

The former Wellington Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

*“...a safe, vibrant, progressive community,
which is renowned for its beauty and character.”*



The former Wellington Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Dubbo Regional Council on 19 December 2016. Council has the power to amend and reissue these financial statements.
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The former Wellington Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the reporting period 1/7/15 to 12/5/16.

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 period, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

This statement is an end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the current (and past) reporting period/s can be found at Note 28 of the financial statements.

The former Wellington Council

General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

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

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

- present fairly the Council's operating result and financial position for the period, 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 Dubbo Regional Council made on 28 November 2016.



Michael Kneipp
Administrator



Mark Riley
Interim General Manager



Craig Griffin
Responsible Accounting Officer

The former Wellington Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹			Actual	Actual
1/7/15			1/7/15	1/7/14
to 30/6/16	\$ '000	Notes	to 12/5/16	to 30/6/15
Income from continuing operations				
Revenue:				
n/a	Rates and annual charges	3a	8,464 ²	8,757
n/a	User charges and fees	3b	5,376	5,901
n/a	Interest and investment revenue	3c	792	955
n/a	Other revenues	3d	341	656
n/a	Grants and contributions provided for operating purposes	3e,f	7,611 ³	6,607
n/a	Grants and contributions provided for capital purposes	3e,f	2,633	5,554
Other income:				
n/a	Net gains from the disposal of assets	5	145	388
n/a	Net share of interests in joint ventures and associates using the equity method	19	4	3
n/a	Total income from continuing operations		25,366	28,821
Expenses from continuing operations				
n/a	Employee benefits and on-costs	4a	6,588	7,602
n/a	Borrowing costs	4b	558	666
n/a	Materials and contracts	4c	5,009	4,951
n/a	Depreciation and amortisation	4d	5,904	7,026
n/a	Impairment	4d	–	–
n/a	Other expenses	4e	2,084	2,474
n/a	Total expenses from continuing operations		20,143	22,719
n/a	Operating result from continuing operations		5,223	6,102
Discontinued operations				
n/a	Net profit/(loss) from discontinued operations	24	–	–
n/a	Net operating result for the period		5,223	6,102
n/a	Net operating result attributable to Council		5,223	6,102
n/a	Net operating result attributable to non-controlling interests		–	–
n/a	Net operating result for the period before grants and contributions provided for capital purposes		2,590	548

¹ Original budget as approved by Council is not required for these financial statements

² Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

³ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

The former Wellington Council

Statement of Comprehensive Income for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Net operating result for the period (as per Income Statement)		5,223	6,102
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,771	36,204
Total items which will not be reclassified subsequently to the operating result		1,771	36,204
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves (Asset Disposal)	20b (ii)	(2,742)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(2,742)	–
Total other comprehensive income for the period		(971)	36,204
Total comprehensive income for the period		4,252	42,306
Total comprehensive income attributable to Council		4,252	42,306
Total comprehensive income attributable to non-controlling interests		–	–

The former Wellington Council

Statement of Financial Position as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	11,088	9,850
Investments	6b	7,805	8,682
Receivables	7	4,398	4,258
Inventories	8	456	482
Other	8	273	128
Non-current assets classified as 'held for sale'	22	–	–
Total current assets		24,020	23,400
Non-current assets			
Investments	6b	14,793	9,090
Receivables	7	272	393
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	315,337	317,446
Investments accounted for using the equity method	19	242	238
Investment property	14	–	–
Intangible assets	25	–	–
Total non-current assets		330,644	327,167
TOTAL ASSETS		354,664	350,567
LIABILITIES			
Current liabilities			
Payables	10	1,822	1,687
Borrowings	10	388	406
Provisions	10	2,779	2,755
Total current liabilities		4,989	4,848
Non-current liabilities			
Payables	10	–	–
Borrowings	10	8,923	9,267
Provisions	10	1,577	1,529
Total non-current liabilities		10,500	10,796
TOTAL LIABILITIES		15,489	15,644
Net assets		339,175	334,923
EQUITY			
Retained earnings	20	182,242	177,019
Revaluation reserves	20	156,933	157,904
Council equity interest		339,175	334,923
Non-controlling equity interests		–	–
Total equity		339,175	334,923

The former Wellington Council

Statement of Changes in Equity for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		177,019	157,904	334,923	–	334,923
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		177,019	157,904	334,923	–	334,923
c. Net operating result for the period		5,223	–	5,223	–	5,223
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	1,771	1,771	–	1,771
– Asset Disposal	20b (ii)	–	(2,742)	(2,742)	–	(2,742)
Other comprehensive income		–	(971)	(971)	–	(971)
Total comprehensive income (c&d)		5,223	(971)	4,252	–	4,252
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		182,242	156,933	339,175	–	339,175

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
1/7/14 to 30/6/15						
Opening balance (as per last year's audited accounts)		170,917	121,700	292,617	–	292,617
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		170,917	121,700	292,617	–	292,617
c. Net operating result for the year		6,102	–	6,102	–	6,102
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	36,204	36,204	–	36,204
Other comprehensive income		–	36,204	36,204	–	36,204
Total comprehensive income (c&d)		6,102	36,204	42,306	–	42,306
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the year		177,019	157,904	334,923	–	334,923

The former Wellington Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Cash flows from operating activities				
Receipts:				
n/a	Rates and annual charges		6,716	8,693
n/a	User charges and fees		5,788	6,154
n/a	Investment and interest revenue received		842	905
n/a	Grants and contributions		9,878	10,947
n/a	Other		2,902	1,270
Payments:				
n/a	Employee benefits and on-costs		(6,583)	(7,709)
n/a	Materials and contracts		(5,508)	(5,569)
n/a	Borrowing costs		(593)	(619)
n/a	Other		(2,820)	(3,000)
n/a	Net cash provided (or used in) operating activities	11b	10,622	11,072
Cash flows from investing activities				
Receipts:				
n/a	Sale of investment securities		8,682	11,262
n/a	Sale of infrastructure, property, plant and equipment		1,010	1,136
Payments:				
n/a	Purchase of investment securities		(13,554)	(11,182)
n/a	Purchase of infrastructure, property, plant and equipment		(5,160)	(5,034)
n/a	Net cash provided (or used in) investing activities		(9,022)	(3,818)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
n/a	Repayment of borrowings and advances		(362)	(383)
n/a	Net cash flow provided (used in) financing activities		(362)	(383)
n/a	Net increase/(decrease) in cash and cash equivalents		1,238	6,871
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	9,850	2,979
n/a	Cash and cash equivalents – end of reporting period	11a	11,088	9,850
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	22,598	17,772
	Total cash, cash equivalents and investments		33,686	27,622

¹ The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

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Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

(i) Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Wellington Council has been amalgamated into Dubbo Regional Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Dubbo Regional Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils

- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties

- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

- The former Wellington Council has not been liquidated nor has trading ceased.

(ii) Estimated fair values of investment properties

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

(iv) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

Income recognition as a result of Council's amalgamation

The former Wellington Council was amalgamated on 12 May 2016 into Dubbo Regional Council.

In accordance with the Australian Accounting Standards the former Wellington Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or where earlier upon receipt of the rates.

The former Wellington Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016.

Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of Dubbo Regional Council.

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

Rates are recognised as revenue for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

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

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been

secured, and is valued at their fair value at the date of transfer.

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

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

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

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

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

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

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

User charges, fees and other Income

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- *Sports Advisory & Facilities Committee*
- *Fowler Steam Engine Committee*
- *Community Services Committee*
- *Heritage Cultural Committee*
- *Traffic Committee*
- *Showground Advisory Committee*
- *Crime Prevention Committee*
- *Senior Citizens & Access Advisory Committee*
- *MR353 Committee*
- *Australia Day Committee*
- *Caves Advisory Committee*
- *Reserves Committee*
- *Burrendong State Park Trust*
- *Macquarie Regional Library*
- *Country Public Libraries Association*
- *Central West Regional Group of Councils*
- *NSW Flood Mitigation Authority, LGSA Water Supply Committee & LG Water Resources Committee*
- *"C" Division Shires Association*
- *Mount Arthur Reserve Trust*
- *Burrendong Arboretum Trust*
- *Cudgegong River Caravan Park Trust*
- *Burrendong Volunteer Rescue Squad*
- *Local Emergency Management Committee*
- *Central West District Emergency Management Committee*
- *Wellington Local Fire Management Committee & Wellington Fire District Liaison Committee*
- *CENTROC Weight of Loads Group*
- *Macquarie Valley Plants Eradication Advisory Committee*
- *WBC Strategic Alliance Committee*
- *Wellington Community Aboriginal Working Party*
- *Wellington Learning Community*
- *Wellington Correctional Committee*
- *Joint Regional Planning Panel*
- *Bushfire Management Committee*
- *Rural Fire Service Captains & Group Captains Committee*
- *Rural Fire Service Wellington Liaison Committee*
- *Corrective Services NSW South Western Region Community Consultative Committee*

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

- *Wellington Community Services Interagency Committee*
- *Binjang Community Radio*
- *Regional Governing Committee*
- *WINS*

(ii) The trust fund

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

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

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

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

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Associates

Council has no interest in any associates.

County councils

Council is not a member of any county councils.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

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

Finance leases

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

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

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

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

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

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

Operating Leases

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

the income statement on a straight-line basis over the period of the lease.

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

Financial assets – reclassification

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

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

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

Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(iii) Types of investments

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

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

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

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(i) Inventories

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

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

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

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

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

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

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

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

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

Acquisition of assets

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

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

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (internal valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures** (external valuation)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**
(external valuation)
- **Other assets**
(as approximated by depreciated historical cost)

Due to the proclamation date of 12 May 2016, the Council had not completed revaluations for the 2015 / 2016 reporting period and therefore the following assets have not been revalued for these financial statements:

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

- Community Land

Council has assessed the current carrying values of the above Asset Classes and do not believe that (at balance date) it is materially different from their fair value.

Initial recognition

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

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,

- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided by DPI Water.

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

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

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

Capitalisation thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

Plant and Equipment	
Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant and Equipment	100% Capitalised

Buildings and Land Improvements	
Park Furniture and Equipment	> \$5,000
Building	
- construction/extensions	> \$5,000
- renovations	> \$5,000
Other Structures	> \$5,000

Water and Sewer Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Stormwater Assets

Drains and Culverts	> \$10,000
Other	> \$10,000

Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	> \$10,000
Bridge construction and reconstruction	> \$10,000

Other Infrastructure Assets

Swimming Pools	> \$5,000
Other Open Space/Recreational Assets	> \$5,000

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	5 to 50 years
- Other Open Space/ Recreational Assets	15 to 80 years

Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

Plant and Equipment

- Office Equipment	1 to 8 years
- Office furniture	1 to 8 years
- Computer Equipment	1 to 8 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

Stormwater Drainage

- Drains	80 to 200 years
- Culverts	50 to 100 years

Transportation Assets

- Sealed Roads: Structure	15 years
- Unsealed roads	10 to 15 years
- Bridges	100 years
- Road Pavements	60 years
- Kerb, Gutter and Paths	40 to 200 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

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

Disposal and derecognition

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

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

(k) Land

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

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

(l) Land under roads

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(m) Intangible assets

Council has not classified any assets as intangible.

(n) Crown reserves

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

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

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

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

(o) Rural fire service assets

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

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

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

assets, their values and depreciation charges within these financial statements.

(p) Investment property

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

Council has no investment property.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

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

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

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

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

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

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

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

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(s) Impairment of assets

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

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

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

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

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

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

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

The discount rate used to determine the present value reflects current market assessments of the

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

time value of money and the risks specific to the liability.

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

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/16 and covers the period ended 30/06/16.

However the position is monitored annually and the actuary has estimated that as at 12 May 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 290,658.

The amount of additional contributions included in the total employer contribution advised above is \$152,921.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 255,179 as at 12 May 2016.

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

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

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

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

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

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

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

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

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

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

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

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

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

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

to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

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

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

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

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

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

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

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

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

(ac) Rounding of amounts

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

(ad) Comparative figures

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Governance	n/a	–	–	n/a	1,130	1,200	n/a	(1,130)	(1,200)	–	–	–	–
Administration	n/a	369	831	n/a	1,296	1,602	n/a	(927)	(771)	–	–	20,587	17,610
Public order and safety	n/a	305	698	n/a	822	896	n/a	(517)	(198)	275	607	4,945	5,124
Health	n/a	2	5	n/a	(3)	59	n/a	5	(54)	–	–	–	–
Environment	n/a	1,432	1,792	n/a	1,586	1,640	n/a	(154)	152	95	167	12,119	11,832
Community services and education	n/a	320	284	n/a	419	406	n/a	(99)	(122)	308	270	827	984
Housing and community amenities	n/a	230	269	n/a	531	640	n/a	(301)	(371)	45	74	4,033	3,995
Water supplies	n/a	2,740	2,898	n/a	2,161	2,388	n/a	579	510	29	40	24,543	23,650
Sewerage services	n/a	1,858	2,141	n/a	1,803	2,082	n/a	55	59	34	36	25,175	24,997
Recreation and culture	n/a	927	377	n/a	2,214	2,033	n/a	(1,287)	(1,656)	788	179	12,700	11,348
Mining, manufacturing and construction	n/a	54	86	n/a	64	79	n/a	(10)	7	–	–	161	167
Transport and communication	n/a	5,637	8,282	n/a	6,967	7,845	n/a	(1,330)	437	1,796	760	243,077	241,900
Economic affairs	n/a	1,165	848	n/a	1,152	1,849	n/a	13	(1,001)	528	41	5,408	8,453
Total functions and activities	n/a	15,039	18,511	n/a	20,142	22,719	n/a	(5,103)	(4,208)	3,898	2,174	353,575	350,060
Share of gains/(losses) in associates and joint ventures (using the equity method)	n/a	4	3	n/a	–	–	n/a	4	3	–	–	242	238
General purpose income ²	n/a	10,323	10,307	n/a	–	–	n/a	10,323	10,307	3,848	3,829	847	269
Operating result from continuing operations	n/a	25,366	28,821	n/a	20,143	22,719	n/a	5,224	6,102	7,746	6,003	354,664	350,567

1. Original Budget disclosures are not required for these financial statements.

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		2,087	2,086
Farmland		3,482	3,374
Mining		2	2
Business		331	290
Total ordinary rates		5,902	5,752
Special rates			
Sewerage services		1,379	1,626
Emergency services		137	133
Total special rates		1,516	1,759
\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		739	896
Stormwater management services		27	31
Waste management services (non-domestic)		280	319
Total annual charges		1,046	1,246
TOTAL RATES AND ANNUAL CHARGES		8,464	8,757

¹ Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

² Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		90	88
Water supply services		2,551	2,712
Sewerage services		330	350
Waste management services (non-domestic)		45	137
Total user charges		3,016	3,287
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		81	133
Private works – section 67		52	37
Registration fees		13	16
Section 149 certificates (EPA Act)		26	33
Section 603 certificates		17	17
Other		6	14
Total fees and charges – statutory/regulatory		195	250
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan park		175	227
Caves entry fees		329	360
Cemeteries		121	101
Leaseback fees – Council vehicles		45	56
Multipurpose centre		16	24
Park rents		41	47
RMS (formerly RTA) charges (state roads not controlled by Council)		1,353	1,461
Swimming centres		79	78
Other		6	10
Total fees and charges – other		2,165	2,364
TOTAL USER CHARGES AND FEES		5,376	5,901

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		26	26
– Interest earned on investments (interest and coupon payment income)		812	873
Fair value adjustments			
– Fair valuation movements in investments (other)		(46)	56
TOTAL INTEREST AND INVESTMENT REVENUE		792	955
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		26	26
General Council cash and investments		100	5
Restricted investments/funds – external:			
Development contributions			
– Section 94		7	9
– Section 64		10	12
Water fund operations		90	79
Sewerage fund operations		91	106
Domestic waste management operations		146	140
Unexpended grants		95	13
Other externally restricted assets		8	8
Restricted investments/funds – internal:			
Internally restricted assets		219	557
Total interest and investment revenue recognised		792	955
(d) Other revenues			
Rental income – other council properties		38	89
Legal fees recovery – rates and charges (extra charges)		77	48
Legal fees recovery – other		–	1
Caves / caravan park kiosk – sales		100	106
Commissions and agency fees		2	7
Insurance claim recoveries		38	25
OH&S training		28	86
Rebates		46	174
Sales – general		5	77
Other		7	43
TOTAL OTHER REVENUE		341	656

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,498 ¹	2,474	–	–
Financial assistance – local roads component	1,276 ¹	1,281	–	–
Pensioners' rates subsidies – general component	74	74	–	–
Total general purpose	3,848	3,829	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	29	40	–	–
– Sewerage	34	36	–	–
– Domestic waste management	31	36	–	–
Community care	308	270	–	–
Economic development	–	14	528	27
Environmental protection	–	13	–	–
Heritage and cultural	–	4	4	5
Library – per capita	37	36	–	–
Library – special projects	–	16	–	–
Noxious weeds	64	73	–	–
NSW rural fire services	197	195	79	412
Public halls	–	20	8	11
Recreation and culture	11	–	732	95
Street lighting	41	46	–	–
Transport (roads to recovery)	1,735	614	–	–
Transport (other roads and bridges funding)	–	–	41	116
Waste management	–	45	–	–
Other	19	50	–	–
Total specific purpose	2,506	1,508	1,392	666
Total grants	6,354	5,337	1,392	666
Grant revenue is attributable to:				
– Commonwealth funding	5,509	4,369	–	–
– State funding	845	968	1,392	666
	6,354	5,337	1,392	666

¹ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	13	–
S 94A – fixed development consent levies	–	–	9	14
S 64 – water supply contributions	–	–	7	5
S 64 – sewerage service contributions	–	–	2	2
S 64 – stormwater contributions	–	–	3	2
Total developer contributions	17 –	–	34	23
Other contributions:				
Roads and bridges	–	–	273	4,398
RMS contributions (regional roads, block grant)	1,160	1,185	934	417
Other	97	85	–	50
Total other contributions	1,257	1,270	1,207	4,865
Total contributions	1,257	1,270	1,241	4,888
TOTAL GRANTS AND CONTRIBUTIONS	7,611	6,607	2,633	5,554

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	1,028	1,221
Add: grants and contributions recognised in the current period but not yet spent:	3,363	183
Less: grants and contributions recognised in a previous reporting period now spent:	(567)	(376)
Net increase (decrease) in restricted assets during the period	2,796	(193)
Unexpended and held as restricted assets	3,824	1,028
Comprising:		
– Specific purpose unexpended grants	3,181	381
– Developer contributions	643	647
	3,824	1,028

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(a) Employee benefits and on-costs			
Salaries and wages		5,339	6,532
Employee termination costs (where material – other than vested leave paid)		63	59
Travel expenses		–	2
Employee leave entitlements (ELE)		772	774
Superannuation		754	916
Workers' compensation insurance		197	206
Fringe benefit tax (FBT)		18	18
Payroll tax		48	55
Training costs (other than salaries and wages)		53	44
Total employee costs		7,244	8,606
Less: capitalised costs		(656)	(1,004)
TOTAL EMPLOYEE COSTS EXPENSED		6,588	7,602
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		122	106
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		511	612
Total interest bearing liability costs expensed		511	612
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	47	54
Total other borrowing costs		47	54
TOTAL BORROWING COSTS EXPENSED		558	666
(c) Materials and contracts			
Raw materials and consumables		2,321	2,618
Contractor and consultancy costs		2,464	2,215
Auditors remuneration ⁽¹⁾		43	44
Legal expenses:			
– Legal expenses: planning and development		27	–
– Legal expenses: debt recovery		80	46
– Legal expenses: other		61	15
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		13	13
TOTAL MATERIALS AND CONTRACTS		5,009	4,951
(continued on the next page...)			

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
		43	37
		–	7
		43	44
Remuneration for audit and other assurance services			
		43	44
Total Auditor remuneration			
2. Operating lease payments are attributable to:			
Other		13	13
		13	13

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Plant and equipment		–	–	551	720
Office equipment		–	–	59	106
Furniture and fittings		–	–	3	3
Land improvements (depreciable)		–	–	114	132
Infrastructure:					
– Buildings – non-specialised		–	–	133	421
– Buildings – specialised		–	–	268	294
– Other structures		–	–	56	71
– Roads		–	–	2,972	3,321
– Bridges		–	–	176	217
– Footpaths		–	–	87	105
– Stormwater drainage		–	–	84	89
– Water supply network		–	–	480	524
– Sewerage network		–	–	634	698
– Swimming pools		–	–	48	52
– Other open space/recreational assets		–	–	126	143
Asset reinstatement costs	9 & 26	–	–	113	130
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	5,904	7,026

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(e) Other expenses			
Other expenses for the period include the following:			
Advertising		48	82
Bad and doubtful debts		6	–
Bank charges		29	34
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		285	255
– Strategic Alliance Activities		22	61
– Other contributions/levies		131	143
Councillor expenses – mayoral fee		20	23
Councillor expenses – councillors' fees		79	97
Councillors' expenses (incl. mayor) – other (excluding fees above)		21	35
Donations, contributions and assistance to other organisations (Section 356)			
– Macquarie Regional Library		230	241
– Other		162	224
Electricity and heating		372	508
Insurance		347	430
Printing and stationery		18	23
Street lighting		137	159
Telephone and communications		81	85
Other		96	74
<u>TOTAL OTHER EXPENSES</u>		<u>2,084</u>	<u>2,474</u>

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Property (excl. investment property)			
Proceeds from disposal – property		789	170
Less: carrying amount of property assets sold/written off		(486)	(114)
Net gain/(loss) on disposal		303	56
Plant and equipment			
Proceeds from disposal – plant and equipment		221	966
Less: carrying amount of plant and equipment assets sold/written off		(175)	(610)
Net gain/(loss) on disposal		46	356
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(204)	(24)
Net gain/(loss) on disposal		(204)	(24)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		8,682	11,262
Less: carrying amount of financial assets sold/redeemed/matured		(8,682)	(11,262)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		145	388

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		371	–	14	–
Cash-equivalent assets ¹					
– Deposits at call		10,717	–	9,836	–
Total cash and cash equivalents		11,088	–	9,850	–
Investments (Note 6b)					
– Long term deposits		5,800	–	8,675	–
– NCD's, FRN's (with maturities > 3 months)		2,000	14,793	–	9,090
– CDO's		5	–	7	–
Total investments		7,805	14,793	8,682	9,090
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		18,893	14,793	18,532	9,090

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'

	11,088	–	9,850	–
--	---------------	----------	--------------	----------

Investments

a. 'At fair value through the profit and loss'

– 'Held for trading'

6(b-i)

	7,805	14,793	8,682	9,090
--	-------	--------	-------	-------

Investments

	7,805	14,793	8,682	9,090
--	--------------	---------------	--------------	--------------

Note 6(b-i)

Reconciliation of investments classified as 'at fair value through the profit and loss'

Balance at beginning of period	8,682	9,090	11,262	6,534
Additions	5,805	5,703	8,682	2,556
Disposals (sales and redemptions)	(8,682)	–	(11,262)	–
Transfers between current/non-current	2,000	–	–	–
Balance at end of period	7,805	14,793	8,682	9,090

Comprising:

– NCD's, FRN's (with maturities > 3 months)	2,000	14,793	–	9,090
– CDO's	5	–	7	–
– Long term deposits	5,800	–	8,675	–
Total	7,805	14,793	8,682	9,090

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	18,893	14,793	18,532	9,090
attributable to:				
External restrictions (refer below)	1,412	13,017	1,877	8,130
Internal restrictions (refer below)	14,194	1,776	16,332	–
Unrestricted	3,287	–	323	960
	18,893	14,793	18,532	9,090

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
------------------------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(D)	296	33	(55)	274
Developer contributions – water fund	(D)	146	11	–	157
Developer contributions – sewer fund	(D)	205	7	–	212
Specific purpose unexpended grants	(F)	381	2,800	–	3,181
Water supplies	(G)	2,621	951	–	3,572
Sewerage services	(G)	3,250	239	–	3,489
Domestic waste management	(G)	2,880	409	–	3,289
Stormwater management	(G)	228	27	–	255
External restrictions – other		10,007	4,477	(55)	14,429
Total external restrictions		10,007	4,477	(55)	14,429

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

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	3,667	878	–	4,545
Infrastructure replacement	614	36	–	650
Employees leave entitlement	878	50	–	928
Administration charge	1,388	6	–	1,394
Asset management	6,170	–	(1,054)	5,116
Cemeteries – perpetual care	282	–	–	282
Economic development	82	–	–	82
Federal local roads funding	269	101	–	370
IT and office equipment	490	73	–	563
Local governments elections	75	10	–	85
Residential development	553	–	(145)	408
Risk management – state roads	735	–	(38)	697
Tourism and Wellington caves	36	–	–	36
Workers compensation	200	–	(21)	179
Other	893	–	(258)	635
Total internal restrictions	16,332	1,154	(1,516)	15,970
TOTAL RESTRICTIONS	26,339	5,631	(1,571)	30,399

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		1,980 ¹	183 ¹	110	305
Interest and extra charges		33	4	17	12
User charges and fees		566	111	721	111
Private works		4	–	5	–
Accrued revenues					
– Interest on investments		132	–	144	–
Government grants and subsidies		1,407	–	938	–
Sundry debtors		276	42	2,323	33
Total		4,398	340	4,258	461
Less: provision for impairment					
Rates and annual charges		–	(35)	–	(35)
Sundry debtors		–	(33)	–	(33)
Total provision for impairment – receivables		–	(68)	–	(68)
TOTAL NET RECEIVABLES		4,398	272	4,258	393
Externally restricted receivables					
Water supply					
– Rates and availability charges		184	7	39	–
– Other		570	101	731	101
Sewerage services					
– Rates and availability charges		275	29	34	41
– Other		102	10	137	10
Domestic waste management		233	31	30	41
Stormwater management		6	1	1	1
Total external restrictions		1,370	179	972	194
Internally restricted receivables					
Nil					
Unrestricted receivables		3,028	93	3,286	199
TOTAL NET RECEIVABLES		4,398	272	4,258	393

1. The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

Notes on debtors above:

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

The former Wellington Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		157	–	157	–
Stores and materials		277	–	303	–
Trading stock		22	–	22	–
Total inventories at cost		456	–	482	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		456	–	482	–
(b) Other assets					
Prepayments		273	–	128	–
TOTAL OTHER ASSETS		273	–	128	–
Externally restricted assets					
Water					
Stores and materials		29	–	27	–
Prepayments		13	–	–	–
Total water		42	–	27	–
Sewerage					
Stores and materials		2	–	2	–
Prepayments		9	–	–	–
Total sewerage		11	–	2	–
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		53	–	29	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		676	–	581	–
TOTAL INVENTORIES AND OTHER ASSETS		729	–	610	–

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 8. Inventories and other assets (continued)

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Other disclosures				
(a) Details for real estate development				
Residential	89	–	89	–
Industrial/commercial	68	–	68	–
Total real estate for resale	157	–	157	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	89	–	89	–
Development costs	68	–	68	–
Total costs	157	–	157	–
Total real estate for resale	157	–	157	–
Movements:				
Real estate assets at beginning of period	157	–	157	–
Total real estate for resale	157	–	157	–

(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;

	12/5/16	30/6/15
Real estate for resale	157	157
	157	157

(c) Inventory write downs

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 12/5/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements assets sold	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	150	–	–	–	150	58	3	–	–	–	–	–	211	–	–	–	211
Plant and equipment	–	16,303	9,847	–	6,456	311	–	(175)	(551)	–	–	–	–	16,133	10,092	–	6,041
Office equipment	–	216	106	–	110	–	–	–	(59)	–	–	–	–	216	165	–	51
Furniture and fittings	–	231	219	–	12	–	–	–	(3)	–	–	–	–	230	221	–	9
Land:																	
– Operational land	–	3,478	–	–	3,478	–	–	(145)	–	–	–	–	–	3,333	–	–	3,333
– Community land	–	3,543	–	–	3,543	–	–	–	–	–	–	–	–	3,543	–	–	3,543
Land improvements – depreciable	–	2,696	1,943	–	753	86	28	–	(114)	–	444	–	2,315	1,118	–	–	1,197
Infrastructure:																	
– Buildings – non-specialised	–	28,835	20,472	–	8,363	28	–	(341)	(133)	(2,742)	–	–	–	24,855	19,680	–	5,175
– Buildings – specialised	–	19,140	10,903	–	8,237	888	116	–	(268)	–	–	–	–	20,144	11,171	–	8,973
– Other structures	–	2,000	885	–	1,115	41	4	–	(56)	–	(335)	–	–	1,345	576	–	769
– Roads	–	145,713	34,803	–	110,910	3,433	–	(104)	(2,972)	–	–	–	–	148,752	37,485	–	111,267
– Bridges	–	21,840	5,284	–	16,556	–	–	–	(176)	–	–	–	–	21,207	4,827	–	16,380
– Footpaths	–	5,953	2,743	–	3,210	–	–	–	(87)	–	–	–	–	5,953	2,830	–	3,123
– Bulk earthworks (non-depreciable)	–	103,155	–	–	103,155	58	–	(3)	–	–	–	–	–	103,210	–	–	103,210
– Stormwater drainage	–	12,060	4,337	–	7,723	–	–	–	(84)	–	–	–	–	12,060	4,421	–	7,639
– Water supply network	–	35,838	16,107	–	19,731	378	–	(35)	(480)	–	255	–	–	36,578	16,729	–	19,849
– Sewerage network	–	36,643	15,596	–	21,047	101	–	–	(634)	–	267	–	–	37,222	16,441	–	20,781
– Swimming pools	–	2,311	1,589	–	722	–	–	–	(48)	–	388	–	–	3,556	2,494	–	1,062
– Other open space/recreational assets	–	3,683	2,236	–	1,447	98	–	(62)	(126)	–	752	–	–	5,714	3,605	–	2,109
Other assets:																	
– Library books	–	13	12	–	1	–	–	–	–	–	–	–	–	13	12	–	1
Reinstatement, rehabilitation and restoration assets (refer Note 26):																	
– Tip assets	–	1,123	498	–	625	–	–	–	(107)	–	–	–	–	1,123	605	–	518
– Quarry assets	–	126	24	–	102	–	–	–	(6)	–	–	–	–	126	30	–	96
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	150	444,900	127,604	–	317,446	5,480	151	(865)	(5,904)	(2,742)	(335)	2,106	211	447,628	132,502	–	315,337

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

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

The former Wellington Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Plant and equipment	–	308	207	101	–	335	217	118
Land								
– Operational land	–	245	–	245	–	245	–	245
– Community land	–	39	–	39	–	39	–	39
Buildings	–	5,539	1,899	3,640	–	5,468	1,805	3,663
Infrastructure	–	31,039	14,831	16,208	–	30,370	14,302	16,068
Total water supply	–	37,170	16,937	20,233	–	36,457	16,324	20,133
Sewerage services								
Plant and equipment	–	91	48	43	–	90	42	48
Land								
– Operational land	–	74	–	74	–	74	–	74
– Community land	–	149	–	149	–	149	–	149
Buildings	–	5,280	1,299	3,981	–	5,206	1,198	4,008
Infrastructure	–	31,943	15,143	16,800	–	31,437	14,398	17,039
Total sewerage services	–	37,537	16,490	21,047	–	36,956	15,638	21,318
Domestic waste management								
Plant and equipment	–	670	400	270	–	–	–	–
Land								
– Operational land	–	150	–	150	–	150	–	150
– Community land	–	35	–	35	–	35	–	35
– Improvements non-depreciable	–	–	–	–	–	52	24	28
– Improvements - depreciable	–	88	48	40	–	–	–	–
Buildings	–	484	65	419	–	484	57	427
Other assets	–	98	23	75	–	73	27	46
Total DWM	–	1,525	536	989	–	794	108	686
TOTAL RESTRICTED I,PP&E	–	76,232	33,963	42,269	–	74,207	32,070	42,137

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Goods and services – operating expenditure		1,195	–	1,219	–
Payments received in advance		515	–	274	–
Accrued expenses:					
– Borrowings		112	–	194	–
Total payables		1,822	–	1,687	–
Borrowings					
Loans – secured ¹		388	8,923	406	9,267
Total borrowings		388	8,923	406	9,267
Provisions					
Employee benefits:					
Annual leave		858	–	864	–
Long service leave		1,798	105	1,775	104
Other leave		123	–	116	–
Sub-total – aggregate employee benefits		2,779	105	2,755	104
Asset remediation/restoration (future works)	26	–	1,472	–	1,425
Total provisions		2,779	1,577	2,755	1,529
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,989	10,500	4,848	10,796
(i) Liabilities relating to restricted assets					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Externally restricted assets					
Water		604	4,157	563	4,262
Sewer		303	3,910	333	4,068
Domestic waste management		76	1,583	166	1,539
Liabilities relating to externally restricted assets		983	9,650	1,062	9,869
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		983	9,650	1,062	9,869
Total liabilities relating to unrestricted assets		4,006	850	3,786	927
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		4,989	10,500	4,848	10,796

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	1,179	1,687
	<u>1,179</u>	<u>1,687</u>

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16				Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	864	322	(462)	134	–	858
Long service leave	1,879	76	(286)	234	–	1,903
Other leave	116	(16)	–	23	–	123
Asset remediation	1,425	47	–	–	–	1,472
TOTAL	4,284	429	(748)	391	–	4,356

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	11,088	9,850
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		11,088	9,850
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		5,223	6,102
Adjust for non-cash items:			
Depreciation and amortisation		5,904	7,026
Net losses/(gains) on disposal of assets		(145)	(388)
Non-cash capital grants and contributions		(471)	(351)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		46	(56)
Unwinding of discount rates on reinstatement provisions		47	54
Share of net (profits) or losses of associates/joint ventures		(4)	(3)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(19)	(1,209)
Decrease/(increase) in inventories		26	14
Decrease/(increase) in other assets		(145)	24
Increase/(decrease) in payables		(24)	242
Increase/(decrease) in accrued interest payable		(82)	(7)
Increase/(decrease) in other liabilities		241	(290)
Increase/(decrease) in employee leave entitlements		25	(86)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,622	11,072

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(c) Non-cash investing and financing activities			
Bushfire grants		61	351
Wellington Showground		410	–
Total non-cash investing and financing activities		471	351
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		200	200
Credit cards/purchase cards		35	35
Total financing arrangements		235	235
Amounts utilised as at balance date:			
– Credit cards/purchase cards		2	2
Total financing arrangements utilised		2	2

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		596	–
Infrastructure		539	2,847
Total commitments		1,135	2,847
These expenditures are payable as follows:			
Within the next year		1,135	2,847
Total payable		1,135	2,847
Sources for funding of capital commitments:			
Future grants and contributions		637	–
Unexpended grants		–	189
Externally restricted reserves		–	228
Internally restricted reserves		498	2,430
Total sources of funding		1,135	2,847

Details of capital commitments

Commitments relate to the projects at Rygate Park and the Wellington Caves Complex

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

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

Within the next year	13	12
Later than one year and not later than 5 years	–	13
Total non-cancellable operating lease commitments	13	25

b. Non-cancellable operating leases include the following assets:

Photocopiers

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment property commitments

Nil

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,487</u>	10.99%	0.44%	-16.14%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>22,630</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>15,019</u>	59.45%	57.14%	70.25%
Total continuing operating revenue ⁽¹⁾	<u>25,263</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>21,028</u>	7.44x	9.70x	8.33x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>2,827</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>8,949</u>	9.73x	7.43x	5.17x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>920</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>2,165</u>	24.12%	4.46%	3.79%
Rates, annual and extra charges collectible	<u>8,976</u>			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	<u>16,888</u>	12.77 mths	12.9 mths	9.8 mths
Payments from cash flow of operating and financing activities	<u>1,322</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.

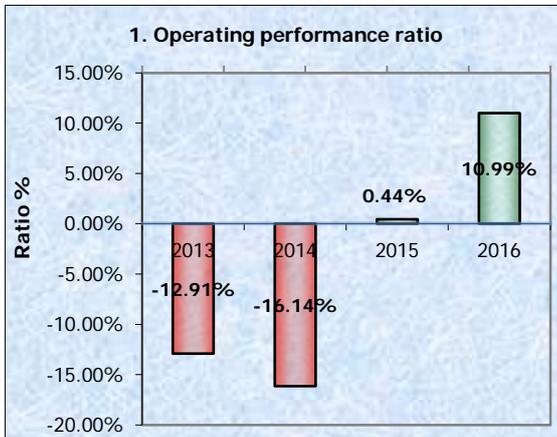
⁽³⁾ Refer to Note 10(a).

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

The former Wellington Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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



Purpose of operating performance ratio

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

Commentary on 12/5/16 result

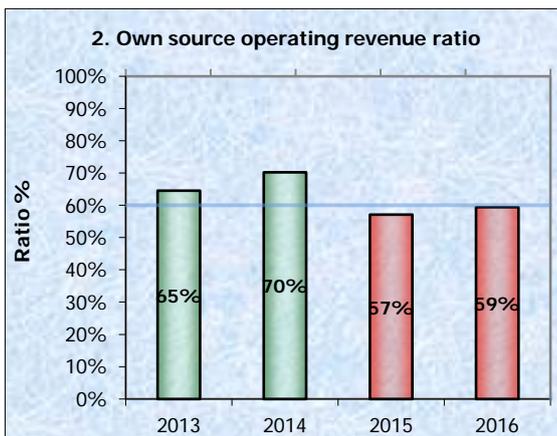
12/5/16 ratio 10.99%

Council continued its improvement in this ratio generating an operating profit before grants and contributions provided for capital purposes

Benchmark: Minimum $\geq 0.00\%$

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

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 12/5/16 result

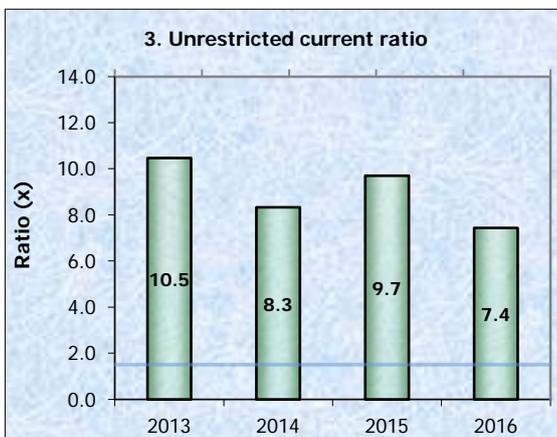
12/5/16 ratio 59.45%

Council is slightly under required benchmark of 60%

Benchmark: Minimum $\geq 60.00\%$

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

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 12/5/16 result

12/5/16 ratio 7.44x

Council continued to have a strong unrestricted current ratio and had excellent liquidity and could readily pay its debts as they fell due

Benchmark: Minimum ≥ 1.50

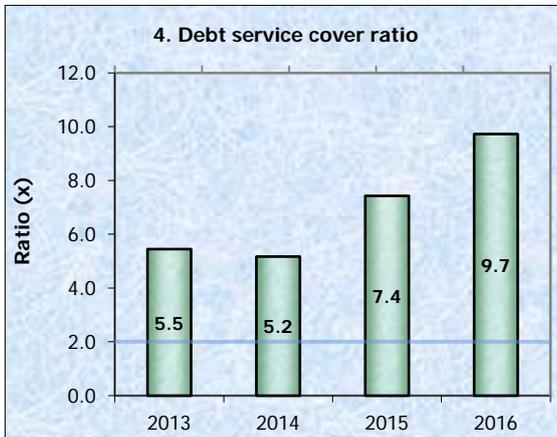
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Wellington Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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



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 12/5/16 result

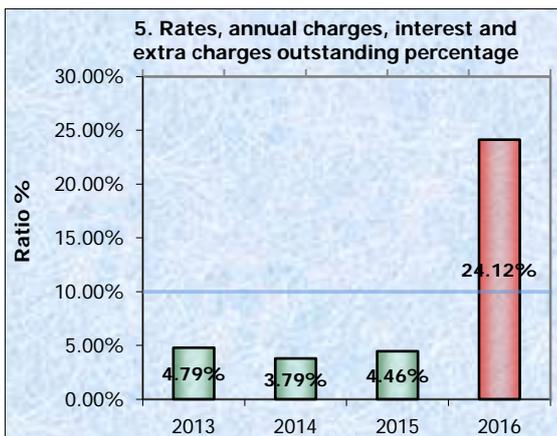
12/5/16 ratio 9.73x

Council continued to meet this benchmark which indicated it had sufficient operating cash to service its debts

Benchmark: Minimum ≥ 2.00

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

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 12/5/16 result

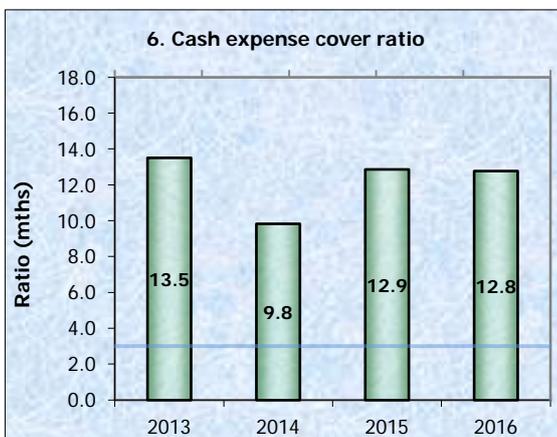
12/5/16 ratio 24.12%

Council has not met the benchmark this year due to the timing for completion of the financial statements required because of amalgamation and payment of the fourth quarterly rate instalment in 2015/16

Benchmark: Maximum $< 10.00\%$

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

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 12/5/16 result

12/5/16 ratio 12.77 mths

Council continued to meet this benchmark of greater than three months

Benchmark: Minimum ≥ 3.00

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

Ratio achieves benchmark
 Ratio is outside benchmark

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁵ 12/5/16
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	21.03%	5.08%	9.88%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 19.20%	4.86%	-3.65%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	98.87%	98.06%	49.80%
Total continuing operating revenue ⁽¹⁾	prior period: 98.81%	98.55%	47.20%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	3.31x	3.73x	7.06x
Current liabilities less specific purpose liabilities ^(3,4)	prior period: 4.31x	2.81x	9.09x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	3.44x	2.28x	35.59x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 3.10x	2.37x	24.37x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	15.54%	20.81%	26.57%
Rates, annual and extra charges collectible	prior period: 2.91%	5.39%	4.58%
6. Cash expense cover ratio			
Current period's cash and cash equivalents plus all term deposits	5.84	4.81	14.59
Payments from cash flow of operating and financing activities	prior period: 7.66 mths	4.61 mths	14.55 mths

Notes

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	11,088	9,850	11,088	9,850
Investments				
– 'Held for trading'	22,598	17,772	22,598	17,772
Receivables	4,670	4,651	4,670	4,651
Total financial assets	38,356	32,273	38,356	32,273
Financial liabilities				
Payables	1,307	1,413	1,307	1,413
Loans/advances	9,311	9,673	9,311	9,673
Total financial liabilities	10,618	11,086	10,618	11,086

Fair value is determined as follows:

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1/7/15 to 12/5/16				
Possible impact of a 1% movement in interest rates	333	333	(333)	(333)
1/7/14 to 30/6/15				
Possible impact of a 1% movement in interest rates	276	276	(276)	(276)

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	12/5/16	12/5/16	30/6/15	30/6/15
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
(i) Ageing of receivables – %				
Current (not yet overdue)	92%	94%	27%	96%
Overdue	8%	6%	73%	4%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	annual	Other	Rates and	Other
	charges	receivables	annual	receivables
Current	1,980	2,418	110	4,148
2 – 5 years overdue	183	–	305	–
> 5 years overdue	–	157	–	156
	2,163	2,575	415	4,304
(iii) Movement in provision for impairment of receivables			12/5/16	30/6/15
Balance at the beginning of the period			68	68
Balance at the end of the period			68	68

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	–	1,307	–	–	–	–	–	1,307	1,307
Loans and advances	–	910	899	842	841	841	11,532	15,865	9,311
Total financial liabilities	–	2,217	899	842	841	841	11,532	17,172	10,618
1/7/14 to 30/6/15									
Trade/other payables	–	1,413	–	–	–	–	–	1,413	1,413
Loans and advances	–	1,001	910	899	842	841	12,372	16,865	9,673
Total financial liabilities	–	2,414	910	899	842	841	12,372	18,278	11,086

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,307	0.00%	1,413	0.00%
Loans and advances – fixed interest rate	9,311	6.37%	9,673	6.50%
	<u>10,618</u>		<u>11,086</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies – under a plan	14	9	–	–	(2)	–	21	–
Total S94 revenue under plans	14	9	–	–	(2)	–	21	–
S94 not under plans	282	16	–	7	(53)	–	252	–
S64 contributions	351	9	–	10	–	–	370	–
Total contributions	647	34	–	17	(55)	–	643	–

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2012

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Public order and safety	2	2	–	–	–	–	4	–
Community services and education	2	2	–	–	–	–	4	–
Household and community amenities	2	2	–	–	–	–	4	–
Recreation and culture	2	1	–	–	–	–	3	–
Transport and communication	3	1	–	–	(2)	–	2	–
Economic affairs	3	1	–	–	–	–	4	–
Total	14	9	–	–	(2)	–	21	–

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	58	3	–	1	–	–	62	–
Roads	154	10	–	3	(53)	–	114	–
Open space	32	1	–	1	–	–	34	–
Community facilities	7	1	–	1	–	–	9	–
Emergency services	31	1	–	1	–	–	33	–
Total	282	16	–	7	(53)	–	252	–

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 12/5/2016 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

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

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

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

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

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

(iv) HIH Insurance

During the period 1995 - 1997, a portion of Council's Public Risk Insurance was either insured or re-insured with a member of the HIH Group of Companies. At reporting date, there are no known claims outstanding from that period.

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 end of period, 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.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Joint ventures	4	3	242	238
Associates	—	—	—	—
Total	4	3	242	238

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	12/5/16	30/6/15
Macquarie Regional Library	Joint venture		242	238
Total carrying amounts – material joint ventures and associates			242	238

(b) Details

Name of entity	Principal activity	Place of business
Macquarie Regional Library	Provision of library services	Dubbo

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	12/5/16	30/6/15	2016	2015	2016	2015	2016	2015
Macquarie Regional Library	n/a	n/a	11%	10%	16%	16%	25%	25%

(d) Summarised financial information for joint ventures and associates

	Macquarie Regional Library	
	12/5/16	30/6/15
Statement of financial position		
Current assets		
Cash and cash equivalents	1,357	1,317
Other current assets	39	62
Total current assets	1,396	1,379
Non-current assets	1,022	876
Current liabilities		
Other current liabilities	826	689
Total current liabilities	826	689
Non-current liabilities	30	37
Net assets	1,562	1,529
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,529	1,503
Profit/(loss) for the period	33	26
Closing net assets	1,562	1,529
Council's share of net assets (%)	15.5%	15.6%
Council's share of net assets (\$)	242	238

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (continued)

	Macquarie Regional Library	
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Statement of comprehensive income		
Income	2,642	2,534
Interest income	36	37
Depreciation and amortisation	(289)	(286)
Other expenses	(2,356)	(2,254)
Profit/(loss) for period	33	31
Total comprehensive income	33	31
Share of income – Council (%)	11.0%	10.0%
Profit/(loss) – Council (\$)	4	3
Total comprehensive income – Council (\$)	4	3

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		177,019	170,917
a. Net operating result for the period		5,223	6,102
Balance at end of the reporting period		182,242	177,019
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		156,933	157,904
Total		156,933	157,904
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		157,904	121,700
– Revaluations for the period	9(a)	1,771	36,204
– Asset Disposal		(2,742)	–
– Balance at end of period		156,933	157,904
TOTAL VALUE OF RESERVES		156,933	157,904

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
\$ '000			
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges ²	1,174	1,380	5,910
User charges and fees	1,712	380	3,284
Interest and investment revenue	94	97	601
Other revenues	23	4	314
Grants and contributions provided for operating purposes	79	48	7,484
Grants and contributions provided for capital purposes	7	2	2,624
Other income			
Net gains from disposal of assets	–	–	145
Share of interests in joint ventures and associates using the equity method	–	–	4
Total income from continuing operations	3,089	1,911	20,366
Expenses from continuing operations			
Employee benefits and on-costs	368	232	5,988
Borrowing costs	238	218	102
Materials and contracts	760	585	3,664
Depreciation and amortisation	490	640	4,774
Impairment	–	–	–
Other expenses	325	137	1,622
Net losses from the disposal of assets	31	–	(31)
Total expenses from continuing operations	2,212	1,812	16,119
Operating result from continuing operations	877	99	4,247
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the period	877	99	4,247
Net operating result attributable to each council fund	877	99	4,247
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the period before grants and contributions provided for capital purposes	870	97	1,623

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

² Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16.

No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

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

The former Wellington Council

Notes to the Financial Statements

as at 12 May 2016

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

Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	883	529	9,676
Investments	–	–	7,805
Receivables	754	377	3,267
Inventories	29	2	425
Other	13	9	251
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	1,679	917	21,424
Non-current assets			
Investments	2,846	3,172	8,775
Receivables	108	39	125
Inventories	–	–	–
Infrastructure, property, plant and equipment	20,233	21,047	274,057
Investments accounted for using the equity method	–	–	242
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	23,187	24,258	283,199
TOTAL ASSETS	24,866	25,175	304,623
LIABILITIES			
Current liabilities			
Payables	347	68	1,407
Borrowings	132	159	97
Provisions	125	76	2,578
Total current liabilities	604	303	4,082
Non-current liabilities			
Payables	–	–	–
Borrowings	4,154	3,906	863
Provisions	3	4	1,570
Total non-current liabilities	4,157	3,910	2,433
TOTAL LIABILITIES	4,761	4,213	6,515
Net assets	20,105	20,962	298,108
EQUITY			
Retained earnings	15,388	14,825	152,029
Revaluation reserves	4,717	6,137	146,079
Total equity	20,105	20,962	298,108

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

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

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (12 May 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 19/12/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 12 May 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

Council is aware of the following 'non-adjusting events' that merit disclosure:

Amalgamation of operations for the former Wellington Council to form Dubbo Regional Council

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Wellington Council would be amalgamated with other Council/s to form the new council Dubbo Regional Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Wellington Council to Dubbo Regional Council on 13 May 2016.

The proclamation ensures that any reference in any document to the former Wellington Council is to be read as a reference to Dubbo Regional Council, and that anything done by the former Wellington Council before the amalgamation is taken to have been done by Dubbo Regional Council.

These proclamation clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position as at 12 May 2016 of the former Wellington Council and its financial performance for the period 1 July 2015 to 12 May 2016.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

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

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12/5/16	30/6/15
Tip operations / assets	2018 to 2023	1,329	1,284
Quarry operations / assets	2018 to 2023	143	141
Balance at end of the reporting period	10(a)	1,472	1,425

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

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

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

Reconciliation of movement in provision for the period:	12/5/16	30/6/15
Balance at beginning of period	1,425	1,371
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	47	54
Total – reinstatement, rehabilitation and restoration provision	1,472	1,425

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

1/7/15 to 12/5/16	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	31/05/16	22,598	–	–	22,598
Total financial assets		22,598	–	–	22,598
Financial liabilities					
Loans/advances	12/05/16	9,311	–	–	9,311
Payables	12/05/16	2,496	–	–	2,496
Total financial liabilities		11,807	–	–	11,807

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

1/7/15 to 12/5/16	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital work in progress	12/05/16	–	–	211	211
Plant and equipment	12/05/16	6,041	–	–	6,041
Office equipment	12/05/16	51	–	–	51
Furniture and fittings	12/05/16	9	–	–	9
Operational land	30/06/13	3,333	–	–	3,333
Community land	30/06/11	–	–	3,543	3,543
Land improvements – depreciable	12/05/16	–	–	1,197	1,197
Buildings – non-specialised	1/07/15	5,175	–	–	5,175
Buildings – specialised	1/07/15	–	8,973	–	8,973
Other structures	12/05/16	–	–	769	769
Roads	30/06/15	–	–	111,267	111,267
Bridges	30/06/15	–	–	16,380	16,380
Footpaths	30/06/15	–	–	3,123	3,123
Bulk earthworks	30/06/15	–	–	103,210	103,210
Stormwater drainage	30/06/15	–	–	7,639	7,639
Water supply network	30/06/15	–	–	19,849	19,849
Sewerage network	30/06/15	–	–	20,781	20,781
Swimming pools	12/05/16	–	–	1,062	1,062
Open space/recreational assets	12/05/16	–	–	2,109	2,109
Library books	12/05/16	–	–	1	1
Tip assets	30/06/13	–	–	518	518
Quarry assets	30/06/13	–	–	96	96
Total infrastructure, property, plant and equipment		14,609	8,973	291,755	315,337

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments – ‘Held for trading’	30/06/15	17,772	–	–	17,772
Total financial assets		17,772	–	–	17,772
Financial liabilities					
Loans/advances	30/06/15	9,673	–	–	9,673
Payables	30/06/15	1,413	–	–	1,413
Total financial liabilities		11,086	–	–	11,086

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital work in progress	30/06/15	–	–	150	150
Plant and equipment	30/06/15	6,456	–	–	6,456
Office equipment	30/06/15	110	–	–	110
Furniture and fittings	30/06/15	12	–	–	12
Operational land	30/06/13	3,478	–	–	3,478
Community land	30/06/11	–	–	3,543	3,543
Land improvements – depreciable	30/06/09	–	–	753	753
Buildings – non-specialised	1/07/15	8,363	–	–	8,363
Buildings – specialised	1/07/15	–	8,237	–	8,237
Other structures	30/06/09	–	–	1,115	1,115
Roads	30/06/15	–	–	110,910	110,910
Bridges	30/06/15	–	–	16,556	16,556
Footpaths	30/06/15	–	–	3,210	3,210
Bulk earthworks	30/06/15	–	–	103,155	103,155
Stormwater drainage	30/06/15	–	–	7,723	7,723
Water supply network	30/06/12	–	–	19,731	19,731
Sewerage network	30/06/12	–	–	21,047	21,047
Swimming pools	30/06/09	–	–	722	722
Open space/recreational assets	30/06/09	–	–	1,447	1,447
Library books	30/06/15	–	–	1	1
Tip assets	30/06/13	–	–	625	625
Quarry assets	30/06/13	–	–	102	102
Total infrastructure, property, plant and equipment		18,419	8,237	290,790	317,446

(2) Transfers between level 1 and level 2 fair value hierarchies

During the period, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

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

Community Land

Assets within the "Community Land" class are:

- Council owned land and
- Care Control Management land (Crown) of which Council derives current and future economic benefits arising from the use of the land asset.

Council's Community Land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General. Currently all Council assets in this class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

Land Improvements Depreciable

The Land Improvement asset class consists of fencing, paving, car parks and the Bodangora Airstrip.

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Buildings - Specialised

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

Scott Fullerton Valuations Pty Ltd provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates have been derived from substantial analysis of construction costs from over one hundred (100) Councils throughout New South Wales and are continually updated in their database to reflect movements in construction costs.

Scott Fullerton Valuations Pty Ltd estimated the Total Life and Residual Life of each building/structure and, where the building was considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is **significant** in relation to the asset be depreciated separately.

This asset class is categorised as Level 2. Valuation techniques remained the same for this reporting period.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Other Structures

The Other Structures asset class consists of bus shelters, lighting, shelter sheds and weighbridge scales.

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Roads & Bulk Earthworks

Road Infrastructure assets were valued by Council staff as at 30 June 2015. As per paragraph 43 of AASB116, Council's road infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb & Gutter
- Culverts

Roads, Pavement & Formation

Council's roads were inspected by Council staff to establish the length and extent of the network. Seal and Pavement widths and a full condition assessment of unsealed roads was conducted by Council staff, and sealed roads by ARRB Group in 2014.

Road pavements were assumed to be 2 metres wider than the seal on sealed roads, otherwise they were measured.

Unit Rates for formation, pavement and sealing were based on the costings obtained from Senoir Council staff. These rates were verified (where possible) against recent actual rates from Council's roadworks.

Formation width was determined as a multiple of the pavement width and confirmed by sample inspections.

Kerb & Gutter

The asset register was developed using a combination of GIS data and physical inspection. The bulk of Council's Kerb & Gutter network is concrete, however some is constructed from bluestone. The condition assessment was determined from inspection. The vast majority of this asset is in satisfactory condition, in that it is still able to function.

Unit Rates were established using estimates determined from council experience. The rate adopted for all concrete Kerb & Gutter was based on the rate for concrete. Unit Rates for Bluestone Gutters were also estimated, but is substantially higher than for concrete, due to the increasing difficulty in sourcing material.

Unit Rates for Kerb & Gutter are all based on "Greenfields" costs and do not include any allowance of the removal of existing failed sections.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Culverts

The categories used to group culverts (by size) were determined as part of the development of the '*Wellington, Blayney, Cabonne and Central Tablelands Water Strategic Alliance (WBC Alliance) Joint Transport Asset Management Plan*'. Culverts of 450mm or less have not been valued separately due to their cost (purchase price and installation cost) and have been allowed for in the cubic metre rate for road formation.

Culverts do not include Bridge size (6m+) culverts, as these were valued in the Bridge Register. Of the remaining major culverts, these were valued at replacement cost, determined from *NSW Reference Rate Manual; Valuation of Water Supply, Sewerage and Stormwater Assets* and checked against estimated actual costs within Council.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Bridges

Bridge assets were valued by Council staff as at 30 June 2015. Condition assessment for bridges was provided by in-house resources by inspections, which were based on observed defects, but does not include core sampling or tensile testing of any components.

Bridge values were determined on the basis of a square metre of deck rate, as estimated within Council and discussions with other regional councils.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Footpaths

Footpath assets were valued by Council staff as at 30 June 2015. GIS imagery was used to calculate the length of Council's footpath/cycleway network combined with an extensive inspection program. In-house rates were developed using recent construction data providing a square metre rate which was then applied across the network. Condition data (captured through the inspection program) was then applied to each individual asset segment to provide a written down value.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The asset register was developed using a combination of field observation, aerial imagery and old plans of Wellington's drainage system.

Unit Rates for stormwater pits, pipes etc. were taken from Office of Water; *NSW Reference Rates Manual; Valuation of Water Supply, Sewerage and Stormwater Assets and other sources*.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Water Supply Network

Council's Sewer Network was valued by Council staff. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Sewerage Network

Council's Sewer Network was valued by Council staff. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Swimming Pools

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Open Space/Recreational Assets

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

Library Books

The Library Books are reported at Fair Value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets were based on invoices at the time of capitalisation.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

Tip and Quarry Assets

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry assets. Closure of the landfill and quarry 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 environmental management requirements.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Community land	Land improve- ments depreciable	Other structures	Roads	Total
Opening balance – 1/7/14	3,543	832	1,090	94,073	99,538
Transfers from/(to) another asset class	–	–	66	(3)	63
Purchases (GBV)	–	53	30	3,918	4,001
Depreciation and impairment	–	(132)	(71)	(3,321)	(3,524)
Revaluation increments	–	–	–	16,243	16,243
Closing balance – 30/6/15	3,543	753	1,115	110,910	116,321
Purchases (GBV)	–	114	45	3,433	3,592
Disposals (WDV)	–	–	–	(104)	(104)
Depreciation and impairment	–	(114)	(56)	(2,972)	(3,142)
Revaluation increments	–	444	–	–	444
Revaluation decrements	–	–	(335)	–	(335)
Closing balance – 12/5/16	3,543	1,197	769	111,267	116,776

	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Total
Opening balance – 1/7/14	12,293	3,204	85,548	6,809	107,854
Transfers from/(to) another asset class	3	–	–	–	3
Purchases (GBV)	18	67	–	41	126
Disposals (WDV)	–	–	–	(1)	(1)
Depreciation and impairment	(217)	(105)	–	(89)	(411)
Revaluation increments	4,459	44	17,607	963	23,073
Closing balance – 30/6/15	16,556	3,210	103,155	7,723	130,644
Purchases (GBV)	–	–	58	–	58
Disposals (WDV)	–	–	(3)	–	(3)
Depreciation and impairment	(176)	(87)	–	(84)	(347)
Closing balance – 12/5/16	16,380	3,123	103,210	7,639	130,352

The former Wellington Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Water supply network	Sewerage network	Swimming pools	Open space recreational assets	Total
Opening balance – 1/7/14	18,885	20,115	757	1,625	41,382
Transfers from/(to) another asset class	–	–	–	(128)	(128)
Purchases (GBV)	93	254	17	101	465
Disposals (WDV)	(15)	–	–	(8)	(23)
Depreciation and impairment	(524)	(698)	(52)	(143)	(1,417)
Revaluation increments	1,292	1,376	–	–	2,668
Closing balance – 30/6/15	19,731	21,047	722	1,447	42,947
Purchases (GBV)	378	101	–	98	577
Disposals (WDV)	(35)	–	–	(62)	(97)
Depreciation and impairment	(480)	(634)	(48)	(126)	(1,288)
Revaluation increments	255	267	388	752	1,662
Closing balance – 12/5/16	19,849	20,781	1,062	2,109	43,801

	Library books	Tip	Quarry	Capital WIP	Total
Opening balance – 1/7/14	1	748	109	86	944
Transfers from/(to) another asset class	–	–	–	(87)	(87)
Purchases (GBV)	–	–	–	151	151
Depreciation and impairment	–	(123)	(7)	–	(130)
Closing balance – 30/6/15	1	625	102	150	878
Purchases (GBV)	–	–	–	61	61
Depreciation and impairment	–	(107)	(6)	–	(113)
Closing balance – 12/5/16	1	518	96	211	826

(5). Highest and best use

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

The former Wellington Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years

Financial performance figures	12/5/16	30/6/15	30/6/14	30/06/13	30/06/12
Inflows:					
Rates and annual charges revenue	8,464	8,757	8,471	8,184	7,825
User charges revenue	5,376	5,901	6,160	5,870	5,211
Interest and investment revenue (losses)	792	955	834	973	805
Grants income – operating and capital	7,746	6,003	4,263	5,659	6,386
Total income from continuing operations	25,366	28,821	22,814	24,169	24,254
Sale proceeds from I,PP&E	1,010	1,136	241	157	619
New loan borrowings and advances	–	–	–	–	–
Outflows:					
Employee benefits and on-cost expenses	6,588	7,602	8,229	8,797	8,472
Borrowing costs	558	666	685	667	709
Materials and contracts expenses	5,009	4,951	4,656	5,162	5,373
Total expenses from continuing operations	20,143	22,719	24,420	24,985	24,014
Total cash purchases of I,PP&E	5,160	5,034	4,790	5,545	7,188
Total loan repayments (incl. finance leases)	362	383	361	338	460
Operating surplus/(deficit) (excl. capital income)	2,590	548	(3,546)	(2,718)	(1,854)
Financial position figures	12/5/16	30/6/15	30/6/14	30/06/13	30/06/12
Current assets	24,020	23,400	17,978	23,230	20,864
Current liabilities	4,989	4,848	4,981	5,534	5,581
Net current assets	19,031	18,552	12,997	17,696	15,283
Available working capital (Unrestricted net current assets)	5,995	3,408	3,744	3,194	2,789
Cash and investments – unrestricted	3,287	1,283	1,777	1,614	583
Cash and investments – internal restrictions	15,970	16,332	10,876	12,000	11,841
Cash and investments – total	33,686	27,622	20,775	20,105	17,329
Total borrowings outstanding (Loans, advances and finance leases)	9,311	9,673	10,056	10,417	10,755
Total value of I,PP&E (excl. land and earthworks)	337,753	334,874	327,160	325,580	304,480
Total accumulated depreciation	132,502	127,604	136,098	131,264	119,656
Indicative remaining useful life (as a % of GBV)	61%	62%	58%	60%	61%

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

The former Wellington Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

Note 29. Council information and contact details

Principal place of business:

Nanima Crescent
WELLINGTON NSW 2820

Contact details

Mailing address:

PO Box 62
WELLINGTON NSW 2820

Opening hours:

9am to 5pm
Monday to Friday

Telephone: 02 6840 1700

Facsimile: 02 6840 1791

Internet: www.wellington.nsw.gov.au

Email: mail@wellington.nsw.gov.au

Officers

INTERIM GENERAL MANAGER

Mark Riley

Members

ADMINISTRATOR

Michael Kneipp

RESPONSIBLE ACCOUNTING OFFICER

Craig Giffin

PUBLIC OFFICER

Craig Giffin

AUDITORS

Luka Group
2 River Street
Dubbo NSW 2830

Other information

ABN: 57 268 387 231

INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF THE FORMER WELLINGTON COUNCIL

Report on the Financial Statements

We have audited the accompanying general purpose financial statements of the former Wellington Council for the financial period 1 July 2015 to 12 May 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly, we express no opinion on them.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Wellington Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
 - (i) has been prepared in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and cashflows; and
 - (iv) is in accordance with applicable Australian Accounting Standards, and other mandatory professional reporting requirements.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



LUKA GROUP

2 River Street
Dubbo
Dated: 19 December 2016



JM SHANKS
PARTNER

19 December 2016

The Administrator
Michael Kneipp
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Dear Michael,

INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – Section 417 FORMER WELLINGTON COUNCIL

We have audited the financial statements of the former Wellington Council for the financial period 1 July 2015 to 12 May 2016. The financial statements include the general purpose consolidated accounts of the economic entity comprising the Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at reporting date. The contents of both of these statements include the Council's Certificate as required by section 413(2)(c) of the Local Government Act 1993. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. Our audit resulted in the issuing of an unmodified audit report for both the general purpose financial statements and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of the former Wellington Council for the period 1 July 2015 to 12 May 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (general) Regulation 2005 to assist in the understanding of the financial statements and our reports.

Review of the Financial Statements

In May 2016, Wellington Council was advised that it was merging with Dubbo City Council to form the new Dubbo Regional Council. As a result, the financial statements cover the period 1 July 2015 to 12 May 2016.

For preparation of the financial statements, the Office of Local Government advised as follows:

- Rates are recognised as revenue at the commencement of the rating year for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13 May 2016 to 30 June 2016.
- Financial assistance grants are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenues from the financial assistance grant includes the last quarter payment which was received on 17 May 2016.
- No budget figures are required for the Income Statement, Statement of Cash Flows, Note 2 and Note 16 as budgets were prepared for a full year ended 30 June 2016.
- The comparative year is for the full financial year of 1 July 2014 to 30 June 2015.

(a) Result from Continuing Operations

As disclosed in Council's Income Statement the operations for the period 1 July 2015 to 12 May 2016 resulted in a surplus from continuing operations after capital amounts of \$5,223,000 (2015 - \$6,102,000). Some items of note in the income statement include:

- The operating surplus from continuing operations *before* capital amounts was \$2,590,000 (2015 - \$548,000).
- Rates and annual charges decreased by \$293,000 to \$8,464,000 (2015 - \$8,757,000). Ordinary rates increased by \$150,000 to \$5,902,000 which is consistent with the approved variation increase for general rates and movement in land values. Special rates charges decreased by \$243,000 to \$1,516,000 due to sewerage services decreasing by \$247,000 to \$1,379,000 due to debt being forgiven by DUES which has been outstanding for the last 10 years in the prior year. Annual charges decreased by \$200,000 to \$1,046,000. Domestic waste management services decreased by \$157,000 to \$739,000 and waste management services (non-domestic) decreased by \$39,000 to \$280,000 due to the early cut off period.
- User charges and fees decreased by \$525,000 to \$5,376,000 (2015 - \$5,901,000) and were impacted by the early cut off period. Water supply user charges decreased by \$161,000 to \$2,551,000, but there was a 3.5% increase in charges and higher water consumption as a result of seasonal conditions. Waste management services (non-domestic) decreased by \$92,000 to \$45,000 due to the fall in steel prices and Council not selling as much steel this year. RMS charges - State Roads decreased by \$108,000 to \$1,353,000 due to less work orders on state roads being performed up to 12 May 2016 compared to the full year for the prior year.
- Interest and investment revenue decreased by \$163,000 to \$792,000 (2015 - \$955,000) and is impacted by the early cut off period. Council's cash and cash equivalents at 12 May 2016 were \$6,064,000 higher than the previous year.
- Grant and contributions provided for operating purposes increased by \$1,004,000 to \$7,611,000 (2015 - \$6,607,000). The financial assistance grant increased by \$19,000 to \$3,774,000. Transport - roads to recovery increased by \$1,121,000 to \$1,735,000 due to the commencement of a new program and additional funding provided by the Department of Transport.

- Grants and contributions provided for capital purposes decreased by \$2,921,000 to \$2,633,000 (2015 - \$2,633,000). Capital grants increased by \$726,000 to \$1,392,000. Economic development increased by \$501,000 to \$528,000 due to funding for redevelopment works undertaken at the Wellington Caves Complex. NSW rural fire services decreased by \$333,000 to \$79,000 due to less new equipment being received this year compared to the prior year. Recreation and culture increased by \$637,000 to \$732,000 due to funding for redevelopment works undertaken at Rygate Park for new lighting and a new surface. Capital contributions decreased by \$3,658,000 to \$1,241,000. Roads and bridges decreased by \$4,125,000 to \$273,000 due to a contribution in the prior year from Cobbora holding company for works on Cobbora road. RMS contributions increased by \$517,000 to \$934,000 due to an increase in funding for local and regional roads.
- Other revenues decreased by \$315,000 to \$341,000 (2015 - \$656,000). Rental income decreased by \$51,000 to \$38,000 due to the early cut off period and the sale of rental properties during the year. OH&S training decreased by \$58,000 to \$28,000 due to less contractual training with other bodies being performed this year. Rebates decreased by \$128,000 to \$46,000 due to a large insurance rebate being received in the prior year.
- Gain on the disposal of assets decreased by \$243,000 to \$145,000 (2015 - \$388,000). Gain on property sales was \$303,000 (2015 - \$56,000), gain on plant and equipment was \$46,000 (2015 - \$356,000) and loss on infrastructure assets was \$204,000 (2015 - 24,000).
- Employee costs decreased by \$1,014,000 to \$6,588,000 (2015 - \$7,602,000) and was impacted by the early cut off period. Salary and wages decreased by \$1,193,000 to \$5,339,000 and superannuation decreased by \$162,000 to \$754,000 due to the early cut off period and a reduction in senior staff during the year. Conversely capitalised employee costs decreased by \$348,000 to \$656,000.
- Materials and contracts increased by \$58,000 to \$5,009,000 (2015 - \$4,951,000). Raw materials and consumables decreased by \$297,000 to \$2,321,000 and contractor and consultancy costs increased by \$249,000 to \$2,464,000. These movements are impacted by the timing and extent of various projects during the year and the early cut off period.
- Depreciation and amortisation decreased by \$1,122,000 to \$5,904,000 (2015 - \$7,026,000) and was impacted by the early cut off period. Depreciation on plant and equipment decreased by \$169,000 to \$551,000 as a result of review of carrying values and remaining useful lives and the introduction of residual values to assets resulted in a reduction in depreciation. Buildings – non-specialised decreased by \$288,000 to \$133,000 due to a change in depreciation methodology. Roads decreased by \$349,000 to \$2,972,000 due to the first year of depreciation after the prior year's revaluation.
- Other expenses decreased by \$390,000 to \$2,084,000 (2015 - \$2,474,000). Electricity and heating decreased by \$136,000 to \$372,000 due to the early cut off period and renegotiation of electricity contracts and power saving practices. Insurances decreased by \$83,000 to \$347,000 due to the early cut off period.

(b) Financial Position

The Statement of Financial Position disclosed that for the period ended 12 May 2016 Council's net assets stood at \$339,175,000 (2015 - \$334,923,000) which represents an increase of \$4,252,000 being the surplus from continuing operations after capital amounts of \$5,223,000, the revaluation of infrastructure assets of \$1,771,000 and the disposal of revalued assets for \$2,742,000.

To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	12/5/16 \$'000	30/6/15 \$'000
Net current assets	19,031	18,552
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(2,835)	(2,878)
Less: Council internally imposed restrictions (refer Notes 6 & 7 of financial statements)	(14,194)	(16,332)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction		
- Water	604	563
- Sewerage	303	333
- Waste Management	76	166
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,179	1,687
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(157)	(157)
Unrestricted net current asset surplus/(deficit)	4,007	1,934
<i>Unrestricted Current Assets</i>		
Cash and investments	3,287	323
Receivables	3,028	3,286
Inventories	425	453
Other assets	251	128
Less:	6,991	4,190
<i>Unrestricted Current Liabilities</i>		
Payables	(1,331)	(1,111)
Provisions	(2,578)	(2,566)
Borrowings	(97)	(109)
	(4,006)	(3,786)
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,179	1,687
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(157)	(157)
Unrestricted net current asset surplus/(deficit)	4,007	1,934

Council has a surplus of unrestricted net assets of \$4,007,000 compared to a surplus of \$1,934,000 in the prior year. Coupled with Council's strong level of internal restrictions, Council is in a sound position.

Liquidity

Note 6 to the accounts discloses total cash and investments of \$33,686,000 (2015 - \$27,622,000). Of this amount \$14,429,000 (2015 - \$10,007,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$15,970,000 (2015 - \$16,332,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their management plan.

The unrestricted balance of \$3,287,000 (2015 - \$1,283,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

Council is in a strong financial position to fulfil the objectives attached to its internally restricted funds as part of its long term development plans and at the same time has created a strong unrestricted cash position.

(c) Performance Indicators

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows:

Operating Performance Ratio

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a surplus of 10.99% (2015 – 0.44%) is above the benchmark of 0% for the second year in a row.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

Own source operating revenue

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 59.45% (2015 – 57.14%) is marginally below the benchmark of 60% and indicates Council is reliant on government grants and contributions to provide services to the community. This ratio is very difficult for a low rate base rural Council to achieve.

Unrestricted Current Ratio

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 7.44:1 (2015 – 9.70:1) is considered very strong. The benchmark is a minimum of 1.5:1. Council has been consistently well above this benchmark.

Debt Service Cover Ratio

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

Council's ratio of 9.73:1 (2015 – 7.43:1) is considered sound, as the benchmark is a minimum of 2:1. This result means that Council has \$9.73 of cash to meet every \$1 of debt. It indicates that Council has the ability to borrow further if required.

Rates and Annual Charges Outstanding Ratio

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

The former Wellington Council's rates and annual charges outstanding percentage of 24.12% (2015 – 4.46%) has been adversely impacted by early period close date of 12 May 2016. The final instalment of rates for ratepayers was not due until 31 May 2016. As a result, rates debtors at 12 May 2016 were still very high. If these subsequent rate payments were taken into account, Council's rates and annual charges outstanding ratio would range from 4% to 5% as has traditionally been the case for many years.

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.

Council's ratio of 12.77 months (2015 – 12.86 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

(d) Statement of Cash Flows

The Statement of Cash Flows reports a net increase in cash assets held of \$1,238,000 (2015 - \$6,871,000) as follows:

	12/5/16 \$'000	30/6/15 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	10,622	11,072	(450)
Investing activities	(9,022)	(3,818)	(5,204)
Financing activities	(362)	(383)	21
Net increase / (decrease) in cash held during the year	1,238	6,871	(5,633)

Cash Flows from Operating Activities

The net cash flow provided by operating activities totalled \$10,622,000 (2015 - \$11,072,000). The significant movements were rates and annual charges receipts decreased by \$1,977,000, user charges and fees receipts decreased by \$366,000, grants and contributions receipts decreased \$1,069,000, employee cost payments decrease by \$1,126,000 and materials and contracts payments decreased by \$61,000.

Cash Flows from Investing Activities

The net cash flow used in investing activities totalled \$9,022,000 (2015 - \$3,818,000). The significant movements relate to the outflow movement of investments of \$4,872,000 (2015 - inflow of \$80,000), sale of infrastructure, property, plant and equipment of \$1,010,000 (2015 - \$1,136,000) and the acquisition of infrastructure, property, plant and equipment of \$5,160,000 (2015 - \$5,034,000). The major areas of asset acquisition were \$3,433,000 on roads, \$1,004,000 on specialised buildings and \$378,000 on water supply network.

Cash Flows from Financing Activities

The net cash flow used in financing activities was \$362,000 (2015 - \$383,000). There were no new borrowings during the year (2015 - \$nil). Repayments during the year were in line with the requirements of the loans.

(e) Comparison of Actual and Budgeted Performance

There is no comparison of actual to budgeted performance for Council, as the budgets were developed over a full financial year, whereas Council operated for the period 1 July 2015 to 12 May 2016.

As a result, Council was not required to report budgeted figures and Note 16 is not required.

Other Matters

(a) National Competition Policy

In accordance with the requirements of National Competition Policy guidelines, the former Wellington Council has prepared special purpose financial statements on its business units for the period ended 12 May 2016. Council has determined that it has two business units within its operations: Water and Sewerage.

The Office of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unmodified audit report on the special purpose statements for the period ended 12 May 2016 has been issued.

(b) Management Letters

A management letter will be issued within the next few weeks.

(c) Legislative Compliance

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

(d) Matters Relating to the Electronic Presentation of the Audited Financial Report

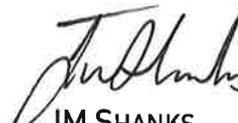
This auditor's report relates to the financial statements of the former Wellington Council for the period ended 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Conclusion

- (a) The former Wellington Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of this report;
- (b) The former Wellington Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of this report; and
- (c) all information relevant to the conduct of the audit has been obtained.


LUKA GROUP

2 River Street
Dubbo
Dated: 19 December 2016


JM SHANKS
PARTNER

The former Wellington Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

*“...a safe, vibrant, progressive community,
which is renowned for its beauty and character.”*



The former Wellington Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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Background

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

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

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

The former Wellington Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period, 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 Dubbo Regional Council made on 28 November 2016.



Michael Kneipp
Administrator



Mark Riley
Interim General Manager



Craig Giffin
Responsible Accounting Officer

The former Wellington Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	1,174	1,321
User charges	1,712	1,754
Fees	–	–
Interest	94	84
Grants and contributions provided for non-capital purposes	79	87
Other income	23	25
Total income from continuing operations	3,082	3,271
Expenses from continuing operations		
Employee benefits and on-costs	368	392
Borrowing costs	238	283
Materials and contracts	760	832
Depreciation and impairment	490	537
Water purchase charges	47	65
Loss on sale of assets	31	(12)
Calculated taxation equivalents	222	213
Debt guarantee fee (if applicable)	129	132
Other expenses	278	333
Total expenses from continuing operations	2,563	2,775
Surplus (deficit) from continuing operations before capital amounts	519	496
Grants and contributions provided for capital purposes	7	5
Surplus (deficit) from continuing operations after capital amounts	526	501
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	526	501
Less: corporate taxation equivalent (30%) [based on result before capital]	(156)	(149)
SURPLUS (DEFICIT) AFTER TAX	370	352
Plus opening retained profits	14,511	13,665
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	222	213
– Debt guarantee fees	129	132
– Corporate taxation equivalent	156	149
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	15,388	14,511
Return on capital %	3.7%	3.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	370	352
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	370	352
Potential dividend calculated from surplus	185	176

The former Wellington Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations		
Access charges	1,380	1,322
User charges	360	387
Liquid trade waste charges	20	21
Fees	–	–
Interest	97	113
Grants and contributions provided for non-capital purposes	48	43
Other income	4	314
Total income from continuing operations	1,909	2,200
Expenses from continuing operations		
Employee benefits and on-costs	232	306
Borrowing costs	218	259
Materials and contracts	585	679
Depreciation and impairment	640	705
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	122	126
Other expenses	137	144
Total expenses from continuing operations	1,934	2,219
Surplus (deficit) from continuing operations before capital amounts	(25)	(19)
Grants and contributions provided for capital purposes	2	2
Surplus (deficit) from continuing operations after capital amounts	(23)	(17)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(23)	(17)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(23)	(17)
Plus opening retained profits	14,726	14,617
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	122	126
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	14,825	14,726
Return on capital %	0.9%	1.1%
Subsidy from Council	293	404
Calculation of dividend payable:		
Surplus (deficit) after tax	(23)	(17)
Less: capital grants and contributions (excluding developer contributions)	–	–
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

The former Wellington Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	883	1,290
Investments	–	–
Receivables	754	770
Inventories	29	27
Other	13	–
Non-current assets classified as held for sale	–	–
Total current assets	1,679	2,087
Non-current assets		
Investments	2,846	1,477
Receivables	108	101
Inventories	–	–
Infrastructure, property, plant and equipment	20,233	20,133
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	23,187	21,711
TOTAL ASSETS	24,866	23,798
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	347	298
Borrowings	132	150
Provisions	125	115
Total current liabilities	604	563
Non-current liabilities		
Payables	–	–
Borrowings	4,154	4,260
Provisions	3	2
Total non-current liabilities	4,157	4,262
TOTAL LIABILITIES	4,761	4,825
NET ASSETS	20,105	18,973
EQUITY		
Retained earnings	15,388	14,511
Revaluation reserves	4,717	4,462
Council equity interest	20,105	18,973
Non-controlling equity interest	–	–
TOTAL EQUITY	20,105	18,973

The former Wellington Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
ASSETS		
Current assets		
Cash and cash equivalents	529	587
Investments	–	–
Receivables	377	171
Inventories	2	2
Other	9	–
Non-current assets classified as held for sale	–	–
Total Current Assets	917	760
Non-current assets		
Investments	3,172	2,868
Receivables	39	51
Inventories	–	–
Infrastructure, property, plant and equipment	21,047	21,318
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	24,258	24,237
TOTAL ASSETS	25,175	24,997
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	68	112
Borrowings	159	147
Provisions	76	74
Total current liabilities	303	333
Non-current liabilities		
Payables	–	–
Borrowings	3,906	4,065
Provisions	4	3
Total non-current liabilities	3,910	4,068
TOTAL LIABILITIES	4,213	4,401
NET ASSETS	20,962	20,596
EQUITY		
Retained earnings	14,825	14,726
Revaluation reserves	6,137	5,870
Council equity interest	20,962	20,596
Non-controlling equity interest	–	–
TOTAL EQUITY	20,962	20,596

The former Wellington Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

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2	Water Supply Business Best-Practice Management disclosure requirements	11
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The former Wellington Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

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

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Wellington Council Combined Water Supplies

Comprising the whole of the water supply operations and net assets servicing the town of Wellington and villages of Geurie, Mumbil and North Yeoval.

Category 2

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

a. Wellington Council Sewerage Service

Comprising the whole of the sewerage reticulation & treatment operations and net assets servicing the town of Wellington and the villages of Geurie and Mumbil.

Monetary amounts

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

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

The former Wellington Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

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.

The former Wellington Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 12 May

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 12 May 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

The former Wellington Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	351,000
(ii)	Number of assessments multiplied by \$3/assessment	9,054
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	9,054
(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]	185,150
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	81,486
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	935,600

2016 Surplus	370,300	2015 Surplus	352,200	2014 Surplus	213,100
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	81,486
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

The former Wellington Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,956
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	53.39%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	20,132
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,391
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	390
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	5.57%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

The former Wellington Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

12/5/16

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	122,000
(ii)	Number of assessments multiplied by \$3/assessment	8,106
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	8,106
(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]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	72,954
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(509,000)

2016 Surplus	(23,000)	2015 Surplus	(17,000)	2014 Surplus	(469,000)
		2015 Dividend	–	2014 Dividend	–

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

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

The former Wellington Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,807
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	21,004
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	904
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	102
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.31%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	4,796
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.19%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	492
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	3.40%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

The former Wellington Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

12/5/16

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

NWI F22	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)]	%	2.24%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 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: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	976
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	57

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

INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF THE FORMER WELLINGTON COUNCIL

Report on the Financial Statements

We have audited the special purpose financial statements of the former Wellington Council for the period 1 July 2015 to 12 May 2016, comprising the Statement by Councillors and Management, Income Statement by Business Activities, Statement of Financial Position by Business Activities and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Wellington Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion, the special purpose financial statements of the former Wellington Council is presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.



LUKA GROUP

2 River Street

Dubbo

Dated: 19 December 2016



JM SHANKS

PARTNER

The former Wellington Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

*“...a safe, vibrant, progressive community,
which is renowned for its beauty and character.”*



WELLINGTON
COUNCIL NSW Australia

The former Wellington Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

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¹ Special Schedules are not audited.

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.

The former Wellington Council

Special Schedule 1 – Net Cost of Services
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,130	–	–	(1,130)
Administration	1,296	360	9	(927)
Public order and safety				
Fire service levy, fire protection, emergency services	664	198	79	(387)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	158	28	–	(130)
Other	–	–	–	–
Total public order and safety	822	226	79	(517)
Health	(3)	1	–	4
Environment				
Noxious plants and insect/vermin control	171	64	–	(107)
Other environmental protection	110	–	–	(110)
Solid waste management	1,154	1,336	–	182
Street cleaning	120	–	–	(120)
Drainage	31	–	–	(31)
Stormwater management	–	29	3	32
Total environment	1,586	1,429	3	(154)
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	82	–	–	(82)
Aged persons and disabled	175	164	–	(11)
Children's services	162	156	–	(6)
Total community services and education	419	320	–	(99)
Housing and community amenities				
Public cemeteries	177	128	4	(45)
Public conveniences	116	–	–	(116)
Street lighting	138	41	–	(97)
Town planning	64	57	–	(7)
Other community amenities	36	–	–	(36)
Total housing and community amenities	531	226	4	(301)
Water supplies	2,161	2,733	7	579
Sewerage services	1,803	1,856	2	55

The former Wellington Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	301	37	–	(264)
Museums	29	–	–	(29)
Art galleries	–	–	–	–
Community centres and halls	118	16	8	(94)
Performing arts venues	–	–	–	–
Other performing arts	15	–	–	(15)
Other cultural services	–	–	–	–
Sporting grounds and venues	399	15	312	(72)
Swimming pools	437	83	–	(354)
Parks and gardens (lakes)	756	13	12	(731)
Other sport and recreation	159	21	410	272
Total recreation and culture	2,214	185	742	(1,287)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	56	54	–	(2)
Other mining, manufacturing and construction	8	–	–	(8)
Total mining, manufacturing and const.	64	54	–	(10)
Transport and communication				
Urban roads (UR) – local	692	982	37	327
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	787	380	484	77
Sealed rural roads (SRR) – regional	1,497	1,160	578	241
Unsealed rural roads (URR) – local	1,493	395	156	(942)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	63	–	–	(63)
Bridges on SRR – local	250	33	–	(217)
Bridges on URR – local	63	–	–	(63)
Bridges on regional roads	157	–	4	(153)
Parking areas	33	–	–	(33)
Footpaths	112	–	–	(112)
Aerodromes	134	4	–	(130)
Other transport and communication	1,686	1,424	–	(262)
Total transport and communication	6,967	4,378	1,259	(1,330)
Economic affairs				
Camping areas and caravan parks	441	282	528	369
Other economic affairs	711	355	–	(356)
Total economic affairs	1,152	637	528	13
Totals – functions	20,142	12,405	2,633	(5,104)
General purpose revenues ⁽¹⁾		10,323		10,323
Share of interests – joint ventures and associates using the equity method	–	4		4
NET OPERATING RESULT ⁽²⁾	20,143	22,733	2,633	5,223

(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 per the Income Statement

The former Wellington Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	11	14	25	–	11	–	–	2	11	3	14
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	395	9,253	9,648	–	351	–	–	509	377	8,920	9,297
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	406	9,267	9,673	–	362	–	–	511	388	8,923	9,311
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	406	9,267	9,673	–	362	–	–	511	388	8,923	9,311

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

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

The former Wellington Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	332	314
b. Engineering and supervision	292	268
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	12	8
d. Maintenance expenses	199	229
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	6	15
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	43	56
i. Maintenance expenses	39	30
– Treatment		
j. Operation expenses (excluding chemical costs)	358	437
k. Chemical costs	63	98
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	47	65
3. Depreciation expenses		
a. System assets	480	524
b. Plant and equipment	10	13
4. Miscellaneous expenses		
a. Interest expenses	238	283
b. Revaluation decrements	–	–
c. Other expenses	62	78
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,181	2,418

The former Wellington Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges		
a. Access (including rates)	927	905
b. Usage charges	1,062	1,093
7. Non-residential charges		
a. Access (including rates)	247	416
b. Usage charges	650	661
8. Extra charges	12	11
9. Interest income	82	73
10. Other income	23	25
10a. Aboriginal Communities Water and Sewerage Program	51	53
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	27	34
c. Other grants	1	–
12. Contributions		
a. Developer charges	7	5
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	3,089	3,276
14. Gain (or loss) on disposal of assets	(31)	(12)
15. Operating result	877	846
15a. Operating result (less grants for acquisition of assets)	877	846

The former Wellington Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	378	93
d. Plant and equipment	12	–
17. Repayment of debt	124	141
18. Totals	514	234
Non-operating funds employed		
19. Proceeds from disposal of assets	23	16
20. Borrowing utilised	–	–
21. Totals	23	16
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	2,495	2,497
b. Residential (unoccupied, ie. vacant lot)	134	132
c. Non-residential (occupied)	369	322
d. Non-residential (unoccupied, ie. vacant lot)	20	21
23. Number of ETs for which developer charges were received	2 ET	1 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 50,000	\$ 59,000

The former Wellington Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	157	157
b. Special purpose grants	–	–	–
c. Accrued leave	–	92	92
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	883	2,597	3,480
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	184	7	191
c. User charges	570	101	671
d. Other	–	–	–
27. Inventories	29	–	29
28. Property, plant and equipment			
a. System assets	–	20,132	20,132
b. Plant and equipment	–	101	101
29. Other assets	13	–	13
30. Total assets	1,679	23,187	24,866
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	347	–	347
33. Borrowings	132	4,154	4,286
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	125	3	128
35. Total liabilities	604	4,157	4,761
36. NET ASSETS COMMITTED	1,075	19,030	20,105
EQUITY			
37. Accumulated surplus			15,388
38. Asset revaluation reserve			4,717
39. TOTAL EQUITY			20,105
Note to system assets:			
40. Current replacement cost of system assets			36,862
41. Accumulated current cost depreciation of system assets			(16,730)
42. Written down current cost of system assets			20,132

The former Wellington Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	168	225
b. Engineering and supervision	198	251
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	103	129
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	19	19
e. Maintenance expenses	42	67
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	267	271
g. Chemical costs	47	43
h. Energy costs	60	67
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	634	698
b. Plant and equipment	6	7
4. Miscellaneous expenses		
a. Interest expenses	218	259
b. Revaluation decrements	–	–
c. Other expenses	50	57
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,812	2,093

The former Wellington Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
Income		
6. Residential charges (including rates)	1,380	1,322
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	360	387
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	20	21
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	6	6
10. Interest income	91	107
11. Other income	4	314
11a. Aboriginal Communities Water and Sewerage Program	13	13
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	30	30
c. Other grants	5	–
13. Contributions		
a. Developer charges	2	2
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,911</u>	<u>2,202</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>99</u>	<u>109</u>
16a. Operating result (less grants for acquisition of assets)	99	109

The former Wellington Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	101	254
d. Plant and equipment	1	–
18. Repayment of debt	147	139
19. Totals	249	393
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	2,222	2,224
b. Residential (unoccupied, ie. vacant lot)	141	139
c. Non-residential (occupied)	322	322
d. Non-residential (unoccupied, ie. vacant lot)	17	18
24. Number of ETs for which developer charges were received	2 ET	1 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 54,000	\$ 54,000

The former Wellington Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	212	212
b. Special purpose grants	–	–	–
c. Accrued leave	–	81	81
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	529	2,879	3,408
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	275	29	304
c. User charges	102	10	112
d. Other	–	–	–
28. Inventories	2	–	2
29. Property, plant and equipment			
a. System assets	–	21,004	21,004
b. Plant and equipment	–	43	43
30. Other assets	9	–	9
31. Total assets	917	24,258	25,175
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	68	–	68
34. Borrowings	159	3,906	4,065
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	76	4	80
36. Total liabilities	303	3,910	4,213
37. NET ASSETS COMMITTED	614	20,348	20,962
EQUITY			
38. Accumulated surplus			14,825
39. Asset revaluation reserve			6,137
40. TOTAL EQUITY			20,962
Note to system assets:			
41. Current replacement cost of system assets			37,445
42. Accumulated current cost depreciation of system assets			(16,441)
43. Written down current cost of system assets			21,004

The former Wellington Council

Notes to Special Schedules 3 and 5

for the period 1 July 2015 to 12 May 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

The former Wellington Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	1,701	866	705	152	14,148	44,643	1%	15%	61%	19%	4%
	Sub-total	1,701	866	705	152	14,148	44,643	1.0%	15.0%	61.0%	19.0%	4.0%
Other structures	Other structures	43	7	60	51	769	1,647	25%	23%	29%	22%	1%
	Sub-total	43	7	60	51	769	1,647	25.0%	23.0%	29.0%	22.0%	1.0%
Roads	Sealed roads	627	514	1,500	1,491	163,432	110,043	20%	68%	10%	1%	1%
	Unsealed roads	199	56	1,000	706	36,650	10,208	7%	45%	33%	14%	1%
	Bridges	569	464	310	101	16,380	21,227	50%	26%	15%	5%	4%
	Footpaths	70	15	45	10	3,123	5,952	9%	8%	73%	9%	1%
	Kerb & Gutter	203	5	20	6	7,657	15,170	9%	2%	76%	13%	0%
	Culverts	174	100	50	22	6,681	14,824	3%	0%	91%	5%	1%
	Town Entrance Signs	–	–	–	–	57	67	100%	0%	0%	0%	0%
	Sub-total	1,842	1,154	2,925	2,336	233,980	177,491	20.1%	48.3%	26.4%	3.9%	1.3%

The former Wellington Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	986	89	700	500	19,849	36,757	7%	26%	42%	24%	1%
	Sub-total	986	89	700	500	19,849	36,757	7.0%	26.0%	42.0%	24.0%	1.0%
Sewerage network	Sewerage network	1,358	694	500	411	20,781	36,716	14%	27%	38%	18%	3%
	Sub-total	1,358	694	500	411	20,781	36,716	14.0%	27.0%	38.0%	18.0%	3.0%
Stormwater drainage	Stormwater drainage	393	368	110	31	7,639	12,061	3%	55%	34%	2%	6%
	Sub-total	393	368	110	31	7,639	12,061	3.0%	55.0%	34.0%	2.0%	6.0%
Open space/recreational assets	Swimming pools	266	58	150	100	1,062	1,058	0%	0%	38%	59%	3%
	Other Open Space Assets	632	512	700	585	2,109	6,174	3%	16%	45%	19%	17%
	Sub-total	898	570	850	685	3,171	7,232	2.6%	13.7%	44.0%	24.9%	15.0%
Other infrastructure assets	Land Improvements	–	–	350	343	1,197	1,911	0%	22%	78%	0%	0%
	Sub-total	–	–	350	343	1,197	1,911	0.0%	22.0%	78.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	7,221	3,748	6,200	4,509	301,534	318,458	14.1%	37.8%	35.4%	10.4%	2.3%

Notes:

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

Infrastructure asset condition assessment 'key'

- | | |
|---|--|
| 1 | Excellent No work required (normal maintenance) |
| 2 | Good Only minor maintenance work required |
| 3 | Average Maintenance work required |

- | | |
|---|--|
| 4 | Poor Renewal required |
| 5 | Very poor Urgent renewal/upgrading required |

The former Wellington Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>5,190</u>	102.49%	87.45%	63.53%
Depreciation, amortisation and impairment	<u>5,064</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>7,221</u>	3.64%	3.65%	7.94%
Carrying value of infrastructure assets	<u>198,324</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>4,509</u>	0.73	1.13	0.65
Required asset maintenance	<u>6,200</u>			

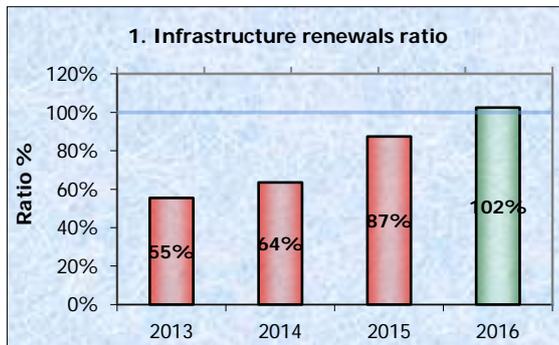
Notes

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

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

The former Wellington Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



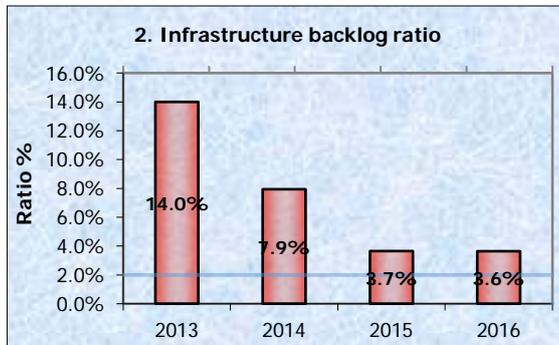
Purpose of asset renewals ratio

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

12/5/16 ratio 102.49%

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

12/5/16 ratio 3.64%

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

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of asset maintenance ratio

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

12/5/16 ratio 0.73 x

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

Ratio achieves benchmark
 Ratio is outside benchmark

The former Wellington Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Water 12/5/16	Sewer 12/5/16	General ⁽¹⁾ 12/5/16
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	205.42%	214.20%	72.05%
Depreciation, amortisation and impairment			
	prior period: 17.75%	36.39%	102.76%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	4.97%	6.53%	3.09%
Carrying value of infrastructure assets			
	prior period: 4.93%	6.40%	3.13%
3. Asset maintenance ratio			
Actual asset maintenance	0.71	0.82	0.72
Required asset maintenance			
	prior period: 0.79	0.93	1.23

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.