55x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>275</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>194</u>	<b>5.44%</b>	5.92%	7.32%	10%
Rates, annual and extra charges collectible	<u>3,569</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>7,193</u>	<b>7.10 mths</b>	11.9 mths	11.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>1,013</u>				

## Notes

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

(2) Refer Notes 6-8 inclusive.

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

(3) Refer to Notes 10 and 11.

(4) Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>-12.71%</b>	19.36%	<b>22.87%</b>	33.00%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>43.60%</b>	42.78%	<b>94.48%</b>	79.61%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>4.09x</b>	5.23x	<b>41.30x</b>	33.09x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>					

## Notes

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

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

## Weddin Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Local government industry indicators – by fund (continued)</b>					
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>4.97x</b>	40.65x	<b>0.00x</b>	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>5.06%</b>	5.58%	<b>7.52%</b>	7.73%	< 10% regional & rural
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>6.30</b>	11.26	<b>39.46</b>	31.08	> 3 months
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	

## Notes

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

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

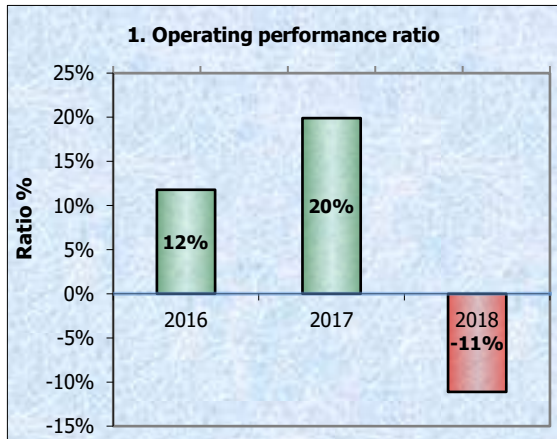
**END OF AUDITED FINANCIAL STATEMENTS**



# Weddin Shire Council

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

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



**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2017/18 result**

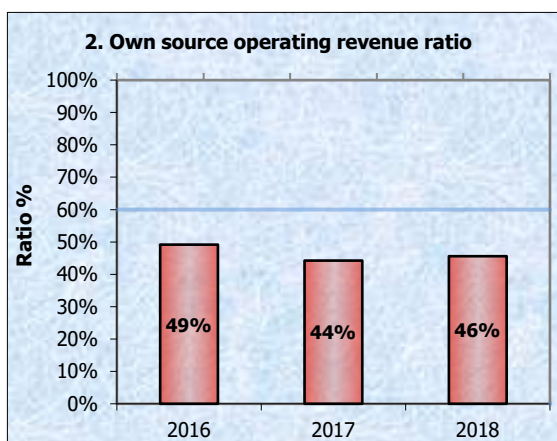
**2017/18 ratio -11.12%**

Council's operating performance ratio has been impacted by completion of flood damage restoration works for which the funding was received last financial year.

Benchmark: — Minimum  $\geq 0.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2017/18 result**

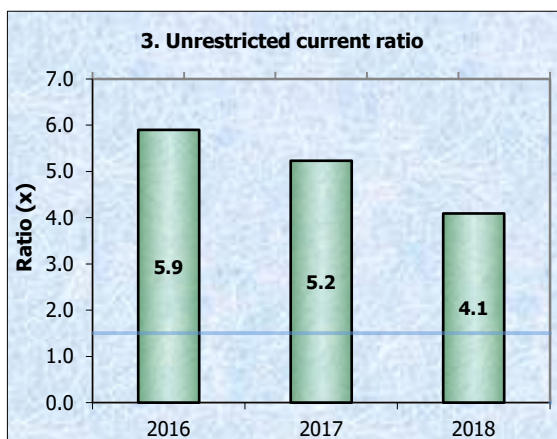
**2017/18 ratio 45.59%**

Council's own source operating revenue is relatively consistent year on year although this year it has been impacted by receipt of an advance payment of Financial Assistance Grant and also flood damage restoration funding. The reality is that Weddin Shire as a "Rural Council" will always remain reliant on some level of external funding for its financial sustainability.

Benchmark: — Minimum  $\geq 60.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2017/18 result**

**2017/18 ratio 4.09x**

This ratio remains above the benchmark and indicates that Council has adequate capacity to meet its current obligations.

Benchmark: — Minimum  $\geq 1.50$

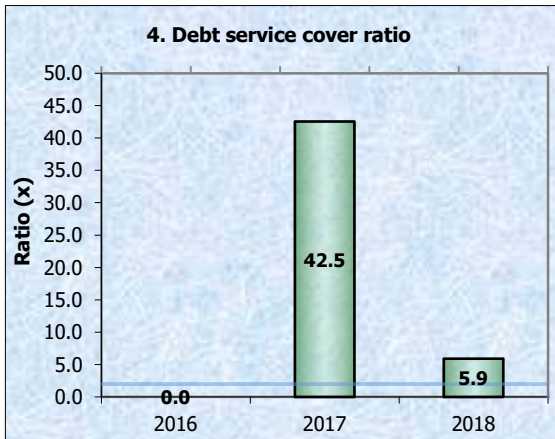
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark

# Weddin Shire Council

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2017/18 result**

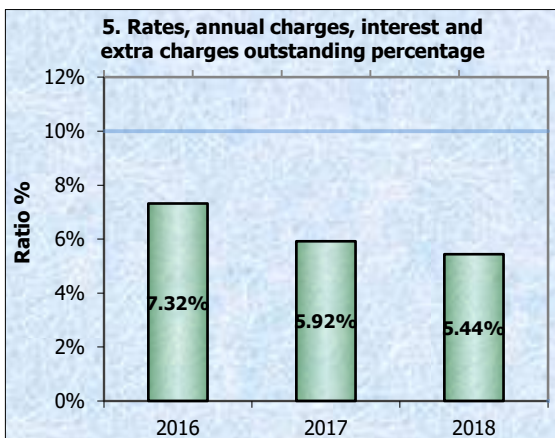
**2017/18 ratio 5.91x**

This ratio remains above the benchmark and indicates that Council has adequate capacity to meet its current obligations.

Benchmark: Minimum  $\geq 2.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



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

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

**Commentary on 2017/18 result**

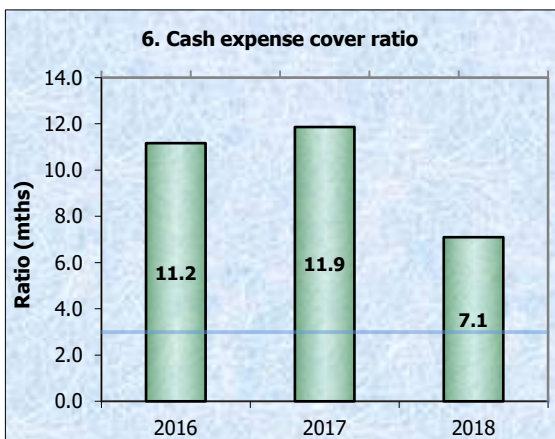
**2017/18 ratio 5.44%**

Debt recovery continues to be an area of focus for management and staff. This is reflected in the positive movement of this ratio with the result well within the required benchmark.

Benchmark: Maximum  $< 10.00\%$

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

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 7.10 mths**

Council continues to maintain healthy cash levels sufficient to meet its immediate expenses. This ratio illustrates Council can continue to pay its immediate expenses for a period of 7.1 months before additional cashflow is required. This is above the required benchmark.

Benchmark: Minimum  $\geq 3.00$

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Weddin Shire Council

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

#### Note 24. Council information and contact details

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**Principal place of business:**

Corner of Camp & Weddin Streets  
Grenfell NSW 2810

**Contact details**

**Mailing address:**

PO Box 125  
GRENFELL NSW 2810

**Opening hours:**

8.30 am - 4.00 pm Monday - Friday  
Grenfell Waste Depot:  
Tue, Thurs, Sat, Sun: 10.00 am - 4.00 pm

**Telephone:** 02 6343 1212

**Facsimile:** 02 6343 1203

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

**Email:** [mail@weddin.nsw.gov.au](mailto:mail@weddin.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Glenn Carroll

**RESPONSIBLE ACCOUNTING OFFICER**

Lachlan Gibson

**PUBLIC OFFICER**

Lachlan Gibson

**AUDITORS**

Audit Office of NSW  
GPO Box 12  
Sydney NSW 2001

**Elected members**

**MAYOR**

Cr Mark Liebich

**COUNCILLORS**

Cr Paul Best - Deputy Mayor  
Cr Craig Bembrick  
Cr Carly Brown  
Cr Phillip Diprose  
Cr Stuart McKellar  
Cr John Niven  
Cr Stephen O'Byrne  
Cr Jan Parlett

**Other information**

**ABN:** 73 819 323 291



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Weddin Shire Council**

To the Councillors of the Weddin Shire Council

## Opinion

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

In my opinion,

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

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

31 October 2018  
SYDNEY

Councillor Mark Liebich  
Mayor  
Weddin Shire Council  
PO Box 125  
GRENFELL NSW 2810

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D1827033/1805

31 October 2018

Dear Mayor

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

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

## INCOME STATEMENT

### Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	3.3	3.2	↑ 3.1
User charges and fees	2.8	3.8	↓ 26.3
Grants and contributions revenue	7.8	9.3	↓ 16.1
Employee benefits and on-costs	4.4	4.1	↑ 7.3
Materials and contracts	5.5	4.6	↑ 19.6
Operating result for the year	0.8	4.4	↓ 81.8
Net operating result before capital amounts	(1.2)	3.1	↓ (138.7)

The growth in rates and annual charges is consistent with the IPART approved special rate variation of 4 per cent over the rate-pegging limit of 1.5 per cent.

User charges and fees revenue decrease was due to Council performing more work on State-owned roads during 2017, particularly the Newell Highway, funded by Roads and Maritime Services (RMS), as well as conducting more private works.

Operating result in 2017–18 was also impacted by:

- advance receipt of the 2017–18 financial assistance grant in 2016–17 of \$1.2 million.
- higher materials and contract expenses as flood repair works on roads were completed in the current year, but the funding for which was recognised in the 2017 year as required by Australian Accounting Standards.

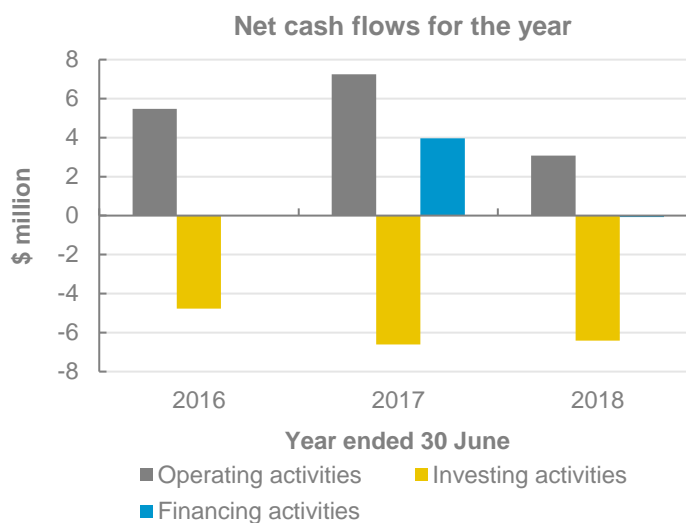
The net operating result was mainly within General fund. Note 22 reported surpluses in the General fund of \$0.7 million and the Sewer Fund of \$0.1 million.



## STATEMENT OF CASH FLOWS

2017–18 saw a net cash outflow of \$3.4 million with significant spending on infrastructure again a feature.

Over the last three years, Council has generated operating cash flow surpluses allowing it to maintain and renew community infrastructure.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	1.0	2.7	Externally restricted balances include unexpended loans, grants, developer contributions, sewer and domestic waste management charges.
Internal restrictions	4.8	5.3	
Unrestricted	1.4	2.6	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>7.2</b>	<b>10.6</b>	

### Debt

At 30 June 2018, Council had external borrowings of \$3.9 million (\$4.0 million at 30 June 2017) and access to a \$0.25 million (\$0.25 million at 30 June 2017:) bank overdraft facility. This facility was unused at year-end.

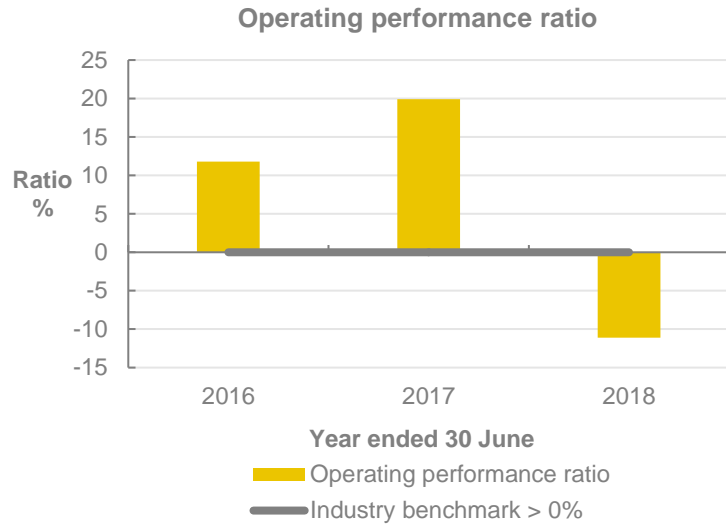
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

## Operating performance ratio

Council's operating performance ratio exceeded the industry benchmark over two of the past three years. Advance receipt of the 2017–18 financial assistance grant in 2016–17 contributed to the fall in this year's result.

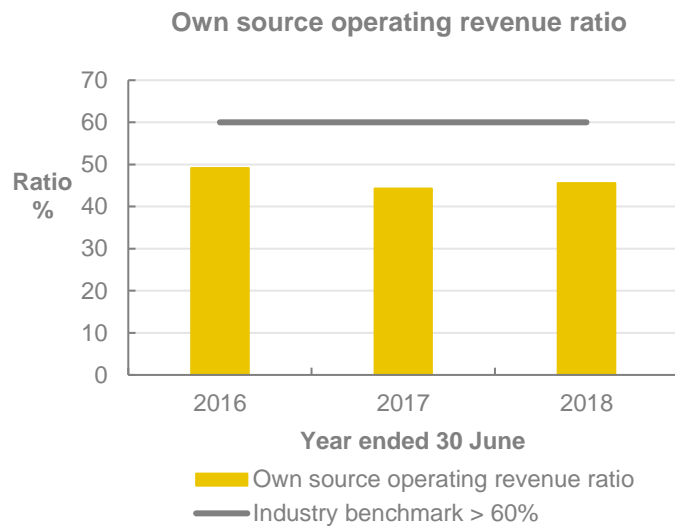
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



## Own source operating revenue ratio

The comparatively high level of grants and contributions decreases Council's own source operating revenue ratio to below the benchmark.

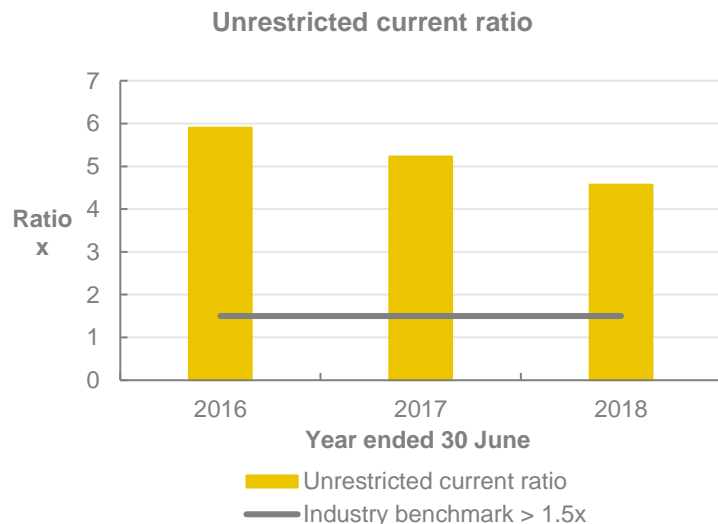
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years.

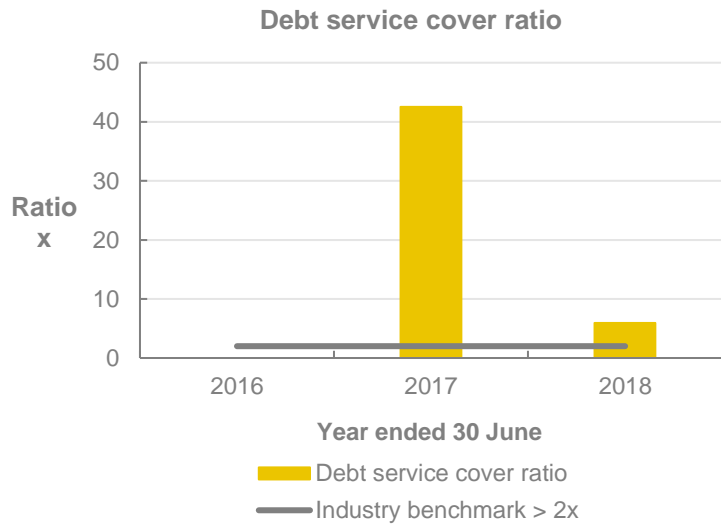
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

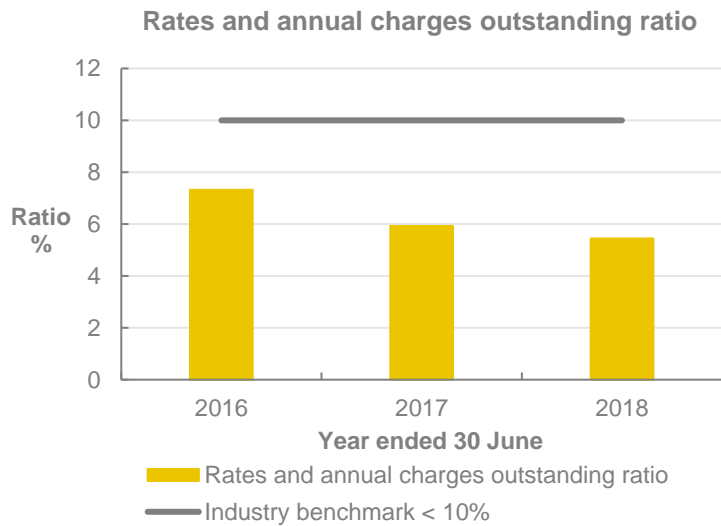
The result of this ratio was skewed in 2017 by council drawing down a \$4.0 million loan late in the financial year and accordingly the debt service costs were not for a complete year. The 2018 result reflects the full-year measure.

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



### Rates and annual charges outstanding ratio

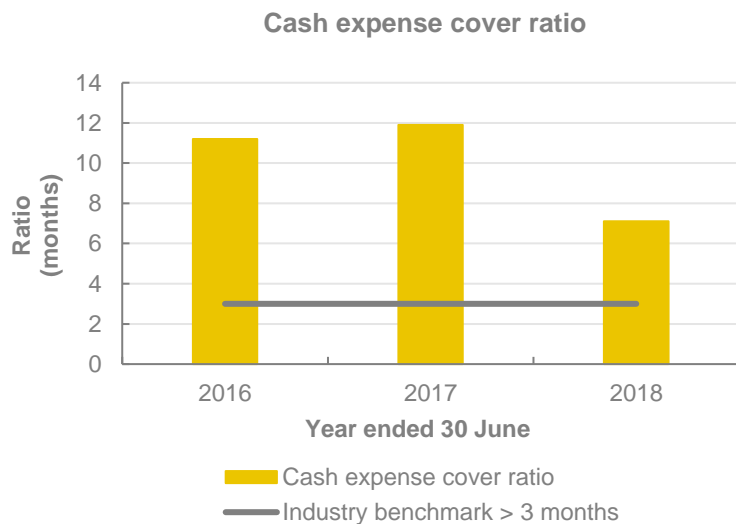
Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years. The ratio reflects Council's sustained effort to effectively manage rates and charges recovery. The 'rates and annual charges outstanding ratio' assesses the impact of uncollected 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 high levels of liquidity results in being well over the benchmark for the cash expense cover ratio over the past three years.

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.

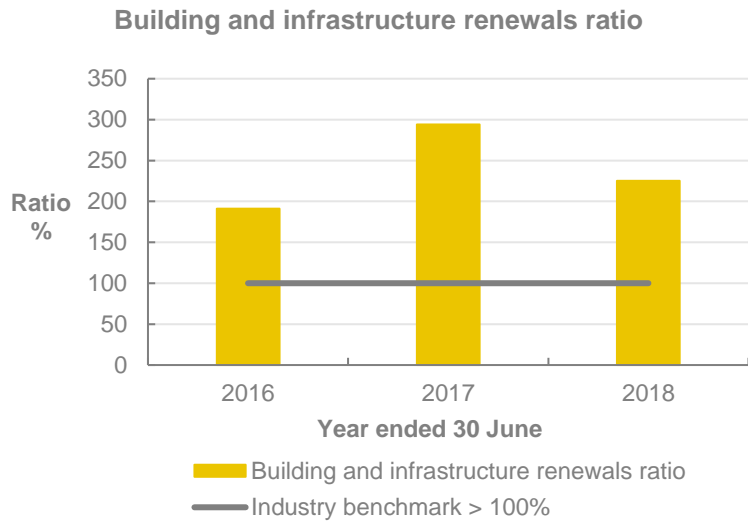


## Building and infrastructure renewals ratio

Substantial capital expenditure, especially this year on the aquatic centre, has seen Council exceed the benchmark for the building and infrastructure renewals ratio for the past three years. Council continues to focus on renewing its assets to maintain a standard acceptable to the community.

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

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



## OTHER MATTERS

### New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 10.

### 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

# Weddin Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

"...a harmony of urban and rural interests with a strong commitment to improving the quality of life for all residents."



## Weddin Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Sewerage Business Activity	3
Statement of Financial Position – Sewerage Business Activity	4
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor’s Report</b>	13

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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).
-

## Weddin Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 20 September 2018.**



Cr Mark Liebech  
Mayor



Cr Paul Best  
Councillor



Glenn Carroll  
General manager



Lachlan Gibson  
Responsible accounting officer

## Weddin Shire Council

Income Statement of Council's Sewerage Business Activity  
for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	500	497
User charges	24	23
Interest	7	7
Grants and contributions provided for non-capital purposes	15	16
<b>Total income from continuing operations</b>	<b>546</b>	<b>543</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	170	160
Materials and contracts	97	168
Depreciation, amortisation and impairment	134	56
Other expenses	24	22
<b>Total expenses from continuing operations</b>	<b>425</b>	<b>406</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>121</b>	<b>137</b>
Grants and contributions provided for capital purposes	16	119
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>137</b>	<b>256</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>137</b>	<b>256</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(36)	(41)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>101</b>	<b>215</b>
Plus opening retained profits	2,672	2,416
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	36	41
<b>Closing retained profits</b>	<b>2,809</b>	<b>2,672</b>
<b>Return on capital %</b>	<b>5.1%</b>	<b>6.0%</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	101	215
Less: capital grants and contributions (excluding developer contributions)	(5)	(63)
<b>Surplus for dividend calculation purposes</b>	<b>96</b>	<b>152</b>
<b>Potential dividend calculated from surplus</b>	<b>48</b>	<b>76</b>



## Weddin Shire Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	957	847
Receivables	41	42
<b>Total current Assets</b>	<b>998</b>	<b>889</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	2,367	2,297
<b>Total non-current assets</b>	<b>2,367</b>	<b>2,297</b>
<b>TOTAL ASSETS</b>	<b>3,365</b>	<b>3,186</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	20	22
<b>Total current liabilities</b>	<b>20</b>	<b>22</b>
<b>Non-current liabilities</b>		
Nil		
<b>TOTAL LIABILITIES</b>	<b>20</b>	<b>22</b>
<b>NET ASSETS</b>	<b>3,345</b>	<b>3,164</b>
<b>EQUITY</b>		
Accumulated surplus	2,809	2,672
Revaluation reserves	536	492
Council equity interest	3,345	3,164
<b>TOTAL EQUITY</b>	<b>3,345</b>	<b>3,164</b>

## Weddin Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	10

## Weddin Shire Council

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

#### Note 1. Significant accounting policies

---

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

Council has no Category 1 business activities.

##### Category 2

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

##### a. Grenfell Sewerage Service

Comprising the whole of the operations & net assets of the sewerage reticulation & treatment system servicing the town of Grenfell.

## Weddin Shire Council

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

#### Note 1. Significant accounting policies (continued)

##### Monetary amounts

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

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

##### (i) Taxation-equivalent charges

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

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

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

##### Notional rate applied (%)

###### Corporate income tax rate – 30%

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

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

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

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

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

##### 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.

## Weddin Shire Council

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

#### Note 1. Significant accounting policies (continued)

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

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

## Weddin Shire Council

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

#### Note 1. Significant accounting policies (continued)

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##### *(iv) Dividends*

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

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

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

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

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Weddin Shire Council

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

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

2018

**1. Calculation and payment of tax-equivalents**

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

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	3,252
(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]	47,850
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	32,520
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	344,700

2018 Surplus	95,700	2017 Surplus	151,900	2016 Surplus	97,100
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	32,520
(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? <sup>a</sup>	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]	NO
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	NO
	(c) Trade waste [item 2 (d) in table 1]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

## Weddin Shire Council

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

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	558
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	2,116
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	285
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	152
<b>NWI F18</b>	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)]	%	5.87%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	558
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	2.69%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	152
<b>NWI F19</b>	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)]	%	5.87%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



## Weddin Shire Council

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

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

2018

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<input type="text" value="-28.61%"/>
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <input type="text" value="139"/> 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: <input type="text" value="(4)"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="&gt; 100"/>
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="137"/>
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="15"/>

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial report**  
**Weddin Shire Council**

To the Councillors of the Weddin Shire Council

## **Opinion**

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

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

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

## **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](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 Note 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor  
Director, Financial Audit Services

31 October 2018  
SYDNEY

# Weddin Shire Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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"...a harmony of urban and rural interests with a strong commitment to improving the quality of life for all residents."



# Weddin Shire Council

## Special Schedules for the year ended 30 June 2018

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

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### Background

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

## Weddin Shire Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>188</b>	<b>–</b>	<b>–</b>	<b>(188)</b>
<b>Administration</b>	<b>3,093</b>	<b>624</b>	<b>–</b>	<b>(2,469)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	308	76	–	(232)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	55	7	–	(48)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>363</b>	<b>83</b>	<b>–</b>	<b>(280)</b>
<b>Health</b>	<b>313</b>	<b>27</b>	<b>113</b>	<b>(173)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	97	31	–	(66)
Other environmental protection	2	–	–	(2)
Solid waste management	454	434	–	(20)
Street cleaning	3	–	–	(3)
Drainage	140	–	–	(140)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>696</b>	<b>465</b>	<b>–</b>	<b>(231)</b>
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Housing and community amenities</b>				
Public cemeteries	74	46	–	(28)
Public conveniences	133	–	–	(133)
Street lighting	101	35	–	(66)
Town planning	37	41	–	4
Other community amenities	41	6	–	(35)
<b>Total housing and community amenities</b>	<b>386</b>	<b>128</b>	<b>–</b>	<b>(258)</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>420</b>	<b>536</b>	<b>16</b>	<b>132</b>

## Weddin Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	130	22	50	(58)
Museums	26	–	–	(26)
Art galleries	3	6	–	3
Community centres and halls	86	2	–	(84)
Performing arts venues	–	–	–	–
Other performing arts	15	13	10	8
Other cultural services	–	–	–	–
Sporting grounds and venues	99	2	63	(34)
Swimming pools	393	40	950	597
Parks and gardens (lakes)	352	–	14	(338)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>1,104</b>	<b>85</b>	<b>1,087</b>	<b>68</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	4	68	–	64
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>4</b>	<b>68</b>	<b>–</b>	<b>64</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	–	34	254	288
Urban roads – regional	551	–	–	(551)
Sealed rural roads (SRR) – local	1,554	934	300	(320)
Sealed rural roads (SRR) – regional	1,201	925	245	(31)
Unsealed rural roads (URR) – local	1,654	724	–	(930)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	260	–	–	(260)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	–	–	–	–
Aerodromes	–	–	–	–
Other transport and communication	–	–	–	–
<b>Total transport and communication</b>	<b>5,220</b>	<b>2,617</b>	<b>799</b>	<b>(1,804)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	137	72	–	(65)
Other economic affairs	1,849	2,445	–	596
<b>Total economic affairs</b>	<b>1,986</b>	<b>2,517</b>	<b>–</b>	<b>531</b>
<b>Totals – functions</b>	<b>13,773</b>	<b>7,150</b>	<b>2,015</b>	<b>(4,608)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>5,228</b>		<b>5,228</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>180</b>		<b>180</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>13,773</b>	<b>12,558</b>	<b>2,015</b>	<b>800</b>

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



## Weddin Shire Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	2,588	2,413
Plus or minus adjustments <sup>(2)</sup>	b	(2)	6
<b>Notional general income</b>	c = (a + b)	<b>2,586</b>	<b>2,419</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	7.00%	7.00%
Or rate peg percentage	e		
Or crown land adjustment (incl. rate peg percentage)	f		
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	181	169
Or plus rate peg amount	i = c x e	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>2,767</b>	<b>2,588</b>
Plus (or minus) last year's carry forward total	l	3	9
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>3</b>	<b>9</b>
<b>Total permissible income</b>	o = k + n	<b>2,770</b>	<b>2,597</b>
Less notional general income yield	p	2,766	2,588
<b>Catch-up or (excess) result</b>	q = o – p	<b>4</b>	<b>9</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	(6)
<b>Carry forward to next year</b>	t = q + r – s	<b>4</b>	<b>3</b>

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

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

#### Weddin Shire Council

To the Councillors of Weddin Shire Council

### Opinion

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

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

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules). My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Karen Taylor  
Director, Financial Audit Services

31 October 2018  
SYDNEY

## Weddin Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	79	84
b. Engineering and supervision	57	46
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	–	36
b. Maintenance expenses	37	21
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	–	–
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	67	92
g. Chemical costs	–	–
h. Energy costs	13	14
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	32	31
<b>– Other</b>		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	130	53
b. Plant and equipment	4	3
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	6	26
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>425</b>	<b>406</b>

## Weddin Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	500	497
<b>7. Non-residential charges</b>		
a. Access (including rates)	24	20
b. Usage charges	–	–
<b>8. Trade waste charges</b>		–
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	3	3
<b>10. Interest income</b>	4	4
<b>11. Other income</b>	–	3
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	15	16
c. Other grants	5	63
<b>13. Contributions</b>		
a. Developer charges	11	56
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>562</u>	<u>662</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>137</u>	<u>256</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	137	256

## Weddin Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

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

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	87
b. New assets for growth	–	–
c. Renewals	152	–
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	–	–
<b>19. Totals</b>	<b>152</b>	<b>87</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	880	875
b. Residential (unoccupied, ie. vacant lot)	89	83
c. Non-residential (occupied)	108	109
d. Non-residential (unoccupied, ie. vacant lot)	7	7
<b>24. Number of ETs for which developer charges were received</b>	3 ET	15 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 28,153	\$ 28,397

## Weddin Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

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

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	172	–	172
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	785	–	785
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	35	–	35
c. User charges	6	–	6
d. Other	–	–	–
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	2,116	2,116
b. Plant and equipment	–	251	251
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>998</b>	<b>2,367</b>	<b>3,365</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	–	–	–
<b>34. Borrowings</b>	–	–	–
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	20	–	20
<b>36. Total liabilities</b>	<b>20</b>	<b>–</b>	<b>20</b>
<b>37. NET ASSETS COMMITTED</b>	<b>978</b>	<b>2,367</b>	<b>3,345</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			2,809
<b>39. Asset revaluation reserve</b>			536
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>3,345</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			12,765
<b>43. Accumulated current cost</b> depreciation of system assets			(10,649)
<b>44. Written down current cost</b> of system assets			<b>2,116</b>



## Weddin Shire Council

### Note to Special Schedule 5 for the year ended 30 June 2018

#### Administration <sup>(1)</sup>

(item 1a of Special Schedule 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 <sup>(1)</sup>

(item 1b of Special Schedule 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 Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedule 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 4a of Special Schedule 5) includes all expenses not recorded elsewhere.

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

**Impairment losses** (item 4d and 4e of Special Schedule 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 Schedule 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 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's sewerage revenue.

**Residential charges** <sup>(2)</sup> (item 6 of Special Schedule 5) 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** <sup>(2)</sup> (items 7a, 7b of Special Schedule 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 into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (item 11 of Special Schedule 5) include all income not recorded elsewhere.

**Other contributions** (item 13c of Special Schedule 5) including capital contributions for sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> 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 17 for sewerage, and not in items 1a and 1b).

<sup>(2)</sup> 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.

## Weddin Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Buildings	Council Offices	–	–	5	17	552	2,110		100%				0%
	Council Works Depot	–	–	13	13	2,256	2,633	100%					0%
	Council Houses	–	–	12	12	792	1,176		100%				0%
	Museum	–	–	1	2	357	714		100%				0%
	Community Arts Centre	–	–	2	2	345	1,949		100%				0%
	Library	–	–	2	2	924	1,674	100%					0%
	Caravan Park	–	–	5	5	252	535		100%				0%
	Doctors Surgery	–	–	4	4	1,399	2,699		100%				0%
	Bank CTC Building	–	–	1	1	309	1,733		100%				0%
	Emergency Services	–	–	2	2	70	134		100%				0%
	Amenities/Sportsground	–	–	20	20	918	2,380		100%				0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>67</b>	<b>80</b>	<b>7,084</b>	<b>17,737</b>	<b>24.3%</b>	<b>75.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
Other structures	Other structures	–	–	–	–	1,769	2,786		100%				0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,769</b>	<b>2,786</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
Roads	Sealed Roads Surface	672	672	707	707	21,372	27,743	16%	39%	31%	11%	3%	
	Sealed Roads Structure	172	172	175	175	45,112	51,779	31%	42%	24%	2%	1%	
	Unsealed roads	268	268	150	150	3,488	6,006	3%	20%	66%	8%	3%	
	Bridges	524	524	15	15	24,687	32,565	40%	43%	10%	6%	1%	
	Footpaths	12	12	3	3	829	1,569	11%	65%	19%	5%	0%	
	Kerb & Gutter	18	18	2	2	3,004	4,687	10%	52%	35%	3%	0%	
	Other road assets	5	5	14	14	1,356	2,097	26%	60%	12%	2%	0%	
	Bulk earthworks	–	–	–	–	32,194	32,194	100%					0%
	<b>Sub-total</b>	<b>1,671</b>	<b>1,671</b>	<b>1,066</b>	<b>1,066</b>	<b>132,042</b>	<b>158,640</b>	<b>42.3%</b>	<b>33.1%</b>	<b>19.2%</b>	<b>4.3%</b>	<b>1.2%</b>	

## Weddin Shire Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Sewerage network	Mains	130	130	50	50	1,906	9,014	7%	0%	83%	9%	1%
	Treatment Works	794	794	27	27	207	3,714	0%	0%	0%	97%	3%
	Recycling System	8	8	–	–	3	37	0%	0%	0%	100%	0%
	<b>Sub-total</b>	<b>932</b>	<b>932</b>	<b>77</b>	<b>77</b>	<b>2,116</b>	<b>12,765</b>	<b>4.9%</b>	<b>0.0%</b>	<b>58.6%</b>	<b>34.9%</b>	<b>1.6%</b>
Stormwater drainage	Stormwater drainage	–	–	10	10	6,063	8,646	6%	19%	75%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>10</b>	<b>6,063</b>	<b>8,646</b>	<b>6.0%</b>	<b>19.0%</b>	<b>75.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	–	–	18	26	6,284	6,955	83%	0%	17%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>18</b>	<b>26</b>	<b>6,284</b>	<b>6,955</b>	<b>83.0%</b>	<b>0.0%</b>	<b>17.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>2,603</b>	<b>2,603</b>	<b>1,238</b>	<b>1,259</b>	<b>155,358</b>	<b>207,529</b>	<b>37.7%</b>	<b>33.9%</b>	<b>22.0%</b>	<b>5.4%</b>	<b>1.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Weddin Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>5,246</u>	<b>225.34%</b>	293.76%	191.42%	>= 100%
Depreciation, amortisation and impairment	<u>2,328</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>2,603</u>	<b>1.68%</b>	2.18%	1.31%	< 2.00%
Net carrying amount of infrastructure assets	<u>155,358</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>1,259</u>	<b>101.70%</b>	100.73%	100.33%	> 100%
Required asset maintenance	<u>1,238</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>2,603</u>	<b>1.25%</b>	1.31%	0.00%	
Gross replacement cost	<u>207,529</u>				

## Notes

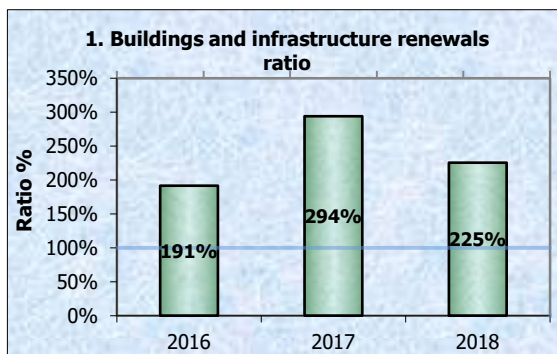
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

# Weddin Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



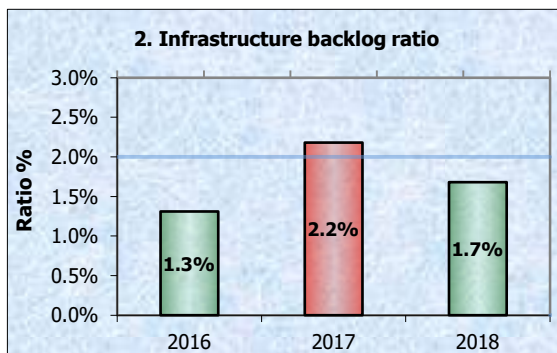
Benchmark: —— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of asset renewals ratio**

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

<b>2017/18 Ratio</b>	<b>225.34%</b>
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■ Ratio achieves benchmark  
■ Ratio is outside benchmark



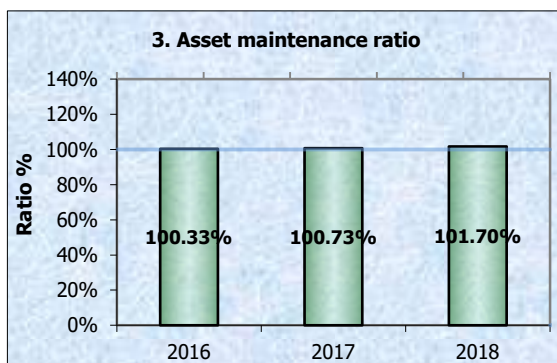
Benchmark: —— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of infrastructure backlog ratio**

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

<b>2017/18 Ratio</b>	<b>1.68%</b>
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■ Ratio achieves benchmark  
■ Ratio is outside benchmark



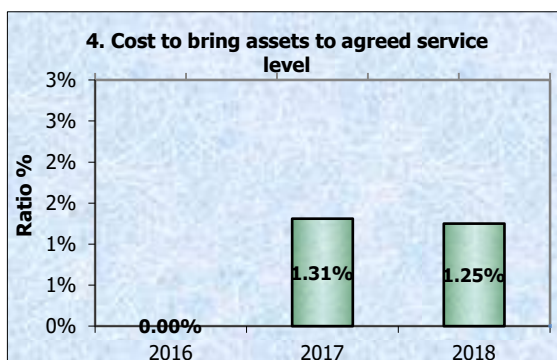
Benchmark: —— Minimum  $> 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of asset maintenance ratio**

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

<b>2017/18 Ratio</b>	<b>101.70%</b>
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■ 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.

<b>2017/18 Ratio</b>	<b>1.25%</b>
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## Weddin Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2018

	General indicators <sup>(1)</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>					
Asset renewals <sup>(3)</sup>	<b>231.76%</b>	301.25%	<b>116.92%</b>	0.00%	>= 100%
Depreciation, amortisation and impairment					
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>1.09%</b>	1.43%	<b>44.05%</b>	45.44%	< 2.00%
Net carrying amount of infrastructure assets					
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>101.81%</b>	100.78%	<b>100.00%</b>	100.00%	> 100%
Required asset maintenance					
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>0.86%</b>	0.89%	<b>7.30%</b>	7.54%	
Gross replacement cost					

**Notes**

- (1) General fund refers to all of Council's activities except for its sewer activity which is listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) 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.