

AMENDED REPORT



Item No: 3.1
Title: Presentation of 2015-16 Financial Statements for the former Wyong Shire Council
Department: Chief Financial Officer's Unit

21 December 2016 Extraordinary Council Meeting

D12556029

Summary:

This report, including external audit reports, presents the 2015-16 financial statements for the former Wyong Shire Council and former Wyong Shire Council Water Supply Authority (Wyong Water). The 2015-16 financial statements cover the period 1 July 2015 to 12 May 2016 in line with the *Local Government (Council Amalgamations) Proclamation 2016*.

Recommendation:

- 1 That Council note that the audited financial reports including the auditor's reports have been presented to this meeting of the Council, in accordance with s. 419(1) of the Local Government Act 1993 ("LG Act").**
- 2 That Council note that the external auditor, Mr Dennis Banicevic (of PricewaterhouseCoopers) addressed the Council on the auditor's report on the former Wyong Shire Council's 2015-16 financial statements in accordance with s. 419(2) of the LG Act.**
- 3 That Council adopt the audited 2015-16 financial statements for the former Wyong Shire Council and the former Wyong Shire Council Water Supply Authority as presented in accordance with ss. 213(2)(c) and 377(1)(k) of the LG Act, and cl. 215(1)(a) of the Local Government (General) Regulation 2005.**

Background

Council at its meeting held on 23 November 2016 resolved in part as follows:

"543/16 That Council note the draft 2015-16 Financial Statements for the former Wyong Shire Council as presented include a general purpose financial report and have been prepared in accordance with the accounting and reporting requirements of Australian Accounting Standards, the Office of Local Government prescribed Code of Accounting Practice and Financial Reporting - Update No. 24(b), s. 413(2)(b) of the Local Government Act 1993 ("LG Act"), cl. 214 of the Local Government (General) Regulation 2005 ("LG Reg") and cl. 27(1) of the Local Government (Council Amalgamations) Proclamation 2016.

3.1 Presentation of 2015-16 Financial Statements for the former Wyong Shire Council (contd)

- 544/16 That Council adopt the draft former Wyong Shire Council 2015-16 Financial Statements as presented in accordance with ss. 213(2)(c) and 377(1)(k) of the LG Act, and cl. 215(1)(a) of the LG Reg.
- 545/16 That Council refer the draft former Wyong Shire Council 2015-16 Financial Statements to external audit in accordance with s. 413(1) of the LG Act.
- 546/16 That Council authorise the Administrator to execute all documents related to the draft 2015-16 Financial Statements in accordance with s. 213(2)(c) of the LG Act, and cl. 215(1)(b)(i) and 215(1)(b)(ii) of the LG Reg.
- 547/16 That Council authorise the Chief Executive Officer to execute all documents related to the draft 2015-16 Financial Statements in accordance with s. 213(2)(c) of the LG Act, and cl. 215(1)(b)(iv) of the LG Reg.
- 548/16 That Council authorise the Responsible Accounting Officer to execute all documents related to the draft 2015-16 Financial Statements in accordance with s. 213(2)(c) of the LG Act, and cl. 215(1)(b)(iii) of the LG Reg.

Pursuant to resolution 545/16 of 23 November 2016, the draft 2015/16 Financial Statements of the former Wyong Shire Council were referred to Council's external auditor. Mr Banicevic of PricewaterhouseCoopers will attend this meeting as he is entitled to do so by s. 419(2) of the LG Act.

Council received audit reports from Mr Banicevic. Those audited reports are attachments 1 and 2 to this report. Pursuant to s. 419(1) of the LG Act, those reports are presented to this meeting of the Council.

Council has achieved a consolidated operating surplus of \$26.7M (before capital grants and contributions) for the reporting period 1 July 2015 to 12 May 2016. With the exception of Council's rates and annual charges outstanding benchmark ratio (which has been negatively impacted by the required treatment for former councils to recognise 100% of the rates revenue for the 2015-16 rating year and have no adjustment for rates not earned during the period 13 May 2016 to 30 June 2016) are better than all local government industry benchmarks.

Changes made to the draft financial statements presented on 23rd November are as follows:

Former Wyong Shire Council (consolidated)

On review of Council's current restrictions for its water and sewer operations, Council has de-recognised certain cash, receivable and payable restrictions, in line with the current restriction disclosures recorded in the Financial Statements of Wyong Water. This change was corrected in the prior period in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

3.1 Presentation of 2015-16 Financial Statements for the former Wyong Shire Council (contd)

As a result of the above disclosure changes:

- None of the financial information disclosed in the Financial Statements changed
- The restricted and unrestricted balances within Note 6(c), Note 7 and Note 10(a) have changed such that all Wyong Water unrestricted amounts are now recorded as Unrestricted in the consolidated results
- The Unrestricted current ratio in Note 13a(i) has improved from 1.51x to 1.55x

The above commentary is documented in Note 20(d) of the attached consolidated Financial Statements for the former Wyong Shire Council.

Minor typographical errors were also corrected.

Former Wyong Shire Council Water Supply Authority (Wyong Water)

Wyong Water had incorrectly recognised land assets at a value of \$6.474M from 1994. During the review of land valuation process, it was identified that the land should have been recognised by the former Wyong Shire Council. This error was corrected in the prior period in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* through adjusting retained earnings and de-recognition of land.

The restated balances for each financial statement line affected in each period presented are documented in Note 20(c) of the attached Financial Statements for the former Wyong Shire Council Water Supply Authority.

Minor typographical errors were also corrected.

Conclusion

Council is required to present and adopt the audited financial reports at a Council meeting and has invited the external auditor to present.

Attachments

1	Consolidated Financial Statements former Wyong Shire Council 2015-16 - Audited	D12563315
2	Financial Statements former Wyong Shire Council Water Supply Authority 2015-16 - Audited	D12563319
3	Audit Report for the former Wyong Shire Council - 2015-16 Financial Statements	D12564384
4	Audit Report for the former Wyong Shire Council Water Supply Authority - 2015-16 Financial Statements	D12563656

FINANCIAL REPORTS
FORMER WYONG SHIRE COUNCIL
1 JULY 2015 TO 12 MAY 2016



Wyong
Shire
Council

Crackneck Glory by Jack Symington
2014 Exposure Photography Competition

GENERAL PURPOSE
FINANCIAL STATEMENTS
FORMER WYONG SHIRE COUNCIL
1 JULY 2015 TO 12 MAY 2016



Senior Life Skills Computer Class

The former Wyong Shire 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 Wyong Shire Council.
- (ii) The former Wyong Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the Local Government Act 1993 (LGA).

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Central Coast Council on 14 December 2016. Council has the power to amend and reissue these financial statements.
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The former Wyong Shire 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

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that the former Wyong Shire Council's operations would be amalgamated with the former Gosford City Council into the new Central Coast Council.

Any reference to Wyong Shire Council refers to the former Wyong Shire Council.

These financial statements have been prepared to reflect the financial position as at 12 May 2016 and the financial performance for the reporting period 1 July 2015 to 12 May 2016 of Wyong Shire Council.

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 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 1 July 2015 to 12 May 2016, listing all income and expenses.

The accounting treatment for revenue in the Income Statement for the reporting period to 12 May 2016 complies with the Code of Accounting Practice and Financial Reporting (Code) update 24(b) supplement which was issued on 28 September 2016.

In accordance with the Australian Accounting Standard *AASB 1004 Contributions*, 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. There has been no adjustment for rates not earned during the period 13 May 2016 to 30 June 2016.

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.

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 the new Central Coast Council.

If a pro-rata adjustment for rates and the last quarter FAG payment had not been included as revenue, the net operating result for the period would be recorded as below.

Income Statement	Actual 1 July '15 to 12 May '16 \$M
Income from operations	238.6
Expenditure from operations	211.9
Net operating result (exclusive of capital grants and contributions)	26.7
Income from capital grants and contributions	35.8
Net operating result (inclusive of capital grants and contributions)	62.5
Rates and FAG adjustment	(11.8)
Adjusted net operating result (inclusive of capital grants and contributions)	50.7

All other income and expenditure reflects the statutory reporting period.

The former Wyong Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Understanding Council's financial statements

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.

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.

The required treatment for former councils to recognise 100% of the rates revenue for the 2015-16 rating year and have no adjustment for rates not earned during the period 13 May 2016 to 30 June 2016, has negatively impacted Council's Rates and Annual Charges Outstanding benchmark ratio contained within Note 13(a) and Note 13(b).

Whilst rates are levied in July, ratepayers have the option to make payments based on quarterly due dates in August, November, February and May. As the proclamation was made on 12 May 2016 the fourth instalment due on 31 May was not due for payment. This has resulted in a higher than normal rates outstanding balance as at the reporting date. This has negatively impacted the rates, annual charges, interest and extra charges outstanding percentage.

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.

The former Wyong Shire Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by 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:

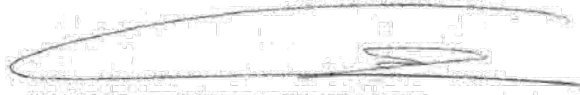
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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 Central Coast Council made on 14 December 2016.



Mr Ian Reynolds
Administrator



Mr Rob Noble
Chief Executive Officer



Mr Stephen Naven
Responsible Accounting Officer

The former Wyong Shire Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Income from continuing operations				
Revenue:				
n/a	Rates and annual charges	3a	146,897 ²	148,856
n/a	User charges and fees	3b	57,663	61,582
n/a	Interest and investment revenue	3c	5,195	6,599
n/a	Other revenues	3d	7,268	6,589
n/a	Grants and contributions provided for operating purposes	3e,f	21,508 ³	21,916
n/a	Grants and contributions provided for capital purposes	3e,f	35,837	26,169
Other income:				
n/a	Net gains from the disposal of assets	5	—	—
n/a	Total income from continuing operations		274,368	271,711
Expenses from continuing operations				
n/a	Employee benefits and on-costs	4a	66,948	76,515
n/a	Borrowing costs	4b	12,119	14,716
n/a	Materials and contracts	4c	39,560	45,742
n/a	Depreciation and amortisation	4d	54,837	60,751
n/a	Impairment	4d	—	—
n/a	Other expenses	4e	37,039	36,862
n/a	Net losses from the disposal of assets	5	1,344	478
n/a	Net share of interests in joint ventures and associates using the equity method	19	21	229
n/a	Total expenses from continuing operations		211,868	235,293
n/a	Operating result from continuing operations		62,500	36,418
n/a	Net operating result for the period		62,500	36,418
n/a	Net operating result attributable to Council		62,500	36,418
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		26,663	10,249
n/a	Alternative net operating result for the period before grants and contributions provided for capital purposes ⁴		16,506	10,249

¹ Original budget as approved by Council is not required for these financial statements as the former Wyong Shire Council has been amalgamated with the former Gosford City Council and has a statutory reporting period from 1 July 2015 to 12 May 2016 as per the Local Government (Council Amalgamations) proclamation 2016.

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.

⁴ Alternative Net operating result before capital income if rates income had been pro rata'd for the period 1 June 2015 - 12 May 2016

The former Wyong Shire Council

Statement of Comprehensive Income

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Net operating result for the period (as per Income Statement)		62,500	36,418
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	20b (ii)	(24,542)	259,957
Other movements – correction of error	20b (ii)	–	183,134
Total items which will not be reclassified subsequently to the operating result		(24,542)	443,091
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the period		(24,542)	443,091
Total comprehensive income for the period		37,958	479,509
Total comprehensive income attributable to Council		37,958	479,509
Total comprehensive income attributable to non-controlling interests		–	–

The former Wyong Shire Council

Statement of Financial Position

as at 12 May 2016

\$ '000	Notes	Actual 12 May 2016	Actual 30 June 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	14,223	38,212
Investments	6b	124,961	93,167
Receivables	7	55,466	32,129
Inventories	8	667	712
Other	8	682	972
Total current assets		195,999	165,192
Non-current assets			
Investments	6b	19,000	25,000
Receivables	7	399	438
Infrastructure, property, plant and equipment	9	3,053,191	3,045,665
Investments accounted for using the equity method	19	–	21
Intangible assets	25	162	206
Total non-current assets		3,072,752	3,071,330
TOTAL ASSETS		3,268,751	3,236,522
LIABILITIES			
Current liabilities			
Payables	10	43,673	39,715
Borrowings	10	12,502	12,084
Provisions	10	25,110	22,601
Total current liabilities		81,285	74,400
Non-current liabilities			
Payables	10	10,763	11,621
Borrowings	10	156,452	166,014
Provisions	10	52,885	55,079
Total non-current liabilities		220,100	232,714
TOTAL LIABILITIES		301,385	307,114
Net assets		2,967,366	2,929,408
EQUITY			
Retained earnings	20	1,646,754	1,584,254
Revaluation reserves	20	1,320,612	1,345,154
Council equity interest		2,967,366	2,929,408
Non-controlling equity interests		–	–
Total equity		2,967,366	2,929,408

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

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The former Wyong Shire Council

Statement of Changes in Equity

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council equity interest	Non-controlling interest	Total equity
1 July 2015 - 12 May 2016						
Opening balance (as per last year's audited accounts)		1,584,254	1,345,154	2,929,408	–	2,929,408
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)		1,584,254	1,345,154	2,929,408	–	2,929,408
c. Net operating result for the period		62,500	–	62,500	–	62,500
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	(24,542)	(24,542)	–	(24,542)
Other comprehensive income		–	(24,542)	(24,542)	–	(24,542)
Total comprehensive income (c&d)		62,500	(24,542)	37,958	–	37,958
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		1,646,754	1,320,612	2,967,366	–	2,967,366

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council equity interest	Non-controlling interest	Total equity
1 July 2014 - 30 June 2015						
Opening balance (as per last year's audited accounts)		1,364,702	1,085,197	2,449,899	–	2,449,899
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)		1,364,702	1,085,197	2,449,899	–	2,449,899
c. Net operating result for the year		36,418	–	36,418	–	36,418
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	259,957	259,957	–	259,957
– Other movements - correction of error	20a	183,134	–	183,134	–	183,134
Other comprehensive income		183,134	259,957	443,091	–	443,091
Total comprehensive income (c&d)		219,552	259,957	479,509	–	479,509
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the year		1,584,254	1,345,154	2,929,408	–	2,929,408

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

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The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Cash flows from operating activities				
Receipts:				
n/a	Rates and annual charges		135,249	148,898
n/a	User charges and fees		61,865	58,177
n/a	Investment and interest revenue received		5,043	6,826
n/a	Grants and contributions		42,830	43,119
n/a	Bonds, deposits and retention amounts received		430	1,001
n/a	Other		6,479	21,566
Payments:				
n/a	Employee benefits and on-costs		(67,857)	(77,411)
n/a	Materials and contracts		(43,525)	(44,744)
n/a	Borrowing costs		(7,697)	(11,035)
n/a	Bonds, deposits and retention amounts refunded		-	(527)
n/a	Other		(44,917)	(49,382)
n/a	Net cash provided (or used in) operating activities	11b	87,899	96,488
Cash flows from investing activities				
Receipts:				
n/a	Sale of investment securities		108,167	110,913
n/a	Sale of infrastructure, property, plant and equipment		3,308	4,639
n/a	Deferred debtors receipts		2	-
Payments:				
n/a	Purchase of investment securities		(133,961)	(101,167)
n/a	Purchase of infrastructure, property, plant and equipment		(80,260)	(86,076)
n/a	Net cash provided (or used in) investing activities		(102,744)	(71,691)
Cash flows from financing activities				
Receipts:				
n/a	Proceeds from borrowings and advances		-	5,900
Payments:				
n/a	Repayment of borrowings and advances		(9,144)	(11,842)
n/a	Net cash flow provided (used in) financing activities		(9,144)	(5,942)
n/a	Net increase/(decrease) in cash and cash equivalents		(23,989)	18,855
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	38,212	19,357
n/a	Cash and cash equivalents – end of reporting period	11a	14,223	38,212
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	143,961	118,167
Total cash, cash equivalents and investments			158,184	156,379

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

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

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The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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The former Wyong Shire Council

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 in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

(a) Basis of preparation

(i) Background

These general purpose financial statements 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 Regulations, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The former Wyong Shire Council is a not-for-profit entity for the purpose of preparing these financial statements.

(ii) New and amended standards adopted by Council

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

(iii) 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 (x).

(iv) Basis of accounting

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and

liabilities and certain classes of property, plant and equipment.

(v) Significant accounting estimates and adjustments

The preparation of financial statements requires the use of certain critical accounting estimates.

It also requires management to exercise its judgement in the process of applying 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 include:

- (i) estimated fair values of infrastructure, property, plant and equipment
- (ii) estimated tip remediation provisions

(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 Wyong Shire Council has been amalgamated into Central Coast 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 Central Coast Council

The former Wyong Shire 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 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 Wyong Shire Council has not been liquidated nor has trading ceased.

(ii) 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 Wyong Shire Council was amalgamated on 12 May 2016 with the former Gosford City Council to form the new Central Coast Council.

In accordance with the Australian Accounting Standards the former Wyong Shire 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 Wyong Shire 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.

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 the new Central Coast 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 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 Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions according to the priorities established in work schedules.

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

Rates are recognised as revenue 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.

Annual charges are recognised as revenue for the period 1 July 2015 to 12 May 2016.

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 former Wyong Shire 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 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 period were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at reporting 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.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *Environmental Planning and Assessment 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.

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.

Sale of plant, property, infrastructure 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.

Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- General purpose operations
- Wyong Water, established under the Water Management Act 2000
- Committees established under the Local Government Act 1993 S355
- Central Coast Water Corporation

(ii) The Trust Fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by 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.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Interests in other entities

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

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.

On 14 December 2015, Council registered The Art House Wyong Performing Arts and Conference Centre Limited as an Australian Public Company, Limited by Guarantee.

A list of controlled entities is contained in Note 19 to the financial statements.

Joint arrangements

Council has determined that it has both joint operations and joint ventures.

Joint operations (controlled assets and operations)

Joint operations represent operational arrangements where the joint control parties 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.

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes and line items.

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

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, Council has recognised:

- Its assets, including its share of any assets held jointly;

- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation;
- Its expenses, including its share of any expenses incurred jointly.

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 in accordance with AASB128 *Associates and Joint Ventures* 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 Statement of Financial Position.

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

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

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

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

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

The former Wyong Shire 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 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 are depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

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

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

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

(e) Impairment of assets

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

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

(f) Cash and Cash Equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes;

- cash on hand,

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

(g) Receivables

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Income Statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(h) 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.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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.

Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

(ii) Inventory held for distribution

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

(i) Investments and other financial assets

Classification

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 the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(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 classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the Statement of Financial Position 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 are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are included in receivables (note 7) in the Statement of Financial Position.

(iii) Held-to-maturity investments

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

If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Recognition and de-recognition

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

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

Subsequent measurement

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

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

Impairment

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

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

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

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Investment Policy

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

Investments are placed and managed in accordance with 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. As at the reporting date, Council does not hold any investments that are not prescribed.

(j) Fair value estimation – financial instruments

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

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

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

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Council for similar financial instruments.

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

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

- Land Improvements
- Other Structures
- Other Infrastructure

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

At reporting date, the following classes of IPPE were stated at their fair value:

- Operational land (external valuation)
- Buildings – specialised/non-specialised (external valuation)
- Water/Sewerage networks (external and internal valuation)
- Plant and equipment (as approximated by depreciated historical cost)

- Road assets – roads including other road related assets, bridges and footpaths (internal valuation)
- Drainage assets – (internal valuation)
- Bulk earthworks – (internal valuation)
- Community land – (Valuer General's valuation)
- Land improvements (as approximated by depreciated historical cost)
- Other structures (as approximated by depreciated historical cost)
- Art collection (external valuation)
- Other assets (as approximated by depreciated historical cost)

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided by Department of Primary Industries 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 revalue the asset to that amount.

Full revaluations are undertaken for all assets on a maximum five year cycle.

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

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

Land, land under roads, bulk earthworks, detention basins and wetlands (part of the Stormwater Drainage asset class) are not depreciated.

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

Plant and equipment	
Vehicles	3 to 14 years
Heavy equipment	5 to 41 years
Small equipment	2 to 35 years
Other plant and equipment	2 to 33 years
Office equipment	2 to 10 years
Furniture and fittings	5 to 20 years
Depreciable land improvements	20 to 100 years
Buildings	
Non-specialised	25 to 63 years
Specialised	8 to 150 years
Other structures	5 to 100 years
Roads	
Car parks	15 to 63 years
Roads	
Surface	8 to 95 years
Base and sub-base	10 to 125 years
Other road related assets, including bus shelters, guard rails, kerb and gutters, median, pavement, pedestrian refuge, roundabouts, shared paths, speed humps and street lighting)	8 to 116 years
Bridges	
Footbridges	60 to 100 years
Road bridges	50 to 100 years
Footpaths	15 to 100 years
Stormwater drainage	25 to 182 years
Water supply network	15 to 250 years

Sewerage network	15 to 250 years
Swimming pools	10 to 100 years
Open space/recreational assets	10 to 100 years
Heritage collections	100 years
Library books	5 to 10 years
Other assets	50 Years
Tip asset	9 years

The assets' 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.

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

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 9(a).

(l) Payables

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

(m) Borrowings

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

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

(n) Borrowing costs

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

(o) Provisions

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

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

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

(p) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Defined benefit plans

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

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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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

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

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA of Mercer Consulting (Australia) Pty Ltd on 24 February 2016.

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 \$2,005,648.

The expected contributions to the Fund by Council for the next annual reporting period are \$1,820,216. Additional contributions of \$3,104,000 are estimated to remain in place until 30 June 2020.

The share of the deficit that can be broadly attributed to Council is 1.94% which is estimated to be in the order of \$1,456,019 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.

(q) Land under roads

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

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

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

(r) Self-insurance

Council has decided to self-insure for workers compensation risks. A provision for self-insurance

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

(s) Intangible assets

IT development and software

Council has acquired, under a managed service arrangement, a licence to access information technology services. In conjunction with this contract, costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(t) 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, the 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 the Council's Income Statement.

Representations from both State and Local Government are being sought to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(u) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997* (NSW), 'all firefighting 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 firefighting equipment has been purchased or constructed'.

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

(v) Taxes

Council is exempt from both Commonwealth Income Tax and Capital Gains Tax, however, it does have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

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

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

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

(w) 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.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance. Costs are estimated on the basis of a closure plan.

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

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period. This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each Statement of Financial Position 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 Statement of Financial Position 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.

(x) 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 the reporting period ended 12 May 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

AASB 9 – Financial Instruments

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

AASB ED 260 – Income of Not-for-Profit Entities

AASB 16 – Leases

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

AASB 2014 – 3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]*

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).

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Rounding of amounts

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

(z) Comparative figures

As the reporting period for the current year is different to prior year, the amounts are not comparable.

(aa) Disclaimer

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

The former Wyong Shire 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 1 July 2015 - 30 June 2016	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Original budget ¹ 1 July 2015 - 30 June 2016	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Original budget ¹ 1 July 2015 - 30 June 2016	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Governance	n/a	–	–	n/a	–	1,360	n/a	–	(1,360)	–	–	2,056	–
Communities	n/a	419	176	n/a	3,674	3,137	n/a	(3,255)	(2,961)	402	148	14,660	11,586
Travel	n/a	23,233	19,981	n/a	39,178	46,602	n/a	(15,945)	(26,621)	5,316	5,112	1,071,251	1,090,124
Facilities and services	n/a	115,013	127,554	n/a	123,283	140,349	n/a	(8,270)	(12,794)	4,240	5,597	1,503,997	767,631
Education	n/a	3,499	4,107	n/a	7,959	8,978	n/a	(4,460)	(4,871)	771	899	8,881	14,165
Natural areas	n/a	354	514	n/a	2,398	2,510	n/a	(2,044)	(1,996)	351	477	598	529
Environmental programs	n/a	3,373	3,302	n/a	5,621	5,908	n/a	(2,248)	(2,606)	1,617	1,556	16,312	674,246
Business sector and employment	n/a	10,555	11,873	n/a	14,991	15,656	n/a	(4,436)	(3,783)	508	1,007	39,201	440,362
Civic leadership	n/a	11,112	9,550	n/a	16,485	12,011	n/a	(5,373)	(2,461)	200	148	611,795	237,858
Corporate income and expense	n/a	12,669	7,886	n/a	(1,742)	(1,447)	n/a	14,411	9,332	122	135	–	–
Total functions and activities	n/a	180,227	184,943	n/a	211,847	235,064	n/a	(31,620)	(50,121)	13,527	15,079	3,268,751	3,236,501
Share of gains/(losses) in associates and joint ventures (using the equity method)	n/a	–	–	n/a	21	229	n/a	(21)	(229)	–	–	–	21
General purpose income ²	n/a	94,141	86,768	n/a	–	–	n/a	94,141	86,768	14,235	14,104	–	–
Operating result from continuing operations	n/a	274,368	271,711	n/a	211,868	235,293	n/a	62,500	36,418	27,762	29,183	3,268,751	3,236,522

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 Wyong Shire 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

Governance costs include elections, member's fees and expenses, meeting of council and policy making committees, area representation and public disclosure. This expenditure helps provide the framework to facilitate sound decision making.

Communities

The objective is to create and support communities where individuals feel closely connected, people know their neighbours, relationships are built within local neighbourhoods, there is participation in the local community and a sense of belonging and pride in the local area. Services provided include community and cultural programs, community planning and learning, marketing and communications and engagement of customers.

Travel

The objective is to provide availability to affordable, safe and clean transport options allowing easy travel both within the Shire and to other regional centres and cities. Services provided include roads and drainage maintenance, construction and management, roadside litter collection and strategic planning of transport options.

Facilities and services

There are a range of local and regional facilities that support the diverse needs of the community and contribute to its vibrancy, connections and pride, including complementary programs, services and activities that are affordable and financially sustainable. Services provided include parks and sportsfields, community halls and centres, management of natural aquatic and beach areas, health services and compliance, animal care facilities, emergency management, waste management and the provision of water and sewer services.

Education

Establish Wyong Shire as a learning community where people value learning, have an opportunity to enhance their knowledge and skills, be creative and innovative. This will lead to improving income opportunities from a skilled local workforce and the attraction of business, social cohesion, cultural understanding and active participation. Services include the provision of childcare, speech pathology, community education programs and libraries.

Natural areas

This objective looks at retaining and maintaining areas of natural value by preserving endangered species, ecological communities and biodiversity as well as supporting programs for the restoration of degraded natural areas. Services include environmental management, public tree risk management, noxious weeds, tree applications and lifeguard services. Attention is also focused on wetland and streambank management.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

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

Environmental programs

This objective focuses on the development and establishment of a range of programs and activities that create community involvement and allows the community to appreciate and embrace areas of the Shire. Services include estuary management programs, dredging operations and wrack harvesting in Tuggerah Lakes, environmental community support programs, street tree planting, bushfire protection and environmental waste reduction programs.

Business sector and employment

This objective looks at creating a strong business sector that withstands financial downturn, and ensures local businesses achieve sustained growth and local job availability through strategic business and property development by Council. Services include the provision of holiday parks, airports, management of council property, developing and executing strategies for future development, rezoning and town centre management.

Civic leadership

This objective aims to provide management, administrative and technical support to the above objectives. Services include legal, risk, financial and administrative services, management oversight of the above objectives, safe work environments and training.

Corporate income and expense

The objective of this area is to capture the receipt and management of rates and annual charges for Council, management of interest and non-specific grants and the management of developer contributions.

The former Wyong Shire 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 July 2015 - 30 June 2016	Actual 1 July 2014 - 30 June 2015
(a) Rates and annual charges ^{1,2}			
Ordinary rates			
Residential		63,883	59,366
Farmland		375	331
Mining		836	762
Business		9,617	8,976
Total ordinary rates		74,711	69,435
Special rates			
Town improvement		785	728
Stormwater		1,746	1,729
Total special rates		2,531	2,457
\$ '000	Notes	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		26,233	28,865
Drainage		6,787	7,146
Liquid trade waste		170	235
Section 611 charges		(12)	47
Sewerage services		25,509	28,230
Waste management services (non-domestic)		1,912	2,129
Water supply services		9,056	10,312
Total annual charges		69,655	76,964
TOTAL RATES AND ANNUAL CHARGES		146,897	148,856

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 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 in accordance with *AASB 1004 Contributions*.

The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		24,644	27,190
Sewerage services		825	1,029
Waste management services (non-domestic)		77	61
Liquid trade waste		714	713
Total user charges		26,260	28,993
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building certification		533	582
Building inspection		546	542
Development applications		2,307	1,522
Inspection services		156	139
Regulatory/statutory fees		207	165
Registration fees		41	53
Regulatory/statutory certificates		230	266
Rezoning fees		278	366
Section 149 certificates (EPA Act)		361	407
Section 355 committees		343	309
Section 603 certificates		323	356
Shop inspection fees		232	304
Other		107	114
Total fees and charges – statutory/regulatory		5,664	5,125
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Child care		2,620	3,072
Community centres		568	589
Companion animals		198	223
Engineering design fees		399	1,013
Holiday parks		8,795	9,320
On Site Sewer Management (OSSM)		183	176
RMS (formerly RTA) charges (state roads not controlled by Council)		1,059	1,590
Tipping fees		11,445	10,644
Other		472	837
Total fees and charges – other		25,739	27,464
TOTAL USER CHARGES AND FEES		57,663	61,582

The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		574	801
– Interest earned on investments (interest and coupon payment income)		4,516	5,723
– Interest (other)		13	18
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		2	2
Other		90	55
TOTAL INTEREST AND INVESTMENT REVENUE		<u>5,195</u>	<u>6,599</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		574	801
General Council cash and investments		2,013	2,428
Restricted investments/funds – external:			
Development contributions			
– Section 94 – General		541	634
– Section 94 – Drainage		246	297
– Section 94A		1	25
– Section 93F – General		50	43
– Section 93F – Drainage		15	15
– Section 93F – Water		12	15
– Section 93F – Sewer		5	6
– Section 64 – Water		338	402
– Section 64 – Sewer		249	299
Water fund operations		436	315
Sewer fund operations		715	1,320
Total interest and investment revenue recognised		<u>5,195</u>	<u>6,599</u>
(d) Other revenues			
Fines – parking		560	528
Fines – other		275	294
Legal fees recovery – other		129	247
Cemetery income		211	238
Commissions and agency fees		12	12
Diesel rebate		53	88
External works		52	307
Insurance claim recoveries		1,584	128
Landfill gas royalty payment		283	507
Property rents		2,370	2,424
Restoration from utility providers		255	461
Sale of scrap metal		317	162
Sales – general		224	67
Sewerage connections		178	182
Water connections		412	448
Other		353	496
TOTAL OTHER REVENUE		<u>7,268</u>	<u>6,589</u>

The former Wyong Shire 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 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
	Operating	Operating	Capital	Capital
(e) Grants ¹				
General purpose (untied)				
Financial assistance – general component	10,844 ¹	10,714	–	–
Financial assistance – local roads component	2,128 ¹	2,164	–	–
Pensioners' rates subsidies – general component	1,263	1,226	–	–
Total general purpose	14,235	14,104	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	557	702	–	–
– Sewerage	549	672	–	–
– Domestic waste management	711	760	–	–
Aged and disabled	37	40	–	–
Bushfire and emergency services	829	920	622	485
Child care	311	401	–	–
Community care	37	37	160	110
Employment and training programs	13	39	–	–
Environmental protection	804	781	914	1,196
Health services	25	37	–	–
Heritage and cultural	8	31	326	199
Library	359	361	35	30
LIRS subsidy	425	353	–	–
Recreational facilities	–	–	1,014	1,810
Roads and bridges	54	60	2,173	4,860
Street lighting	412	404	–	–
Storm damage	211	–	20	–
Transport	2	10	–	–
Transport (roads to recovery)	–	–	2,916	732
Youth services	3	49	–	–
Total specific purpose	5,347	5,657	8,180	9,422
Total grants	19,582	19,761	8,180	9,422
Grant revenue is attributable to:				
– Commonwealth funding	86	221	4,623	2,222
– State funding	19,417	19,438	3,557	7,200
– Other funding	79	102	–	–
	19,582	19,761	8,180	9,422

¹ Financial 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 FAGs payment received on 17 May 2016.

The former Wyong Shire 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 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
	Operating	Operating	Capital	Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	1,858	273
S 94A – fixed development consent levies	–	–	678	783
S 64 – water supply contributions	–	–	2,562	1,918
S 64 – sewerage service contributions	–	–	2,711	2,403
S 94 – stormwater contributions	–	–	1,434	752
S 94 – roadworks	–	–	2,873	1,398
S 94 – open space	–	–	3,722	1,795
S 94 – community facilities	–	–	2,333	1,658
Other developer contributions	–	–	288	110
Total developer contributions	17	–	18,459	11,090
Other contributions:				
Community facilities	–	–	–	8
Dedications (other than by S94)	–	–	8,869	5,306
Kerb and gutter	–	–	85	105
Other councils – long service leave contribution	65	131	–	–
Paving	–	–	45	59
RMS contributions (regional roads, block grant)	820	807	–	–
SES contributions	–	71	–	–
Vehicle contributions by employees	908	1,041	–	–
Other	133	105	199	179
Total other contributions	1,926	2,155	9,198	5,657
Total contributions	1,926	2,155	27,657	16,747
TOTAL GRANTS AND CONTRIBUTIONS	21,508	21,916	35,837	26,169

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(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	51,643	45,373
Add: grants and contributions recognised in the current period but not yet spent:	20,609	15,711
Less: grants and contributions recognised in a previous reporting period now spent:	(16,291)	(9,441)
Net increase (decrease) in restricted assets during the period	4,318	6,270
Unexpended and held as restricted assets	<u><u>55,961</u></u>	<u><u>51,643</u></u>
Comprising:		
– Specific purpose unexpended grants	3,737	3,816
– Developer contributions	51,656	47,242
– Other contributions	568	585
	<u><u>55,961</u></u>	<u><u>51,643</u></u>

The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(a) Employee benefits and on-costs			
Salaries and wages		51,742	57,529
Travel expenses		5	28
Employee leave entitlements (ELE)		11,763	13,097
Superannuation		6,816	7,588
Workers' compensation insurance		918	2,150
Fringe benefit tax (FBT)		139	166
Payroll tax		797	998
Training costs (other than salaries and wages)		926	817
Other		969	1,937
Total employee costs		74,075	84,310
Less: capitalised costs		(7,127)	(7,795)
TOTAL EMPLOYEE COSTS EXPENSED		66,948	76,515
Number of 'full-time equivalent' employees as at 12 May 2016		917	-
Number of 'full-time equivalent' employees at 30 June 2015		-	906
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		10,479	12,641
Other debts		88	132
Total interest bearing liability costs expensed		10,567	12,773
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	1,552	1,943
Total other borrowing costs		1,552	1,943
TOTAL BORROWING COSTS EXPENSED		12,119	14,716

The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(c) Materials and contracts			
Raw materials and consumables		8,251	10,215
Contractor and consultancy costs		16,519	19,262
– Corporate systems		1,671	2,043
– Garbage collection		10,254	10,944
– Green waste processing		1,801	2,003
Auditors remuneration ⁽¹⁾		187	210
Legal expenses:			
– Legal expenses: planning and development		48	8
– Legal expenses: debt recovery		142	167
– Legal expenses: other		101	382
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		586	508
TOTAL MATERIALS AND CONTRACTS		39,560	45,742
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the former Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		184	198
Remuneration for audit and other assurance services		184	198
(ii) Taxation services			
– Other taxation advice		3	12
Remuneration for taxation services		3	12
Total Auditor remuneration		187	210
2. Operating lease payments are attributable to:			
Buildings		52	49
Computers		529	421
Other		5	38
		586	508

The former Wyong Shire 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	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	3,369	3,969
Office equipment		—	—	1,109	1,105
Furniture and fittings		—	—	366	254
Land improvements (depreciable)		—	—	874	1,184
Infrastructure:					
– Buildings – non-specialised		—	—	52	69
– Buildings – specialised		—	—	4,515	3,930
– Other structures		—	—	548	622
– Roads		—	—	12,713	15,554
– Bridges		—	—	193	289
– Footpaths		—	—	814	655
– Stormwater drainage		—	—	3,646	3,077
– Water supply network		—	—	12,394	14,097
– Sewerage network		—	—	11,670	12,857
– Swimming pools		—	—	27	31
– Other open space/recreational assets		—	—	1,339	1,817
– Other infrastructure		—	—	84	—
Other assets					
– Heritage collections		—	—	5	1
– Library books		—	—	179	412
– Other		—	—	1	1
Tip asset	9 & 26	—	—	766	693
Intangible assets	25	—	—	173	134
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	54,837	60,751

The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(e) Other expenses			
Advertising		633	837
Bad and doubtful debts		(344)	3
Bank charges		441	440
Commissions		2,229	2,199
Computer software charges		985	1,045
Contributions/levies to other levels of government			
– Caravan Park levy		492	404
– Department of Planning levy		166	159
– NSW Fire Brigade levy		1,234	1,189
– NSW Rural Fire Service levy		587	577
– State Emergency Services		259	221
– Waste Minimisation levy		13,405	13,165
– Other contributions/levies		14	10
Councillor expenses – Mayoral fee		43	56
Councillor expenses – Councillors' fees		174	236
Councillors' expenses (incl. mayor) – other (excluding fees above)		47	65
Donations, contributions and assistance to other organisations (Section 356)			
– Central Coast Business Mentors Services inc		23	49
– Central Coast Tourism inc		150	150
– Community groups tipping fees		145	201
– The Entrance Town Centre		777	1,499
– Toukley Town Centre		170	170
– Wyong Town Centre		89	67
– Other contributions and donations		737	888
Electricity and heating		4,349	5,664
Gas charges		123	164
Insurance		1,689	1,799
Licences		118	202
Planning NSW Development application fees		288	263
Postage		411	387
Printing and stationery		468	509
Street lighting		2,385	2,752
Subscriptions and publications		492	345
Telephone and communications		641	807
Tip rehabilitation provision adjustment		(165)	(1,343)
Valuation fees		1	8
Valuer General fees		363	357
Vehicle registrations		329	319
Other		3,091	999
TOTAL OTHER EXPENSES		37,039	36,862

The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Property (excl. investment property)			
Proceeds from disposal – property		636	3,837
Less: carrying amount of property assets sold/written off		<u>(1,345)</u>	<u>(3,472)</u>
Net gain/(loss) on disposal		<u>(709)</u>	<u>365</u>
Plant and equipment			
Proceeds from disposal – plant and equipment		2,672	802
Less: carrying amount of plant and equipment assets sold/written off		<u>(2,627)</u>	<u>(835)</u>
Net gain/(loss) on disposal		<u>45</u>	<u>(33)</u>
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		<u>(680)</u>	<u>(307)</u>
Net gain/(loss) on disposal		<u>(680)</u>	<u>(307)</u>
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		108,167	110,913
Less: carrying amount of financial assets sold/redeemed/matured		<u>(108,167)</u>	<u>(110,913)</u>
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
Water stock			
Proceeds from disposal – water stock		–	–
Less: carrying amount of water stock assets sold/written off		<u>–</u>	<u>(503)</u>
Net gain/(loss) on disposal		<u>–</u>	<u>(503)</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(1,344)</u>	<u>(478)</u>

The former Wyong Shire 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 May 2016 Actual Current	12 May 2016 Actual Non-current	30 June 2015 Actual Current	30 June 2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,770	–	3,838	–
Cash equivalent assets ¹					
– Deposits at call		12,453	–	34,374	–
Total cash and cash equivalents		14,223	–	38,212	–
Investments (Note 6b)					
– Long term deposits		124,961	15,000	93,167	15,000
– Bank bonds		–	4,000	–	10,000
Total investments		124,961	19,000	93,167	25,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		139,184	19,000	131,379	25,000

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'		14,223	–	38,212	–
--	--	--------	---	--------	---

Investments

a. 'Held to maturity'	6(b-i)	124,961	19,000	93,167	25,000
Investments		124,961	19,000	93,167	25,000

Note 6(b-i)**Reconciliation of investments classified as 'held to maturity'**

Balance at beginning of period		93,167	25,000	102,913	25,000
Additions		128,961	5,000	91,167	10,000
Disposals (sales and redemptions)		(108,167)	–	(110,913)	–
Transfers between current/non-current		11,000	(11,000)	10,000	(10,000)
Balance at end of period		124,961	19,000	93,167	25,000

Comprising:

– Long term deposits		124,961	15,000	93,167	15,000
– Bank bonds		–	4,000	–	10,000
Total		124,961	19,000	93,167	25,000

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

The former Wyong Shire 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 May 2016	12 May 2016	30 June 2015	30 June 2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	139,184	19,000	131,379	25,000
attributable to:				
External restrictions (refer below) *	93,328	19,000	78,582	25,000
Internal restrictions (refer below)	16,573	–	27,175	–
Unrestricted *	29,283	–	25,622	–
	<u>139,184</u>	<u>19,000</u>	<u>131,379</u>	<u>25,000</u>
1 July 2015 to 12 May 2016	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – general (A)	143	–	(143)	–
Specific purpose unexpended loans – sewer (A)	5,472	–	(3,166)	2,306
RMS (formerly RTA) advances (B)	60	90	–	150
External restrictions – included in liabilities	<u>5,675</u>	<u>90</u>	<u>(3,309)</u>	<u>2,456</u>
External restrictions – other				
Developer contributions – General (D)	2,324	9,757	(3,438)	8,643
Developer contributions – Water fund (D)	11,536	2,900	(56)	14,436
Developer contributions – Sewer fund (D)	14,067	2,960	(10,320)	7,780
Developer contributions – Drainage (D)	14,460	1,680	(339)	15,801
Developer contributions – VPA -General (D)	2,534	1,616	(1,771)	2,379
Developer contributions – S94a (D)	28	679	(707)	–
Developer contributions – VPA – Water (D)	1,923	318	–	2,241
Developer contributions – VPA – Sewer (D)	370	5	–	375
Specific purpose unexpended grants (F)	2,282	97	–	2,379
Specific purpose unexpended grants-Water fund (F)	1,535	–	(177)	1,358
Self insurance claims – Water (G)	181	35	–	216
Self insurance claims – Sewer (G)	153	29	–	182
Domestic waste management (G)	31,899	6,757	–	38,656
Stormwater management (G)	5,057	–	(691)	4,366
Cemeteries	333	60	–	393
Contributions to works – General (G)	456	12	–	468
Contributions to works – Water	129	–	(29)	100
Holiday parks	4,807	728	–	5,535
Self insurance claims – General (G)	3,833	731	–	4,564
External restrictions – other	<u>97,907</u>	<u>28,363</u>	<u>(17,528)</u>	<u>109,872</u>
Total external restrictions	<u>103,582</u>	<u>28,454</u>	<u>(20,837)</u>	<u>112,328</u>

* See Note 20(d) for details regarding prior period voluntary change in accounting policy for restrictions

The former Wyong Shire 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				
Employees leave entitlement – general	3,719	–	(292)	3,427
Contributions – bonus provisions	4,703	–	(97)	4,606
Expenditure carried forward	434	–	(292)	142
Lifeguard contract savings	807	370	–	1,177
Prepaid contributions – general	1,361	162	–	1,523
Public liability insurance – general	333	–	(101)	232
Section 355/advances/deposits	668	20	–	688
Tip replacement/rehabilitation	15,150	–	(10,372)	4,778
Total internal restrictions	27,175	552	(11,154)	16,573
TOTAL RESTRICTIONS	130,757	29,005	(31,991)	128,901

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by roads and maritime services for (RMS) works on the State's classified roads.
- 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 Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
Purpose					
Rates and annual charges		14,674 ¹	1	3,025	2
Domestic waste mgt annual charges		6,142 ¹	2	1,551	3
Drainage annual charges		1,111 ¹	–	428	–
Water annual charges		1,459 ¹	–	454	1
Sewerage annual charges		3,735 ¹	–	1,036	2
Interest and extra charges		626	–	680	–
User charges and fees		10,852	–	15,656	–
Accrued revenues					
– Interest on investments		2,629	–	2,425	–
– Other income accruals		4,214	–	1,013	–
Government grants and subsidies		5,239	–	1,977	–
Net GST receivable		2,495	–	2,153	–
Liquid trade waste		164	–	419	–
Toukley Golf Club Limited		37	373	36	407
Wyong Community Recreation Assoc. loan		–	794	–	794
Toowoomba Bay Surf Lifesaving Club Inc.		4	23	–	–
Other debtors		2,348	–	1,882	23
Total		55,729	1,193	32,735	1,232
Less: provision for impairment					
User charges and fees		(169)	–	(310)	–
Wyong community recreation assoc. loan		–	–	–	(794)
Other debtors		(94)	(794)	(296)	–
Total provision for impairment – receivables		(263)	(794)	(606)	(794)
TOTAL NET RECEIVABLES		55,466	399	32,129	438
Externally restricted receivables *					
Domestic waste management		6,142	2	1,551	3
Total external restrictions		6,142	2	1,551	3
Internally restricted receivables - Nil					
Unrestricted receivables *		49,324	397	30,578	435
TOTAL NET RECEIVABLES		55,466	399	32,129	438

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.

* See Note 20(d) for details regarding prior period voluntary change in accounting policy for restrictions.

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 Wyong Shire 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 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
(a) Inventories					
Inventories at cost					
Stores and materials		667	–	702	–
Other		–	–	10	–
Total inventories at cost		667	–	712	–
(ii) Inventories at net realisable value (NRV)					
Nil					
(b) Other assets					
Prepayments		682	–	972	–
Total other assets		682	–	972	–
Externally restricted assets					
Sewerage					
Prepayments		–	–	57	–
Total sewerage		–	–	57	–
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		–	–	57	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		1,349	–	1,627	–
TOTAL INVENTORIES AND OTHER ASSETS		1,349	–	1,684	–
Other disclosures					
				12 May 2016	30 June 2015
Inventories recognised as an expense for the period included:					
– Stores and materials				3,019	4,084
Inventory write downs					
\$97,230 was recognised as an expense relating to the write down of inventory balances held during the period.					

The former Wyong Shire 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	At	Accumulated	Carrying	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments / (decrements) to equity (ARR)	At	At	Accumulated	Carrying		
	cost	fair value	depreciation	impairment								value	cost	fair value	depreciation	impairment	value
Capital work in progress	73,425	–	–	–	73,425	56,566	22,451	–	–	(86,357)	–	–	–	–	–	68,085	
Plant and equipment	–	42,296	22,512	–	19,784	–	32	(2,597)	(3,369)	7,025	65	–	–	42,822	21,882	20,940	
Office equipment	–	6,869	4,407	–	2,462	–	10	(13)	(1,109)	1,021	2	–	–	7,618	5,245	2,373	
Furniture and fittings	–	3,597	1,789	–	1,808	–	4	(17)	(366)	997	(3)	–	–	4,502	2,079	2,423	
Land:																	
– Operational land	–	310,240	–	–	310,240	–	631	(441)	–	17,321	(7,094)	–	–	320,657	–	320,657	
– Community land	–	123,494	–	–	123,494	–	200	–	–	–	7,048	30,207	–	160,949	–	160,949	
– Land under roads (post 30/6/08)	–	511	–	–	511	–	22	–	–	–	(1)	–	–	532	–	532	
Land improvements – depreciable	–	22,799	7,912	–	14,887	–	–	(1)	(874)	1,400	2,037	–	–	28,668	11,219	17,449	
Infrastructure:																	
– Buildings – non-specialised	–	4,132	3,768	–	364	–	–	–	(52)	–	55	–	–	4,132	3,765	367	
– Buildings – specialised	–	177,560	25,001	–	152,559	–	–	(835)	(4,515)	13,401	(47)	–	–	189,878	29,315	160,563	
– Other structures	–	17,269	4,120	–	13,149	–	–	–	(548)	3,066	544	–	–	22,273	6,062	16,211	
– Roads	–	787,418	288,809	–	498,609	–	658	(268)	(12,713)	15,525	(461)	–	–	802,021	300,671	501,350	
– Bridges	–	16,752	4,827	–	11,925	–	–	(48)	(193)	1,255	(1)	–	–	17,797	4,859	12,938	
– Footpaths	–	44,858	14,242	–	30,616	–	143	(18)	(814)	2,152	–	–	–	47,120	15,041	32,079	
– Bulk earthworks (non-depreciable)	–	170,064	–	–	170,064	–	–	–	–	297	–	–	–	170,361	–	170,361	
– Stormwater drainage	–	465,684	119,438	–	346,246	–	7,259	(175)	(3,646)	1,150	2	–	–	473,854	123,018	350,836	
– Water supply network	–	949,955	396,337	–	553,618	–	563	(9)	(12,394)	15,293	277	5,363	–	908,460	345,749	562,711	
– Sewerage network	–	1,016,442	344,619	–	671,823	–	850	(228)	(11,670)	5,954	(217)	(60,591)	–	962,909	356,988	605,921	
– Swimming pools	–	5,959	3,686	–	2,273	–	–	–	(27)	–	(5)	–	–	5,952	3,711	2,241	
– Other open space/recreational assets	–	56,047	16,898	–	39,149	–	–	–	(1,339)	243	(5,850)	–	–	46,370	14,167	32,203	
– Other infrastructure	–	–	–	–	–	–	–	–	(84)	–	3,651	–	–	4,554	987	3,567	
Other assets:																	
– Heritage collections	–	205	37	–	168	–	–	–	(5)	29	(9)	479	–	1,342	680	662	
– Library books	–	4,036	3,029	–	1,007	–	2	(2)	(179)	228	–	–	–	3,833	2,777	1,056	
– Other	–	38	2	–	36	–	–	–	(1)	–	1	–	–	38	2	36	
Reinstatement, rehabilitation and restoration assets (refer Note 26):																	
– Tip assets	–	16,127	8,680	–	7,447	–	–	–	(766)	–	–	–	–	16,127	9,446	6,681	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	73,425	4,242,353	1,270,113	–	3,045,665	56,566	32,825	(4,652)	(54,664)	–	(6)	(24,542)	68,085	4,242,769	1,257,663	3,053,191	

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 Wyong Shire 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 May 2016				Actual 30 June 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Work in Progress	10,200	–	–	10,200	17,948	–	–	17,948
Plant and equipment	–	413	335	78	–	411	312	99
Office equipment	–	359	281	78	–	360	246	114
Furniture and fittings	–	150	119	31	–	137	115	22
Land								
– Operational land	–	34,960	–	34,960	–	34,631	–	34,631
– Community land	–	414	–	414	–	1,105	–	1,105
Buildings	–	6,405	1,037	5,368	–	6,405	892	5,513
Other structures	–	921	124	797	–	1,222	117	1,105
Infrastructure – water supply	–	908,460	345,749	562,711	–	949,955	396,338	553,617
Infrastructure – stormwater	–	466,896	121,386	345,510	–	459,624	117,865	341,759
Total water supply	10,200	1,418,978	469,031	960,147	17,948	1,453,850	515,885	955,913
Sewerage services								
Work in Progress	21,397	–	–	21,397	10,695	–	–	10,695
Plant and equipment	–	911	729	182	–	824	610	214
Office equipment	–	244	204	40	–	244	179	65
Furniture and fittings	–	174	37	137	–	32	28	4
Land								
– Operational land	–	16,557	–	16,557	–	22,986	–	22,986
Buildings	–	7,531	1,387	6,144	–	7,556	1,284	6,272
Other structures	–	526	70	456	–	360	44	316
Infrastructure	–	962,908	356,988	605,920	–	1,016,442	344,620	671,822
Other assets	–	58	17	41	–	58	16	42
Total sewerage services	21,397	988,909	359,432	650,874	10,695	1,048,502	346,781	712,416
TOTAL RESTRICTED I,PP&E	31,597	2,407,887	828,463	1,611,021	28,643	2,502,352	862,666	1,668,329

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 Wyong Shire 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 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
Payables					
Goods and services		4,197	–	8,207	–
Payments received in advance		3,552	10,763	3,155	11,621
Accrued expenses:					
– Borrowings		2,693	–	1,270	–
– Salaries and wages		2,325	–	2,144	–
– Other expenditure accruals		19,327	–	18,207	–
Security bonds, deposits and retentions		1,677	–	1,247	–
Developer bonds		1,657	–	1,105	–
Overpayments		3,745	–	4,079	–
Other		4,500	–	301	–
Total payables		43,673	10,763	39,715	11,621
Borrowings					
Loans – secured ¹		12,502	156,452	12,084	166,014
Total borrowings		12,502	156,452	12,084	166,014
Provisions					
Employee benefits:					
Annual leave		5,755	–	6,088	–
Sick leave		3,571	–	3,897	–
Long service leave		8,524	1,028	8,842	858
Gratuities		–	–	267	–
Other leave		245	–	261	–
Sub-total – aggregate employee benefits		18,095	1,028	19,355	858
Self insurance – workers compensation		804	3,295	811	4,155
Self insurance – public liability		110	–	225	–
Self insurance – other		137	–	118	–
Asset remediation/restoration (future works) ²⁶		3,704	48,555	1,937	50,061
Payroll tax		165	7	155	5
Other		2,095	–	–	–
Total provisions		25,110	52,885	22,601	55,079
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		81,285	220,100	74,400	232,714

Refer next page for liabilities relating to restricted assets

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 Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
(i) Liabilities relating to restricted assets					
Externally restricted assets *					
Domestic waste management		2,598	–	3,102	–
Other insurance Water Fund		–	–	9	–
Developer contributions in advance General		1,522	9,526	1,361	9,973
Developer contributions in advance Water		56	1,237	1,008	584
Developer contributions in advance Sewer		1,073	–	–	1,064
Self insurance General Fund		591	2,739	673	3,895
Liabilities relating to externally restricted assets		<u>5,840</u>	<u>13,502</u>	<u>6,153</u>	<u>15,516</u>
Internally restricted assets					
Other insurance General Fund		232	–	333	–
Liabilities relating to internally restricted assets		<u>232</u>	<u>–</u>	<u>333</u>	<u>–</u>
Total liabilities relating to restricted assets *		6,072	13,502	6,487	15,516
Total liabilities relating to unrestricted assets *		<u>75,213</u>	<u>206,598</u>	<u>67,913</u>	<u>217,198</u>
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		<u><u>81,285</u></u>	<u><u>220,100</u></u>	<u><u>74,400</u></u>	<u><u>232,714</u></u>

* See Note 20(d) for details regarding prior period voluntary change in accounting policy for restrictions.

The former Wyong Shire 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 May 2016	Actual 30 June 2015
(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	9,635	11,199
Payables – security bonds, deposits and retentions ¹	3,334	2,793
	<u>12,969</u>	<u>13,992</u>

¹ Payables not expected to be settled represent average balances held in security bonds, deposits, and overpayments

Note 10b. Description of and movements in provisions

Class of provision	1 July 2015 to 12 May 2016					
	Opening balance as at 1 July 2015	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 12 May 2016
Annual leave	6,088	4,580	(4,913)	–	–	5,755
Sick leave	3,897	2,330	(2,656)	–	–	3,571
Long service leave	9,700	2,110	(2,258)	–	–	9,552
Other leave	261	353	(369)	–	–	245
Gratuities	267	–	(267)	–	–	–
Self insurance	5,309	819	(1,782)	–	–	4,346
Asset remediation	51,998	–	(1,126)	2,999	(1,612)	52,259
Other	160	2,892	(785)	–	–	2,267
TOTAL	77,680	13,084	(14,156)	2,999	(1,612)	77,995

- 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.
- Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as per the actuarial assessment.
- 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 Wyong Shire 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 May 2016	Actual 30 June 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	14,223	38,212
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		14,223	38,212
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		62,500	36,418
Adjust for non-cash items:			
Depreciation and amortisation		54,837	60,751
Net losses/(gains) on disposal of assets		1,344	478
Non-cash capital grants and contributions		(11,253)	(6,184)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(2)	(2)
– Discount adjustment relating to remediation provision		1,552	1,943
Unwinding of discount rates on reinstatement provisions		1,447	1,791
Share of net (profits) or losses of associates/joint ventures		21	229
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(22,955)	(345)
Increase/(decrease) in provision for doubtful debts		(343)	(2)
Decrease/(increase) in inventories		45	730
Decrease/(increase) in other assets		290	(252)
Increase/(decrease) in payables		(4,010)	268
Increase/(decrease) in accrued interest payable		1,423	(53)
Increase/(decrease) in other accrued expenses payable		1,301	4,286
Increase/(decrease) in other liabilities		4,387	442
Increase/(decrease) in employee leave entitlements		(1,090)	(559)
Increase/(decrease) in other provisions		(1,594)	(3,451)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		87,899	96,488

The former Wyong Shire 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 May 2016	Actual 30 June 2015
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		2,384	878
Other dedications		8,869	5,306
Total non-cash investing and financing activities		11,253	6,184
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		750	750
Master lease facilities		2,000	2,000
Standby credit facilities		5,000	5,000
Total financing arrangements		8,250	8,250
Amounts utilised as at balance date:			
– Credit cards/purchase cards		37	138
– Lease facilities		866	762
Total financing arrangements utilised		903	900

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.

(e) Bank guarantees

The former Council did not have any current bank guarantees provided to third parties.

The former Wyong Shire 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 May 2016	Actual 30 June 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Plant and equipment		305	336
Land and buildings		172	8,440
Infrastructure – including roads, water and sewerage network, open space		14,782	22,137
Other		1,351	225
Tip assets		710	670
Total commitments		17,320	31,808
These expenditures are payable as follows:			
Within the next year		17,320	31,808
Total payable		17,320	31,808
Sources for funding of capital commitments:			
Unrestricted general funds		12,750	11,424
Future grants and contributions		825	–
Sect 64 and 94 funds/reserves		62	9,738
Externally restricted reserves		–	9,752
Internally restricted reserves		3,683	670
Insurance claim		–	224
Total sources of funding		17,320	31,808

Details of capital commitments

Major projects include works undertaken on stage 1 construction at Memorial Park at The Entrance for \$1.99M, the design and documentation of the augmented sewer pump station at Wyong \$1.68M, the sewer treatment plant augmentation at Wyong South \$1.22M and the replacement of vacuum stations for sewer pump stations for \$1.14M. The remaining commitments are for various capital works across council including \$2.40M in Open Space and Recreation, \$1.10M in Commercial Enterprises. \$2.91M in Wyong Water and \$2.79M in Roads and Drainage.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 12 May 2016	Actual 30 June 2015
(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		261	416
Later than one year and not later than 5 years		1,002	641
Later than 5 years		1,621	1,622
Total non-cancellable operating lease commitments		2,884	2,679

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

Computer equipment - PC's, monitors and laptops: Lease terms were all originally for 60 months. The most recent leases have 41 months remaining.

Printers: Lease terms were originally for 60 months. The most recent leases have 57 months remaining.

Northlakes Child Care Centre premises: Expiry date of the lease is 31 December 2051.

Azzuro Blu Wharf: Expiry date of the lease is 31 December 2033.

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 in joint operations – commitments

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

The former Wyong Shire 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 May 2016	12 May 2016	30 June 2015	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>28,028</u>	11.75%	4.46%	2.92%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	238,531			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>217,023</u>	79.10%	82.30%	87.11%
Total continuing operating revenue ⁽¹⁾ including capital grants and contributions	274,368			
3. Unrestricted current ratio *				
Current assets less all external restrictions ⁽²⁾	<u>96,529</u>	1.55x	1.57x	1.62x
Current liabilities less specific purpose liabilities ^(3, 4)	62,476			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>94,984</u>	4.82x	3.51x	3.17x
Principal repayments (Statement of Cash Flows) plus borrowing costs from the (Income Statement)	19,711			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding ⁽⁵⁾	<u>27,750</u>	17.94%	4.56%	5.22%
Rates, annual and extra charges collectible ⁽⁵⁾	154,653			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	<u>154,184</u>	10.69 mths	9.0 mths	8.7 mths
Payments from cash flow of operating and financing activities	14,428			

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).

⁽⁵⁾ Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016.

No adjustments have been made for rates not earned during the period 13 May 2016 to 30 June 2016.

* See Note 20(d) for details regarding prior period voluntary change in accounting policy for restrictions.

The former Wyong Shire 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)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 12 May 2016 result</p> <p>12 May 2016 ratio 11.75%</p> <p>The improved operating performance demonstrates Council's continued path of sound fiscal management and commitment to achieving financial sustainability.</p> <p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 12 May 2016 result</p> <p>12 May 2016 ratio 79.10%</p> <p>Council's own source operating revenue ratio remains strong, well above the 60% benchmark and demonstrates fiscal flexibility if faced with unforeseen events.</p> <p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>
<p>3. Unrestricted current ratio *</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 12 May 2016 result</p> <p>12 May 2016 ratio 1.55x</p> <p>Council's unrestricted current ratio is heavily impacted by the inclusion of restricted balances in Wyong Water, particularly developer contributions. Many of these restrictions are long term and do not inhibit Council's ability to satisfy short term obligations.</p> <p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>

The former Wyong Shire 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)

<p>4. Debt service cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>2.9</td> </tr> <tr> <td>2014</td> <td>3.2</td> </tr> <tr> <td>2015</td> <td>3.5</td> </tr> <tr> <td>2016</td> <td>4.8</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (x)	2013	2.9	2014	3.2	2015	3.5	2016	4.8	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 12 May 2016 result</p> <p>12 May 2016 ratio 4.82x</p> <p>Council's debt service ratio continues to strengthen aligned with improved operating result and stable debt levels.</p> <p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>
Year	Ratio (x)											
2013	2.9											
2014	3.2											
2015	3.5											
2016	4.8											
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>6.10%</td> </tr> <tr> <td>2014</td> <td>5.22%</td> </tr> <tr> <td>2015</td> <td>4.56%</td> </tr> <tr> <td>2016</td> <td>17.94%</td> </tr> </tbody> </table> <p>Benchmark: — Maximum $< 5.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio %	2013	6.10%	2014	5.22%	2015	4.56%	2016	17.94%	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 12 May 2016 result</p> <p>12 May 2016 ratio 17.94%</p> <p>Whilst rates are levied in July, ratepayers have the option to make payments based on quarterly due dates in August, November, February and May. As the proclamation was made on 12 May 2016 the fourth instalment due on 31 May was not due for payment. This has resulted in a higher than normal rates outstanding balance as at the reporting date.</p> <p> ■ Ratio is within Benchmark ■ Ratio is outside Benchmark </p>
Year	Ratio %											
2013	6.10%											
2014	5.22%											
2015	4.56%											
2016	17.94%											
<p>6. Cash expense cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>9.2</td> </tr> <tr> <td>2014</td> <td>8.7</td> </tr> <tr> <td>2015</td> <td>9.0</td> </tr> <tr> <td>2016</td> <td>10.7</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	Year	Ratio (mths)	2013	9.2	2014	8.7	2015	9.0	2016	10.7	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 12 May 2016 result</p> <p>12 May 2016 ratio 10.69 mths</p> <p>Council's cash expense cover ratio remains strong and reflects continued sound cash management.</p> <p> ■ Ratio achieves benchmark ■ Ratio is outside benchmark </p>
Year	Ratio (mths)											
2013	9.2											
2014	8.7											
2015	9.0											
2016	10.7											

The former Wyong Shire 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 May 2016	Sewer 12 May 2016	General ⁵ 12 May 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-2.64%	5.78%	16.19%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -10.51%	-7.17%	10.91%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	77.47%	87.29%	78.63%
Total continuing operating revenue ⁽¹⁾ including capital grants and contributions	prior period: 88.03%	97.47%	90.01%
3. Unrestricted current ratio *			
Current assets less all external restrictions ⁽²⁾	0.80x	5.70x	1.55x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 0.94x	3.84x	1.56x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	1.37x	5.46x	692.68x
Principal repayments (Statement of Cash Flows) plus borrowing costs from the (Income Statement)	prior period: 1.10x	4.97x	57.61x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding ⁽⁶⁾	15.83%	14.22%	19.15%
Rates, annual and extra charges collectible ⁽⁶⁾	prior period: 5.49%	3.78%	4.61%
6. Cash expense cover ratio			
Current period's cash and cash equivalents plus all term deposits	9.97	21.78	9.29
Payments from cash flow of operating and financing activities	mths	mths	mths
	prior period: 5.50	19.02	8.40
	mths	mths	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.⁽⁶⁾ Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016.

No adjustments have been made for rates not earned during the period 13 May 2016 to 30 June 2016.

* See Note 20(d) for details regarding prior period voluntary change in accounting policy for restrictions.

The former Wyong Shire 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 price risk, credit risk, liquidity risk and interest rate risk.

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 May 2016	30 June 2015	12 May 2016	30 June 2015
Financial assets				
Cash and cash equivalents	14,223	38,212	14,223	38,212
Investments				
– 'Held to maturity'	143,961	118,167	143,961	118,167
Receivables	55,865	32,567	55,865	32,567
Total financial assets	214,049	188,946	214,049	188,946
Financial liabilities				
Payables	40,121	36,560	40,121	36,560
Loans/advances	168,954	178,098	209,408	217,916
Total financial liabilities	209,075	214,658	249,529	254,476

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 market 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.

The former Wyong Shire 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 the changes are caused by factors specific to individual financial instruments or their issuers or 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 a contracting entity will not complete their obligations under a financial instrument, resulting in a financial loss to the former Council – be it of a capital or income nature.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1 July 2015 to 12 May 2016				
Possible impact of a 1% movement in interest rates	1,582	1,582	(1,582)	(1,582)
1 July 2014 to 30 June 2015				
Possible impact of a 1% movement in interest rates	1,564	1,564	(1,564)	(1,564)

The former Wyong Shire 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 - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

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

	12 May 2016	12 May 2016	30 June 2015	30 June 2015
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	85%	0%	80%
Overdue	100%	15%	100%	20%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value				
Rates and annual charges	annual	Other	Rates and	Other
	charges	receivables	annual	receivables
Current	–	25,293	–	21,900
< 1 year overdue	25,530	1,429	5,059	1,253
1 – 2 years overdue	1,110	803	1,036	279
2 – 5 years overdue	833	305	800	1,422
> 5 years overdue	277	1,342	287	1,931
	<u>27,750</u>	<u>29,172</u>	<u>7,182</u>	<u>26,785</u>
(iii) Movement in provision for impairment of receivables			12 May 2016	30 June 2015
Balance at the beginning of the period			1,400	1,402
+ new provisions recognised during the period			42	3
– amounts already provided for and written off this period			(385)	(5)
Balance at the end of the period			<u>1,057</u>	<u>1,400</u>

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The former Wyong Shire 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	1,677	38,444	–	–	–	–	–	40,121	40,121
Loans and advances	–	23,978	23,696	23,167	20,856	41,157	96,410	229,264	168,954
Total financial liabilities	1,677	62,422	23,696	23,167	20,856	41,157	96,410	269,385	209,075
1/7/14 to 30/6/15									
Trade/other payables	1,247	35,313	–	–	–	–	–	36,560	36,560
Loans and advances	–	24,195	23,924	23,653	23,122	44,364	108,181	247,439	178,098
Total financial liabilities	1,247	59,508	23,924	23,653	23,122	44,364	108,181	283,999	214,658

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 May 2016 Carrying value	12 May 2016 Average interest rate	30 June 2015 Carrying value	30 June 2015 Average interest rate
Trade/other payables	40,121		36,560	
Commercial banks	168,954	6.95%	178,098	6.94%
	<u>209,075</u>		<u>214,658</u>	

Loan agreement breaches

There were no loan agreement breaches during the year

Note 16. Material budget variations

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

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

The former Council recovered contributions, raised levies and entered into planning agreements on development works that were subject to a development consent issued by the former 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 (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	14,460	1,095	339	246	(339)	–	15,801	–
Roads	390	2,245	628	129	(648)	(1,148)	1,596	(1,224)
Parking	18	–	–	4	–	(15)	7	356
Open space	680	2,885	837	139	(851)	(808)	2,882	(9,176)
Community facilities	1,206	1,930	403	267	(2,327)	3,735	5,214	8,239
Other	30	235	53	2	(254)	7	73	34
S94 contributions – under a plan	16,784	8,390	2,260	787	(4,419)	1,771	25,573	(1,771)
S94A levies – under a plan	28	678	–	1	(707)	–	–	–
Total S94 revenue under plans	16,812	9,068	2,260	788	(5,126)	1,771	25,573	(1,771)
S93F planning agreements	4,827	1,858	–	82	–	(1,771)	4,996	1,771
S64 contributions	25,603	5,149	124	587	(10,376)	–	21,067	–
Total contributions	47,242	16,075	2,384	1,457	(15,502)	–	51,656	–

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 1 - Wyong

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,873	39	–	25	–	–	1,937	–
Roads	45	12	–	35	–	109	201	879
Parking	13	–	–	3	–	(15)	1	273
Open space	118	41	–	32	–	281	472	1,812
Community facilities	20	64	–	30	–	132	246	2,058
Other	3	–	–	1	–	–	4	45
S94 Total	2,072	156	–	126	–	507	2,861	5,067
s64 – Water	2,491	167	–	57	(2,715)	–	–	–
s64 – Sewer	2,960	276	–	50	(8,535)	5,249	–	–
S64 Total	5,451	443	–	107	(11,250)	5,249	–	–
Total	7,523	599	–	233	(11,250)	5,756	2,861	5,067

Contribution plan number 2 - Southern Lakes

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,143	12	–	15	–	–	1,170	–
Roads	53	4	–	11	–	–	68	789
Open space	51	130	–	20	–	292	493	1,119
Community facilities	11	112	–	16	–	6	145	1,140
Other	3	15	–	–	(17)	–	1	–
S94 Total	1,261	273	–	62	(17)	298	1,877	3,048
s64 – Water	1,789	108	–	50	(1,947)	–	–	–
s64 – Sewer	2,816	118	–	37	(598)	(2,373)	–	–
S64 Total	4,605	226	–	87	(2,545)	(2,373)	–	–
Total	5,866	499	–	149	(2,562)	(2,075)	1,877	3,048

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 3 – The Entrance

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4	–	–	–	–	–	4	–
Roads	40	67	–	35	–	–	142	2,619
Parking	5	–	–	1	–	–	6	77
Open space	44	44	–	12	–	–	100	852
Community facilities	69	66	–	12	–	(34)	113	(1,780)
S94 Total	162	177	–	60	–	(34)	365	1,768
s93F – General	355	–	–	5	–	–	360	–
s93F – Water	409	–	–	5	–	–	414	–
S93F Total	764	–	–	10	–	–	774	–
s64 – Water	644	5	–	40	(689)	–	–	–
s64 – Sewer	806	4	–	12	(822)	–	–	–
S64 Total	1,450	9	–	52	(1,511)	–	–	–
Total	2,376	186	–	122	(1,511)	(34)	1,139	1,768

Contribution plan number 5 – Ourimbah

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	13	1	–	3	–	–	17	221
Open space	1	8	–	1	–	–	10	102
Community facilities	68	6	–	24	–	1,276	1,374	489
Other	1	1	–	–	(1)	–	1	–
S94 Total	83	16	–	28	(1)	1,276	1,402	812
s64 – Water	700	–	–	13	(713)	–	–	–
s64 – Sewer	353	–	–	10	(363)	–	–	–
S64 Total	1,053	–	–	23	(1,076)	–	–	–
Total	1,136	16	–	51	(1,077)	1,276	1,402	812

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 6 – Toukley

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4	–	–	–	–	–	4	–
Roads	1	–	–	–	–	–	1	14
Parking	–	–	–	–	–	–	–	6
Open space	48	65	9	8	(9)	456	577	106
Community facilities	43	68	9	17	(9)	751	879	522
S94 Total	96	133	18	25	(18)	1,207	1,461	648
s64 – Water	527	1	–	13	(541)	–	–	–
s64 – Sewer	17	1	–	5	(840)	817	–	–
S64 Total	544	2	–	18	(1,381)	817	–	–
Total	640	135	18	43	(1,399)	2,024	1,461	648

Contribution plan number 7 – Gorokan

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	40	–	–	9	–	–	49	(24)
Open space	104	106	–	11	–	–	221	682
Community facilities	157	88	–	4	–	–	249	50
Other	4	14	–	–	(10)	(7)	1	–
S94 Total	305	208	–	24	(10)	(7)	520	708
s93F – Water	22	–	–	–	–	–	22	–
s93F – Sewer	15	–	–	–	–	–	15	–
S93F Total	37	–	–	–	–	–	37	–
s64 – Water	283	15	–	30	(328)	–	–	–
s64 – Sewer	1,362	11	–	18	(574)	(817)	–	–
S64 Total	1,645	26	–	48	(902)	(817)	–	–
Total	1,987	234	–	72	(912)	(824)	557	708

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The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 8 – San Remo

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	309	(67)	–	2	–	–	244	–
Roads	51	161	–	10	–	(16)	206	(81)
Open space	66	294	–	18	–	–	378	657
Community facilities	52	246	–	1	–	(205)	94	(392)
Other	–	6	–	–	(4)	–	2	–
S94 Total	478	640	–	31	(4)	(221)	924	184
s64 – Water	1,241	119	–	32	(1,392)	–	–	–
s64 – Sewer	245	(47)	–	18	(216)	–	–	–
S64 Total	1,486	72	–	50	(1,608)	–	–	–
Total	1,964	712	–	81	(1,612)	(221)	924	184

Contribution plan number 9 – Budgewoi

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	2	–	–	–	(1)	–	1	(102)
Open space	54	24	–	3	–	–	81	116
Community facilities	24	20	–	22	–	–	66	1,702
Other	1	3	–	–	(3)	–	1	–
S94 Total	81	47	–	25	(4)	–	149	1,716
s64 – Water	527	–	–	7	(534)	–	–	–
s64 – Sewer	5	–	–	2	(7)	–	–	–
S64 Total	532	–	–	9	(541)	–	–	–
Total	613	47	–	34	(545)	–	149	1,716

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 13 – Shire Wide

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	2	200	19	3	(19)	(10)	195	(679)
Community facilities	1	151	15	1	(1,938)	1,775	5	(4,436)
Other	14	29	3	–	(32)	–	14	(11)
S94 Total	17	380	37	4	(1,989)	1,765	214	(5,126)
s93F – General	13	55	–	1	–	–	69	–
S93F Total	13	55	–	1	–	–	69	–
Total	30	435	37	5	(1,989)	1,765	283	(5,126)

Contribution plan number 15 – Northern Districts

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	144	345	–	14	–	223	726	503
Open space	189	303	–	8	(14)	(244)	242	454
Community facilities	151	256	–	23	–	34	464	1,426
Other	1	36	–	–	(36)	–	1	–
S94 Total	485	940	–	45	(50)	13	1,433	2,383
s93F – General	279	–	–	4	–	–	283	–
S93F Total	279	–	–	4	–	–	283	–
s64 – Water	1,208	12	–	24	(1,244)	–	–	–
s64 – Sewer	1,623	11	–	24	(1,658)	–	–	–
S64 Total	2,831	23	–	48	(2,902)	–	–	–
Total	3,595	963	–	97	(2,952)	13	1,716	2,383

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 17 Warnervale District

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	11,128	1,111	339	204	(339)	–	12,443	–
Roads	4	1,655	628	12	(647)	(1,464)	188	(6,042)
Open space	2	1,670	809	23	(809)	(1,583)	112	(14,397)
Community facilities	608	853	379	117	(380)	–	1,577	7,460
Other	7	131	50	1	(151)	14	52	–
S94 Total	11,749	5,420	2,205	357	(2,326)	(3,033)	14,372	(12,979)
s93F – General	1,888	1,511	–	40	–	(1,771)	1,668	1,771
s93F – Drainage	960	292	–	15	–	–	1,267	–
s93F – Water	531	–	–	7	–	–	538	–
s93F – Sewer	355	–	–	5	–	–	360	–
S93F Total	3,734	1,803	–	67	–	(1,771)	3,833	1,771
s64 – Water	1,690	809	19	57	(2,575)	–	–	–
s64 – Sewer	3,368	532	16	57	(1,097)	(2,876)	–	–
S64 Total	5,058	1,341	35	114	(3,672)	(2,876)	–	–
Total	20,541	8,564	2,240	538	(5,998)	(7,680)	18,205	(11,208)

Contribution plan number 18 Development Service Plans Water and Sewerage

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s64 – Water	436	1,270	37	15	12,622	–	14,380	–
s64 – Sewer	513	1,737	52	16	4,390	–	6,708	–
S64 Total	949	3,007	89	31	17,012	–	21,088	–
Total	949	3,007	89	31	17,012	–	21,088	–

The former Wyong Shire 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

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	28	678	–	1	(707)	–	–	–
Total	28	678	–	1	(707)	–	–	–

The former Wyong Shire 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

Liabilities not recognised

1. Defined benefit superannuation

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 Local Government Superannuation Scheme – Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119 Employee Benefits. Sufficient information under AASB 119 is not available to account for the scheme as a defined benefit plan, because the assets to the scheme are pooled together for all employers.

The last valuation of the Scheme was performed by Mr Richard Boyfield of Mercer Consulting (Australia) Pty Ltd on 24 February 2016. This position is monitored annually and the Scheme's most recent actuarial review, performed by Mercer Consulting (Australia) Pty Ltd, estimates that a deficiency still exists as at 12 May 2016.

The scheme 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 benefits scheme obligations. The annual amount of additional contributions attributed to the Council is estimated to be \$1,456,019.

Further contributions made to the Scheme to rectify the net deficit position will be recognised as an expense when it becomes payable however because the amount of the deficit cannot be accurately calculated, no liability has been recognised in the Council's financial statements.

The defined benefit element of the scheme is now closed to new members.

2. Developer contributions

Council has significant obligations to provide section 94 infrastructure across the local government area, and levies fees accordingly.

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

These future expenses do not yet qualify as liabilities as at the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans (refer note 17).

3. Contaminated lands

Council is required by law to remediate its contaminated sites. The projected costs associated with this remediation are provided for within the financial statements at Note 26 and are based on certain estimates and assumptions.

Also, once the remediation works have been carried out there is a period of validation to ensure that the remediation has been successful. This monitoring and maintenance will vary between each site and cannot be reliably estimated at this time however may approximate to \$672,000 until 2030. This estimate is based on the former landfill budget of \$48,000 as at 12 May 2016 multiplied by the remaining 14 years.

Assets not recognised

1. Land under roads

As permitted under AASB 1051 Land Under Roads, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

2. Infringement notices/fines

Fines and penalty income, the result of the Council issuing infringement notices is followed up and collected by the infringement processing bureau.

Council's revenue recognition policy treats revenue on receipt and allows for recognition of a portion of the outstanding notices at year end. This is due to the limited information available to Council on the status and uncertainty of these notices.

Accordingly, at year end, there is a potential asset due to Council representing a portion of the unpaid infringement notices. At 12 May 2016 this value is estimated at \$353,528.

The former Wyong Shire 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.

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 one 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 May 2016	Actual 30 June 2015
Joint ventures	(21)	(229)	–	21
Total	(21)	(229)	–	21

The former Wyong Shire 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's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of operation/entity	Principal activity	Ownership		Voting rights	
		12 May 2016	30 June 2015	12 May 2016	30 June 2015
The Art House Wyong Shire Performing Arts and Conference Centre Limited	Operations undertaken - Performing Arts Place of business - 19-21 Margaret St, Wyong	100%	0%	100%	0%
Interests in Subsidiary					
Council's interest in Subsidiary		100%	0%	100%	0%

(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 May 2016		30 June 2015	
Central Coast Water Corporation	Joint venture	Equity	–	–	21	21
Total carrying amounts – material joint ventures and associates			–	–	21	21

(b) Details

Name of entity	Principal activity	Place of business
Central Coast Water Corporation	Strategic decisions about Central Coast water supply	Central Coast

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015
Central Coast Water Corporation	50%	50%	50%	50%	50%	50%

(d) Summarised financial information for joint ventures and associates

Reporting dates of joint ventures and associates

The financial position and performance of joint ventures and associates for the financial year ended 30 June 2016 have been used in these consolidated financial statements.

The joint ventures and arrangements did not have any significant transactions occurring in the period from 13 May 2016 to 30 June 2016 that would have materially affected the consolidated financial statements.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(c) Joint operations

(a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity
Joint water supply authority	Water supply headworks

(b) Council assets employed in the joint operations

12 May 2016 30 June 2015

Council's own assets employed in the operations

Non-current assets

Property, plant and equipment	291,429	326,821
Total assets – Council owned	291,429	326,821

Council's share of assets jointly owned with other partners

Nil		
Total net assets employed – Council and jointly owned	291,429	326,821

(d) Unconsolidated structured entities

Council did not consolidate the following structured entities:

Nature of interests

Council raises special rates and provides funding to the following entities:

The Entrance Town Centre Management Corporation Incorporated
Greater Toukley Vision Incorporated
Wyong Regional Chamber of Commerce Incorporated

This funding is provided so that these entities can market and promote economic development in the specific suburb area where the special rates have been levied. Specific details on each entity and Council's involvement are:

The Entrance Town Centre Management Corporation Incorporated

The Entrance Town Centre Management (TETCM) were reliant upon funding from the Council. The Board were responsible for controlling and managing the affairs of the Corporation. Two Councillors and a General Manager's delegate sit on the eight member TETCM Board. The arrangement was defined in a funding agreement established in 2013 which was due to expire on 30 June 2017. On 27 April 2016 the board of TETCM endorsed the termination agreement related to the funding agreements between the former Wyong Shire Council and TETCM. At the Ordinary meeting of the former Council on 27 Apr 2016 the Council noted the TETCM Board endorsed the termination agreement executed by the Chair and ceased all of its representation on the Board of TETCM; such action to take effect from 2 May 2016 in accordance with Council's adopted Code of Meeting Practice.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(d) Unconsolidated structured entities (continued)

Greater Toukley Vision Incorporated

Greater Toukley Vision (GTV) are reliant upon funding from Council. The Board are responsible for controlling and managing the affairs of the Corporation. One Councillor sits on the six member GTV Board. The arrangement is defined in a funding agreement established in 2013 which will expire on 30 June 2017.

Wyong Regional Chamber of Commerce

Wyong Regional Chamber of Commerce (WRCC) is an entity in its own right, in alliance with the NSW Central Coast Business Chamber and does not rely upon funding from Council. The Board are responsible for controlling and managing the affairs of the Corporation. One Councillor sits on the eight member Board. Council's arrangement with WRCC is defined in a funding agreement established in 2013 which will expire on 30 June 2017.

Nature of risks relating to the Unconsolidated Structured Entity

The carrying amount of assets and liabilities is Nil.

Maximum exposure to loss

Council is not exposed to loss as a result of the above arrangements. Council simply provides funding for specific functions and is not liable for any losses or liability incurred by these entities.

Financial support provided without a contractual obligation

Nil

Current intention to provide financial support

Council will not continue to provide financial support (in return for the delivery of specific functions) under the terms of the existing funding agreements with these entities. This will now be the responsibility of Central Coast Council.

The former Wyong Shire 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 May 2016	Actual 30 June 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		1,584,254	1,364,702
a. Correction of prior period errors	20 (c)	–	183,134
b. Net operating result for the period		62,500	36,418
Balance at end of the reporting period		<u>1,646,754</u>	<u>1,584,254</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		1,320,612	1,345,154
Total		<u>1,320,612</u>	<u>1,345,154</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		1,345,154	1,085,197
– Revaluations for the period	9(a)	(24,542)	259,957
– Balance at end of period		<u>1,320,612</u>	<u>1,345,154</u>
TOTAL VALUE OF RESERVES		<u>1,320,612</u>	<u>1,345,154</u>
(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			
Correction of errors as disclosed in last year's financial statements:			
Recognition of newly discovered road and road inventory assets		–	21,187
Recognition of bulk earthworks for road assets		–	168,463
Adjustment for prior period depreciation on recognition of road and road inventory assets		–	(6,337)
Adjustment for assets at Warnervale Aerodrome		–	(229)
Adjustment for disposal of land		–	50
Total prior period adjustments – prior period errors		<u>–</u>	<u>183,134</u>

The former Wyong Shire 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 (continued)

(d) Voluntary Changes in Accounting Policy

In the interest of good financial management Council will restrict funds from time-to-time to either meet external statutory obligations, such as (restrictions relating to grant funding or developer contributions), or in order to set aside funding for future commitments.

Restricted assets that are internally developed by Council to cover commitments or obligations that are expected to arise in the future and where it is prudent for Council to hold cash in restrictions to cover these obligations (despite there being no legislative requirement) are known as internally restricted assets.

On review of Council's current restrictions for its Water and Sewer operations, Council has derecognised certain cash, receivable and payable restrictions, in line with the current restriction disclosures recorded in the Financial Statements of Wyong Shire Council Water Supply Authority. This change was corrected in the prior period in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

As a result of the above disclosure changes:

- None of the financial information disclosed in the Financial Statements changed
- The restricted and unrestricted balances within Note 6(c), Note 7 and Note 10(a) have changed such that all Wyong Water unrestricted amounts are now recorded as Unrestricted in the consolidated results
- The Unrestricted current ratio in Note 13a(i) has improved

The former Wyong Shire 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 July 2015 - 12 May 2016	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2015 - 12 May 2016
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges ²	15,852	25,591	105,545
User charges and fees	25,407	1,836	31,111
Interest and investment revenue	1,047	1,492	3,179
Other revenues	561	213	6,494
Grants and contributions provided for operating purposes	785	677	20,046
Grants and contributions provided for capital purposes	11,683	3,563	20,591
Total income from continuing operations	55,335	33,372	186,967
Expenses from continuing operations			
Employee benefits and on-costs	5,510	4,742	56,696
Borrowing costs	10,742	1,515	1,906
Materials and contracts	2,964	2,705	20,256
Depreciation and amortisation	16,221	11,943	26,673
Other expenses	9,368	7,183	33,385
Net losses from the disposal of assets	146	248	950
Share of interests in joint ventures and associates using the equity method	-	-	21
Total expenses from continuing operations	44,951	28,336	139,887
Operating result from continuing operations	10,384	5,036	47,080
Discontinued operations			
Net profit/(loss) from discontinued operations	-	-	-
Net operating result for the period	10,384	5,036	47,080
Net operating result attributable to each council fund	10,384	5,036	47,080
Net operating result attributable to non-controlling interests	-	-	-
Net operating result for the period before grants and contributions provided for capital purposes	(1,299)	1,473	26,489

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 Wyong Shire 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	Actual 12 May 2016	Actual 12 May 2016	Actual 12 May 2016
\$ '000			
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	1,542	3,138	9,543
Investments	13,971	28,460	82,530
Receivables	12,306	7,929	36,407
Inventories	–	–	667
Other	–	–	682
Total current assets	27,819	39,527	129,829
Non-current assets			
Investments	19,000	–	–
Receivables	373	9,461	27,329
Infrastructure, property, plant and equipment	960,147	650,878	1,442,166
Intangible assets	14	9	139
Total non-current assets	979,534	660,348	1,469,634
TOTAL ASSETS	1,007,353	699,875	1,599,463
LIABILITIES			
Current liabilities			
Payables	5,288	3,722	34,663
Borrowings	11,276	1,744	658
Provisions	1,581	1,849	21,680
Total current liabilities	18,145	7,315	57,002
Non-current liabilities			
Payables	1,237	–	9,526
Borrowings	162,515	25,749	4,952
Provisions	440	244	52,201
Total non-current liabilities	164,192	25,993	66,679
TOTAL LIABILITIES	182,337	33,308	123,681
Net assets	825,016	666,567	1,475,783
EQUITY			
Retained earnings	363,276	247,658	1,035,820
Revaluation reserves	461,740	418,909	439,963
Total equity	825,016	666,567	1,475,783

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 Wyong Shire 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

The former 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 14 December 2016.

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 Wyong Shire Council to form Central Coast Council

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that the operations of the former Wyong Shire Council would be amalgamated with Gosford City Council to form the new council Central Coast Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Wyong Shire Council to Central Coast Council on 13 May 2016.

The proclamation ensures that any reference in any document to the former Wyong Shire Council is to be read as a reference to Central Coast Council, and that anything done by the former Wyong Shire Council before the amalgamation is taken to have been done by Central Coast 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 Wyong Shire Council and its financial performance for the period 1 July 2015 to 12 May 2016.

The former Wyong Shire Council

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

Note 24. Discontinued operations

\$ '000

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

Note 25. Intangible assets

\$ '000	Actual 12 May 2016	Actual 30 June 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	9,026	9,026
Accumulated amortisation (1/7)	(8,820)	(8,686)
Net book value – opening balance	206	340
Movements for the period		
– Purchases	129	–
– Amortisation charges	(173)	(134)
Closing values:		
Gross book value (12/5/16)	9,155	9,026
Accumulated amortisation (12/5/16)	(8,993)	(8,820)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	162	206

¹ The net book value of intangible assets represent:

– Software	162	206
	162	206

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Council is required by law to restore the present tip sites at Bateau Bay, Mardi, Gwandalan, Tumbi, Shelly Beach, Warnervale, Toukley, Halekulani, and Buttonderry Waste Management Facility at Jilliby at the end of their useful lives. The projected cost of all rehabilitation is \$52.3 M based on engineering estimates and has been discounted to its present value using the 10 year government bond rate.

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12 May 2016	30 June 2015
Contaminated lands	Various	52,259	51,998
Balance at end of the reporting period	10(a)	<u>52,259</u>	<u>51,998</u>

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

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

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

Reconciliation of movement in provision for the period:	12 May 2016	30 June 2015
Balance at beginning of period	51,998	52,522
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	1,447	1,791
Effect of a change in other calculation estimates used	(1,612)	(3,134)
Amortisation of discount (expensed to borrowing costs)	1,552	1,943
Expenditure incurred attributable to provisions	(1,126)	(1,124)
Total – reinstatement, rehabilitation and restoration provision	<u>52,259</u>	<u>51,998</u>

The former Wyong Shire 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

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					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	20,940	20,940
Office equipment	30/06/13	–	–	2,373	2,373
Furniture and fittings	30/06/13	–	–	2,423	2,423
Operational land	30/06/13	–	–	320,657	320,657
Community land	12/05/16	–	–	160,949	160,949
Land under roads (post 30/06/2008)	30/06/14	–	–	532	532
Land improvements – depreciable	30/06/11	–	–	17,449	17,449
Buildings – non specialised	30/06/13	–	–	367	367
Buildings – specialised	30/06/13	–	–	160,563	160,563
Other structures	30/06/11	–	–	16,211	16,211
Roads	30/06/15	–	–	501,350	501,350
Bridges	30/06/15	–	–	12,938	12,938
Footpaths	30/06/15	–	–	32,079	32,079
Bulk earthworks (non depreciable)	30/06/15	–	–	170,361	170,361
Stormwater drainage	30/06/15	–	–	350,836	350,836
Water supply network	12/05/16	–	–	562,711	562,711
Sewerage network	12/05/16	–	–	605,921	605,921
Swimming pools	30/06/11	–	–	2,241	2,241
Other open space/recreational assets	30/06/11	–	–	32,203	32,203
Other Infrastructure assets	30/06/11	–	–	3,567	3,567
Heritage collections	12/05/16	–	–	662	662
Library books	30/06/11	–	–	1,056	1,056
Other assets	30/06/11	–	–	36	36
Tip assets	30/06/11	–	–	6,681	6,681
Total infrastructure, property, plant and equipment		–	–	2,985,106	2,985,106

The former Wyong Shire 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					
Plant and equipment	30/06/13	–	–	19,784	19,784
Office equipment	30/06/13	–	–	2,462	2,462
Furniture and fittings	30/06/13	–	–	1,808	1,808
Operational land	30/06/13	–	–	310,240	310,240
Community land	30/06/11	–	–	123,494	123,494
Land under roads (post 30/06/2008)	30/06/14	–	–	511	511
Land improvements – depreciable	30/06/11	–	–	14,887	14,887
Buildings – non specialised	30/06/13	–	–	364	364
Buildings – specialised	30/06/13	–	–	152,559	152,559
Other structures	30/06/11	–	–	13,149	13,149
Roads	30/06/15	–	–	498,609	498,609
Bridges	30/06/15	–	–	11,925	11,925
Footpaths	30/06/15	–	–	30,616	30,616
Bulk earthworks (non depreciable)	30/06/15	–	–	170,064	170,064
Stormwater drainage	30/06/15	–	–	346,246	346,246
Water supply network	30/06/12	–	–	553,618	553,618
Sewerage network	30/06/12	–	–	671,823	671,823
Swimming pools	30/06/11	–	–	2,273	2,273
Other open space/recreational assets	30/06/11	–	–	39,149	39,149
Heritage collections	30/06/11	–	–	168	168
Library books	30/06/11	–	–	1,007	1,007
Other assets	30/06/11	–	–	36	36
Tip assets	30/06/11	–	–	7,447	7,447
Total infrastructure, property, plant and equipment		–	–	2,972,240	2,972,240

(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 Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive Level 3 fair values

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), or observable inputs (Level 2 inputs) Wyong Water instead utilises unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Wyong Water has employed while utilising Level 3 inputs are as follows:

Infrastructure, property, plant and equipment

Plant and equipment, office equipment and furniture and fittings

Plant and equipment, office equipment and furniture and fittings assets are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. Therefore these assets are disclosed at fair value in the notes.

These asset categories include:

- plant and equipment
 - Major plant items – tractors, excavators, street sweepers, tippers, rollers, forklifts, backhoes, beach cleaners
 - Minor plant items – generators, mowers, weed harvester, trailers, chainsaws, wood chippers, power hand tools
 - Fleet Vehicles – trucks, commercial vehicles and passenger vehicles
- office equipment – computer hardware, communications equipment, digital cameras, photocopiers
- furniture and fittings – work stations, storage cabinets, CCTV, air conditioning units.

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life
- residual value.

Council reviews the value of these assets based on the gross replacement cost of similar assets.

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

Operational land

This asset class is comprised of all Council's land classified as operational land under the Local Government Act 1993. The last valuation was undertaken in 2013 by APV Valuers and Asset Management.

The valuation of the freehold land has been carried out on a market value basis. It has been assessed on the basis of the estimated amount, which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between a willing vendor and a willing purchaser in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets.

The gross current value has been assessed on the basis of replacement cost with a new asset having similar service potential and includes allowances for preliminaries and professional fees.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

This asset class is categorised as Level 3 as some of the inputs used in the valuation of these assets require significant professional judgement and are unobservable.

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

Community land

Community Land assets are comprised of Council owned land classified as Community Land under the Local Government Act 1993 and land under the care and management of Council on behalf of the Crown.

Council values Community Land based on the unimproved land values provided by the Valuer General or an average unit rate based on the land values for similar properties (land use, land size, shape and location) where the Valuer General has not provided a land value based on the highest and best use for the land.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs. As per Office of Local Government Circular 12-09, the asset class was revalued in 2016 with the Valuer General rates as at 1 July 2014.

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

Land under roads

Land under Roads consists of land under roadways and road reserves including land under footpaths, nature strips and median strips as per AASB 1051. Council has elected not to recognise as an asset land under roads acquired before 1 July 2008.

Land under Roads acquired since 1 July 2008 has been recognised in accordance with AASB 116 Property, Plant and Equipment. Where Council has acquired Land under Roads it is recognised at cost where the cost represents fair value. Where the land under roads is dedicated or acquired at nominal value the land is recognised at its fair value.

This asset class was valued by Council staff using the Englobo methodology as outlined in the Local Government Code of Accounting Practice and Financial Reporting Guidelines Update No 22 - June 2014. This asset class is classified as Level 3 as significant inputs used in the Englobo methodology are unobservable.

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

Land improvements

This asset class is comprised of landscaping, estuary protection works and paved public areas. Land improvements are valued using the technical knowledge and experience of Council staff (engineers and asset management) and costs Council has incurred in constructing similar assets. Other significant inputs considered in the valuation of these assets are asset components, pattern of consumption, dimensions, condition ratings and remaining useful life. Asset conditions are based on field inspections using the ratings set out in Special Schedule 7.

This asset class is classified as Level 3 as significant inputs used in the valuation are unobservable.

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

Buildings – non specialised and specialised

Council engaged APV Valuers and Asset Management to value Buildings in 2013. The valuation methodology applied is dependent on whether a market exists to substantiate the value of the asset.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Where a depth in market is identified, the fair value is assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar assets. The net value of the building and site services is the difference between the market value of the asset (as a whole) less the market value of the land component.

Where there is no depth in market the fair value is determined on depreciated current replacement (DCRC) basis. This is calculated by determining the gross current replacement cost and determining the amount of accumulated depreciation to reflect the level of service potential remaining in the asset.

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

This asset class is categorised as Level 3 as some of the inputs used in the valuation of these assets require significant professional judgement and are unobservable.

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

Other structures

This asset class is comprised of shade shelters, retaining walls, playground equipment, fencing, fountains, sea walls and structures which did not meet the definition of a building.

The cost approach has been utilised to value other structures. Valuations are undertaken by Council staff based on the technical knowledge and experience of engineers and asset management staff. Unobservable Level 3 inputs used include useful life, asset condition and pattern of consumption.

The road and road related assets and stormwater drainage assets contained within Holiday Parks and classified in this asset class have been reclassified to roads and drainage asset classes and revalued during the prior year reporting period as part of the roads and drainage asset revaluation.

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

Roads

This asset class is comprised of the road carriageway, car parks, and other road related assets. Council's roads are separated into segments for inspection and valuation and componentised into the surface, sub-base, base and associated earthworks. Other road related assets include bus shelters, footpaths, guard rails, speed humps, kerb and gutter, medians, pedestrian refuges and roundabouts.

The valuation of the asset class, which was undertaken in the previous financial year was performed by Council's experienced asset management staff. The gross replacement cost for each asset was calculated based on a Modern Engineering Equivalent Replacement Asset (MEERA) approach. The replacement cost, useful lives and asset conditions were determined by extracting technical information contained in Council's pavement management system.

Unit rates were determined based on internal data available including the cost to construct similar assets from recent Council projects. Unit rates for the last valuation were adopted from standard rates for NSW roads as outlined in Rawlinson's Construction Handbook (2009) or an indexed rate calculated by Council based on actual costs. The 2009 Rawlinson rates were used for the majority of Council's road assets with the exception of road surfacing where Council's actual cost incurred throughout the Shire was found to be more varied than the standard sprayed seal and asphaltic concrete surfacing rates.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions and road classification. A pavement condition index (PCI) is calculated based on field inspections. This PCI is converted into road technical asset condition ratings 1 (Excellent) to 5 (Very Poor) in accordance with the International Public Works Engineers of Australia (IPWEA) Roads Fair Valuation Guide. The methodology applied by external valuers, GHD, in 2010 was based on asset condition ratings from 0 (New Asset) to 10 (Failed Asset or No Longer in Service).

The road and road related assets contained within Holiday Parks and classified in Other structures have been reclassified to this asset class and revalued during the prior year reporting period. Cycle ways (Shared Paths) assets classified in Land improvements were also transferred to the Roads asset class and revalued during the reporting period.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Bridges

This asset class is comprised of road and foot bridges. The bridges were inspected and valued using the cost approach. The valuation of this asset class undertaken in the prior financial year was performed by Council's experienced asset management staff and engineers. The significant inputs used in valuing bridges included useful life, pattern of consumption and asset condition.

Bridges are assessed by physical inspection in accordance with Roads and Maritime Services guidelines. Condition information is updated as changes are observed through regular inspections. An asset condition rating of 1 (Excellent) to 5 (Very Poor) is applied in accordance with the Roads and Maritime Services Bridge Inspection Procedure Manual. The methodology applied by external valuers, GHD, in 2010 was based on asset condition ratings from 0 (New Asset) to 10 (Failed Asset or No Longer in Service).

Unit rates were determined based on internal data available for the current valuation. Unit rates for the last valuation were adopted from standard rates as outlined in Rawlinson's Construction Handbook or the external valuers cost records.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Footpaths

This asset class is comprised of pedestrian walkways and cycle ways (shared paths). The valuation of the asset class was undertaken in the prior financial year and performed by Council's experienced asset management staff.

The assets in this class are valued using a cost approach and replacement costs (unit rates) and useful lives were determined using technical knowledge and experience of Council's staff. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition.

The assets in this class are assessed by physical inspection. Condition information is updated as changes are observed through regular inspections. An asset condition rating of 1 (Excellent) to 5 (Very Poor) is applied in accordance with the International Public Works Engineers of Australia (IPWEA) Condition Assessment and Asset Performance Guidelines. The methodology applied by external valuers, GHD, in 2010 was based on asset condition ratings from 0 (New Asset) to 10 (Failed Asset or No Longer in Service).

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Bulk earthworks (non-depreciable)

This asset class contains the formation costs for roads, buildings and sporting facilities. Buildings and sporting facilities are recognised and valued at cost and Council assumes that the carrying amount reflects the fair value of these assets.

The formation costs for roads were not previously recognised in the June 2010 asset revaluation. Council has calculated the volume of Bulk earthworks using standards within the Highway Design and Maintenance Standards Model. Unit rates have been determined by Council's experienced staff and based on Council's rates for materials and contracted services.

This asset class has been recognised as non-depreciable as it is not expected that bulk earthworks will need to be renewed during the normal operational use of the assets.

Stormwater drainage

The Stormwater drainage asset class consists of Council's pits, pipes, detention basins, open drains, culverts, floodgates, wetlands, headwalls and gross pollutant traps. The valuation of the asset class, which was undertaken in the prior financial year, was performed by Council's experienced asset management staff using the cost assets approach. Replacement cost is assessed using the MEERA approach.

Stormwater drainage assets contained within Holiday Parks and classified in Other structures have been reclassified to this asset class and revalued during the prior year reporting period.

Replacement costs (unit rates) and useful lives for stormwater drainage assets were determined through a combination of historic data and technical knowledge during the prior valuation, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption.

The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by CCTV investigation undertaken across a representative selection of the Wyong Water's drainage network and assumptions based on age. Due to the availability of historical information for assets with long lives there is some uncertainty on the specifications and dimensions of some assets however data validation processes have been undertaken to reduce this risk. The methodology applied by external valuers, GHD, in 2010 was based on asset condition ratings from 0 (New Asset) to 10 (Failed Asset or No Longer in Service) and applied to a random sample of the drainage network.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Water supply network

This asset class is comprised of water treatment plants, water pump stations, reservoirs, water mains, tunnels, dams, weirs and water meters.

The gross replacement cost approach has been utilised to value the water supply network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would result in recognising an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per AASB 116 Property, Plant and Equipment.

Valuations for dams and weirs, groundwater and treatment plants were undertaken by NSW Public Works. The remaining joint water assets, pump stations, telemetry and valve assets were valued by APV Valuers and Asset Management. The valuation of all other assets was undertaken by Wyong Water's staff based on the technical knowledge and experience of engineers and asset management staff taking into consideration NSW

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Reference Rates issued by the Department of Primary Industries Office of Water and the valuations performed by NSW Public Works and APV.

Unobservable Level 3 inputs used include materials used in the construction of the asset, useful life, asset condition, unit rates and pattern of consumption. As some of the assets have very long lives there is some uncertainty on the specifications and dimensions of some assets however the Water and Sewer Planning section undertook data validation processes to reduce this risk.

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

Sewerage network

This asset class is comprised of sewer treatment plants, sewer pump stations, sewer vacuum systems and sewer mains.

The gross replacement cost approach has been utilised to value the sewerage network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would yield an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per AASB 116 Property, Plant and Equipment.

Sewer Treatment Works plants were valued by NSW Public Works, while vacuum systems and a selection of pump stations were valued by APV Valuers and Asset Management. The remaining asset valuations were undertaken by Wyong Water's staff based on the technical knowledge and experience of engineers and asset management staff taking into consideration NSW Reference Rates issued by the Department of Primary Industries Office of Water.

Unobservable Level 3 inputs used include materials used in the construction of the asset, residual value, useful life, asset condition, unit rates and pattern of consumption. As some of the assets have very long lives there is some uncertainty on the specifications and dimensions of some assets however the Water and Sewer Planning section undertook data validation processes to reduce this risk.

Major sewer rising mains and effluent disposal mains were valued in 2011 by Evans and Peck, who utilised a resource cost approach. This change in methodology has resulted in a reduction in the fair value of sewer mains.

There have been no other changes to the valuation process during the reporting period.

Swimming pools

Assets within this class are comprised of ocean baths, swimming pools and associated structures.

The gross replacement cost approach has been utilised to value this asset class. This approach estimates the gross replacement cost based on MEERA techniques. Valuations are undertaken by Council staff based on the technical knowledge and experience of engineers and asset management staff. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

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

The former Wyong Shire Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Other open space/recreational assets

This asset class is comprised of life guard towers, tennis courts, athletics tracks, picnic shelters, playground equipment, skate parks, fencing and sporting facilities.

This asset class has been valued using the gross replacement cost approach based on MEERA techniques. Valuations are undertaken by Council staff based on the technical knowledge and experience of asset management staff. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption and asset condition. Asset conditions are determined by field inspections using ratings of 1 (Excellent) to 5 (Very Poor).

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

Heritage collections

This asset class is comprised of artwork and sculptures which are recognised and valued at cost.

A stocktake, assessment and valuation of all artwork and sculptures throughout the former Wyong Shire Local Government Area was undertaken by Brenda Colahan Fine Art in 2016. The art collection was valued using the fair market resale value of the assets.

Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption. This asset class is categorised a Level 3 as the inputs used in the valuation of these assets require significant professional judgement. There has been no change in the valuation process during the reporting period.

Library books

Assets included in this asset class consist of library books, journals, magazines, CDs and DVDs which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. There are no major variances between the fair value and carrying amount of these assets and these assets are disclosed at fair value in the notes.

Whilst these assets are recognised at cost with supporting supplier invoices (observable input) the remaining significant inputs (useful life, pattern of consumption and asset condition) are unobservable and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

Other assets

Other assets include miscellaneous assets which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item.

The replacement cost approach has been utilised to value Other assets. Significant unobservable inputs considered in the valuation of these assets are useful life, pattern of consumption and asset condition and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

Tip asset

This asset class includes the tip cells at the Buttonderry Waste Facility which is recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item. Significant unobservable inputs considered in the valuation of these assets are useful life and pattern of consumption and therefore categorised as Level 3. There has been no change to the valuation process during the reporting period.

The former Wyong Shire 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.

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/14	20,816	2,588	1,291	311,913	336,608
Transfers from/(to) another asset class	(6)	–	–	870	864
Purchases (GBV)	3,777	979	771	–	5,527
Disposals (WDV)	(834)	–	–	(2,543)	(3,377)
Depreciation and impairment	(3,969)	(1,105)	(254)	–	(5,328)
Closing balance – 30/6/15	19,784	2,462	1,808	310,240	334,294
Purchases (GBV)	7,057	1,031	1,001	17,952	27,041
Disposals (WDV)	(2,597)	(13)	(17)	(441)	(3,068)
Depreciation and impairment	(3,369)	(1,109)	(366)	–	(4,844)
Transfers from/(to) another asset class	65	2	(3)	(7,094)	(7,030)
Closing balance – 12/5/16	20,940	2,373	2,423	320,657	346,393

	Community land	Land under roads	Land improvement	Buildings non specialised	Total
Opening balance – 1/7/14	124,750	511	19,564	475	145,300
Transfers from/(to) another asset class	(820)	–	(6,549)	–	(7,369)
Purchases (GBV)	–	–	3,056	–	3,056
Disposals (WDV)	(436)	–	–	(42)	(478)
Depreciation and impairment	–	–	(1,184)	(69)	(1,253)
Closing balance – 30/6/15	123,494	511	14,887	364	139,256
Purchases (GBV)	200	21	1,400	55	1,676
Disposals (WDV)	–	–	(1)	–	(1)
Depreciation and impairment	–	–	(874)	(52)	(926)
Transfers from/(to) another asset class	7,048	–	2,037	–	9,085
Revaluation increments/(decrements) to equity (ARR)	30,207	–	–	–	30,207
Closing balance – 12/5/16	160,949	532	17,449	367	179,297

The former Wyong Shire 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)

	Buildings specialised	Other structures	Roads	Bridges	Total
Opening balance – 1/7/14	149,000	13,547	327,262	6,635	496,444
Transfers from/(to) another asset class	(224)	(2,177)	8,867	706	7,172
Purchases (GBV)	7,936	2,630	19,489	1,516	31,572
Disposals (WDV)	(223)	(229)	–	–	(452)
Depreciation and impairment	(3,930)	(622)	(15,554)	(289)	(20,395)
Revaluation increments/(decrements) to equity (ARR)	–	–	148,786	(693)	148,093
Other movements (newly recognised assets)	–	–	9,759	4,050	13,808
Closing balance – 30/6/15	152,559	13,149	498,610	11,925	676,242
Transfers from/(to) another asset class	(47)	544	(461)	(1)	35
Purchases (GBV)	13,401	3,066	16,182	1,255	33,904
Disposals (WDV)	(835)	–	(268)	(48)	(1,151)
Depreciation and impairment	(4,515)	(548)	(12,713)	(193)	(17,969)
Closing balance – 12/5/16	160,563	16,211	501,350	12,938	691,061

	Footpaths	Bulk earthworks	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/14	32,305	3,219	237,154	558,139	830,817
Transfers from/(to) another asset class	(1,566)	–	4,004	–	2,438
Purchases (GBV)	1,180	163	10,902	1,415	13,660
Depreciation and impairment	(655)	–	(3,077)	(14,097)	(17,829)
Revaluation increments/(decrements) to equity (ARR)	(1,727)	(1,777)	97,263	8,161	101,920
Other movements (newly recognised assets)	1,079	168,459	–	–	169,538
Closing balance – 30/6/15	30,616	170,064	346,246	553,618	1,100,545
Purchases (GBV)	2,295	297	8,411	16,133	27,136
Disposals (WDV)	(18)	–	(175)	(9)	(202)
Depreciation and impairment	(814)	–	(3,646)	(12,394)	(16,854)
Revaluation increments/(decrements) to equity (ARR)	–	–	–	5,363	5,363
Closing balance – 12/5/16	32,079	170,361	350,836	562,711	1,115,988

The former Wyong Shire 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)

	Sewerage network	Swimming pools	Open space/ recreational assets	Heritage collections	Total
Opening balance – 1/7/14	669,335	2,290	41,868	169	713,662
Transfers from/(to) another asset class	–	14	(3,162)	–	(3,148)
Purchases (GBV)	5,707	–	2,260	–	7,967
Disposals (WDV)	(307)	–	–	–	(307)
Depreciation and impairment	(12,857)	(31)	(1,817)	(1)	(14,706)
Revaluation increments/(decrements) to equity (ARR)	9,945	–	–	–	9,945
Closing balance – 30/6/15	671,823	2,273	39,149	168	713,413
Transfers from/(to) another asset class	–	(5)	(5,850)	–	(5,855)
Purchases (GBV)	6,587	–	243	20	6,850
Disposals (WDV)	(228)	–	–	–	(228)
Depreciation and impairment	(11,670)	(27)	(1,339)	(5)	(13,041)
Revaluation increments/(decrements) to equity (ARR)	(60,591)	–	–	479	(60,112)
Closing balance – 12/5/16	605,921	2,241	32,203	662	641,027

	Other Infrastructure	Library books	Other assets	Tip assets	Total
Opening balance – 1/7/14	–	1,122	37	177	1,336
Purchases (GBV)	–	297	–	7,963	8,260
Depreciation and impairment	–	(412)	(1)	(693)	(1,106)
Closing balance – 30/6/15	–	1,007	36	7,447	8,490
Transfers from/(to) another asset class	3,651	–	–	–	3,651
Purchases (GBV)	–	230	1	–	231
Disposals (WDV)	–	(2)	–	(766)	(768)
Depreciation and impairment	(84)	(179)	(1)	–	(264)
Closing balance – 12/5/16	3,567	1,056	36	6,681	11,340

The former Wyong Shire 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)

b. The valuation process for level 3 fair value measurements

The revaluation of assets is carried out based on the appropriate methodology for each asset class. The fair value of Water Supply and Sewerage Network assets has been evaluated using a cost approach based on MEERA techniques that would result in recognising an asset to serve the same function as the existing asset, rather than replicate the existing asset. The asset classes Operational Land, Community Land and Buildings Non-Specialised use a market value approach where applicable and Land under Roads encapsulates the Englobo valuation basis.

The significant inputs considered in the valuation of assets to fair value are the asset components, materials used in the construction of the asset, residual values, pattern of consumption, dimensions, condition ratings and remaining useful life. Asset conditions are based on field inspections using ratings aligned with technical asset condition standards for each asset class which aligns to the condition ratings set out in Special Schedule 7. For assets with long lives there is some uncertainty on the specifications and dimensions of some assets however data validation processes have been undertaken to reduce this risk.

Revaluation of assets is undertaken by experienced Council staff or independent valuation consultants depending on the asset class and available information for valuation purposes. Council's asset managers will determine if external valuation consultants are required to be engaged.

Council's asset managers and finance team work together to analyse fair value movements post valuation. In the 2016 reporting period the asset classes Water Supply network, Sewerage network, Community Land and Heritage Collections were revalued.

(5). Highest and best use

The following non-financial assets of Council are being utilised for purposes that do not generate commercial revenues:

Community based assets

Council undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class Community Land comprises Crown land under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.

SPECIAL PURPOSE
FINANCIAL STATEMENTS
FORMER WYONG SHIRE COUNCIL
1 JULY 2015 TO 12 MAY 2016



Pathway Works

The former Wyong Shire 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) On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that the former Wyong Shire Council's operations would be amalgamated with the former Gosford City Council into a new Central Coast Council.

These financial statements have been prepared to reflect the financial position as at 12 May 2016 and the financial performance for the reporting period 1 July 2015 to 12 May 2016 of Wyong Shire Council.

- (iii) 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.

- (iv) 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).

- (v) 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).
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The former Wyong Shire Council

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

Statement by 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:

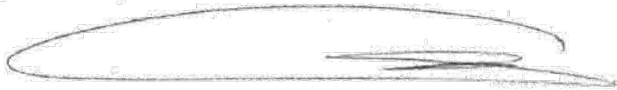
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 Central Coast Council made on 14 December 2016.



Mr Ian Reynolds
Administrator



Mr Rob Noble
Chief Executive Officer



Mr Stephen Naven
Responsible Accounting Officer

The former Wyong Shire Council

Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Income from continuing operations		
Access charges	15,852	17,493
User charges	25,284	27,722
Fees	123	147
Interest	1,047	1,044
Grants and contributions provided for non-capital purposes	785	898
Other income	561	697
Total income from continuing operations	43,652	48,001
Expenses from continuing operations		
Employee benefits and on-costs	5,510	7,959
Borrowing costs	10,742	12,206
Materials and contracts	2,964	3,907
Depreciation and impairment	16,221	17,471
Water purchase charges	158	120
Loss on sale of assets	146	488
Calculated taxation equivalents	260	374
Other expenses	9,210	11,380
Total expenses from continuing operations	45,211	53,905
Surplus (deficit) from continuing operations before capital amounts	(1,559)	(5,904)
Grants and contributions provided for capital purposes	11,683	5,507
Surplus (deficit) from continuing operations after capital amounts	10,124	(397)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from all operations before tax	10,124	(397)
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	10,124	(397)
Plus opening retained profits	352,890	352,913
Plus/less: prior period adjustments	-	-
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	260	374
Less:		
- Tax equivalent dividend paid	-	-
- Surplus dividend paid	-	-
Closing retained profits	363,274	352,890
Return on capital %	0.96%	0.66%
Subsidy from Council	12,996	22,184
Calculation of dividend payable:		
Surplus (deficit) after tax	10,124	(397)
Less: capital grants and contributions (excluding developer contributions)	(7,393)	(2,787)
Surplus for dividend calculation purposes	2,731	-
Potential dividend calculated from surplus	1,366	-

The former Wyong Shire Council

Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Income from continuing operations		
Access charges	25,591	28,353
User charges	825	1,029
Liquid trade waste charges	887	959
Fees	124	148
Interest	1,492	1,851
Grants and contributions provided for non-capital purposes	677	717
Other income	213	238
Total income from continuing operations	29,809	33,295
Expenses from continuing operations		
Employee benefits and on-costs	4,742	6,767
Borrowing costs	1,515	1,686
Materials and contracts	2,705	4,190
Depreciation and impairment	11,943	13,175
Loss on sale of assets	248	306
Calculated taxation equivalents	170	253
Other expenses	7,183	9,858
Total expenses from continuing operations	28,506	36,235
Surplus (deficit) from continuing operations before capital amounts	1,303	(2,940)
Grants and contributions provided for capital purposes	3,563	3,947
Surplus (deficit) from continuing operations after capital amounts	4,866	1,007
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from all operations before tax	4,866	1,007
Less: corporate taxation equivalent (30%) [based on result before capital]	(391)	-
SURPLUS (DEFICIT) AFTER TAX	4,475	1,007
Plus opening retained profits	242,622	247,836
Plus/(less): prior period adjustments	-	(6,474)
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	170	253
- Corporate taxation equivalent	391	-
Less:		
- Tax equivalent dividend paid	-	-
- Surplus dividend paid	-	-
Closing retained profits	247,658	242,622
Return on capital %	0.43%	-0.18%
Subsidy from Council	12,217	22,484
Calculation of dividend payable:		
Surplus (deficit) after tax	4,475	1,007
Less: capital grants and contributions (excluding developer contributions)	(851)	(1,544)
Surplus for dividend calculation purposes	3,624	-
Potential dividend calculated from surplus	1,812	-

The former Wyong Shire Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Waste Management		Care and Education	
	Category 1		Category 1	
	Actual	Actual	Actual	Actual
	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
\$ '000				
Income from continuing operations				
Access charges	32,824	31,460	–	–
User charges	16,281	15,796	2,612	3,072
Interest	88	125	–	–
Grants and contributions provided for non-capital purposes	1,054	1,039	318	436
Other income	600	673	2	1
Total income from continuing operations	50,847	49,093	2,932	3,534
Expenses from continuing operations				
Employee benefits and on-costs	1,877	2,059	2,394	2,484
Borrowing costs	1,552	1,943	–	–
Materials and contracts	21,570	23,519	720	787
Depreciation and impairment	1,079	1,009	78	83
Loss on sale of assets	–	–	1	–
Calculated taxation equivalents	104	109	122	139
Other expenses	13,280	11,910	53	73
Total expenses from continuing operations	39,462	40,549	3,368	3,566
Surplus (deficit) from continuing operations before capital amounts	11,385	8,544	(436)	(32)
Grants and contributions provided for capital purposes	–	269	–	–
Surplus (deficit) from continuing operations after capital amounts	11,385	8,813	(436)	(32)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	11,385	8,813	(436)	(32)
Less: corporate taxation equivalent (30%) [based on result before capital]	(3,416)	(2,563)	–	–
SURPLUS (DEFICIT) AFTER TAX	7,969	6,250	(436)	(32)
Plus opening retained profits	63,819	54,897	(8,429)	(8,536)
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	104	109	122	139
– Corporate taxation equivalent	3,416	2,563	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
Closing retained profits	75,308	63,819	(8,743)	(8,429)
Return on capital %	55.48%	43.60%	-8.29%	-0.59%
Subsidy from Council	–	–	558	193

The former Wyong Shire Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Holiday Parks	
	Category 1	
	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
\$ '000		
Income from continuing operations		
User charges	8,795	9,320
Total income from continuing operations	8,795	9,320
Expenses from continuing operations		
Employee benefits and on-costs	187	218
Borrowing costs	–	13
Materials and contracts	2,715	3,420
Depreciation and impairment	551	732
Calculated taxation equivalents	420	454
Other expenses	3,043	3,290
Total expenses from continuing operations	6,916	8,127
Surplus (deficit) from continuing operations before capital amounts	1,879	1,193
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	1,879	1,193
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,879	1,193
Less: corporate taxation equivalent (30%) [based on result before capital]	(564)	(358)
SURPLUS (DEFICIT) AFTER TAX	1,315	835
Plus opening retained profits	15,100	13,453
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	420	454
– Corporate taxation equivalent	564	358
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	17,399	15,100
Return on capital %	6.80%	4.40%
Subsidy from Council	–	–

The former Wyong Shire Council

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

\$ '000	Actual 12 May 2016	Actual 30 June 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,542	1,780
Investments	13,971	4,431
Receivables	12,306	15,839
Total current assets	27,819	22,050
Non-current assets		
Investments	19,000	25,000
Receivables	373	407
Infrastructure, property, plant and equipment	960,147	955,913
Intangible assets	14	34
Total non-current assets	979,534	981,354
TOTAL ASSETS	1,007,353	1,003,404
LIABILITIES		
Current liabilities		
Payables	5,288	8,819
Borrowings	11,276	10,825
Provisions	1,581	1,950
Total current liabilities	18,145	21,594
Non-current liabilities		
Payables	1,237	585
Borrowings	162,515	171,119
Provisions	440	200
Total non-current liabilities	164,192	171,904
TOTAL LIABILITIES	182,337	193,498
NET ASSETS	825,016	809,906
EQUITY		
Retained earnings	363,276	352,890
Revaluation reserves	461,740	457,016
Council equity interest	825,016	809,906
Non-controlling equity interest	-	-
TOTAL EQUITY	825,016	809,906

The former Wyong Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 12 May 2016

\$ '000	Actual 12 May 2016	Actual 30 June 2015
ASSETS		
Current assets		
Cash and cash equivalents	3,138	11,119
Investments	28,460	26,404
Receivables	7,929	3,486
Other	–	57
Total Current Assets	39,527	41,066
Non-current assets		
Investments	–	–
Receivables	9,461	9,692
Infrastructure, property, plant and equipment	650,878	705,942
Intangible assets	9	20
Total non-current assets	660,348	715,654
TOTAL ASSETS	699,875	756,720
LIABILITIES		
Current liabilities		
Payables	3,722	3,210
Borrowings	1,744	1,687
Provisions	1,849	1,411
Total current liabilities	7,315	6,308
Non-current liabilities		
Payables	–	1,063
Borrowings	25,749	27,070
Provisions	244	156
Total non-current liabilities	25,993	28,289
TOTAL LIABILITIES	33,308	34,597
NET ASSETS	666,567	722,123
EQUITY		
Retained earnings	247,658	242,622
Revaluation reserves	418,909	479,501
Council equity interest	666,567	722,123
Non-controlling equity interest	–	–
TOTAL EQUITY	666,567	722,123

The former Wyong Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Waste Management		Care and Education	
	Category 1		Category 1	
	Actual 12 May 2016	Actual 30 June 2015	Actual 12 May 2016	Actual 30 June 2015
ASSETS				
Current assets				
Investments	108,165	103,039	–	–
Receivables	8,735	2,776	860	162
Total Current Assets	116,900	105,815	860	162
Non-current assets				
Receivables	–	3	–	–
Infrastructure, property, plant and equipment	23,319	24,055	5,260	5,395
Total non-current assets	23,319	24,058	5,260	5,395
TOTAL ASSETS	140,219	129,873	6,120	5,557
LIABILITIES				
Payables	4,168	5,278	–	206
Borrowings	–	–	10,412	9,168
Provisions	4,022	1,534	700	804
Total current liabilities	8,190	6,812	11,112	10,178
Non-current liabilities				
Provisions	48,629	51,150	161	218
Total non-current liabilities	48,629	51,150	161	218
TOTAL LIABILITIES	56,819	57,962	11,273	10,396
NET ASSETS	83,400	71,911	(5,153)	(4,839)
EQUITY				
Retained earnings	75,308	63,819	(8,743)	(8,429)
Revaluation reserves	8,092	8,092	3,590	3,590
Council equity interest	83,400	71,911	(5,153)	(4,839)
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	83,400	71,911	(5,153)	(4,839)

The former Wyong Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Holiday Parks	
	Category 1	
	Actual 12 May 2016	Actual 30 June 2015
ASSETS		
Current assets		
Investments	5,535	9,231
Receivables	1,913	277
Total Current Assets	7,448	9,508
Non-current assets		
Infrastructure, property, plant and equipment	27,634	27,426
Total non-current assets	27,634	27,426
TOTAL ASSETS	35,082	36,934
LIABILITIES		
Current liabilities		
Payables	456	860
Borrowings	–	3,740
Provisions	44	48
Total current liabilities	500	4,648
Non-current liabilities		
Provisions	10	13
Total non-current liabilities	10	13
TOTAL LIABILITIES	510	4,661
NET ASSETS	34,572	32,273
EQUITY		
Retained earnings	17,399	15,100
Revaluation reserves	17,173	17,173
Council equity interest	34,572	32,273
Non-controlling equity interest	–	–
TOTAL EQUITY	34,572	32,273

The former Wyong Shire 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	15
3	Sewerage Business Best-Practice Management disclosure requirements	17

The former Wyong Shire 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 Special Purpose Financial Statements (SPFS) prepared for use by the former Wyong Shire Council and the Office of Local Government.

For the purposes of these statements, Council is a non-reporting not-for-profit entity. These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

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 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 the 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. Water supplies

Water catchment, treatment and supply; stormwater drainage

b. Sewerage services

Sewerage collection, treatment and disposal

c. Waste management

Collection and disposal of household and commercial waste

d. Care and education

Provision of child care centres

e. Holiday parks

Provision of holiday parks

Category 2

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

None

Monetary amounts

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

The former Wyong Shire Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

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.

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

Achievement of substantial compliance to the NSW Office of Water guidelines is not a prerequisite for the

payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of 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/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since this taxation equivalent is notional – that is, it is payable to the Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the Council's Special 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 the 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 Wyong Shire 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.

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

In accordance with the NSW Office of Water 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.

(iii) Return on investments (rate of return)

The National Competition 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'. Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return on capital is disclosed for each of the Council's business activities on the Income Statement and is calculated as follows:

Operating result before capital income + interest expense

Written down value of IPPE 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 May 2016.

(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 NSW Office of Water 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).

The former Wyong Shire 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 May 2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	260,000
(ii)	Number of assessments multiplied by \$3/assessment	192,069
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	192,069
(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]	1,365,727
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	1,728,621
(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	(4,447,614)

2016 Surplus	2,731,453	2015 Surplus	(3,184,107)	2014 Surplus	(3,994,960)
		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 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
	– 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 Wyong Shire 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 May 2016

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	54,288
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)]	%	61.46%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	959,960
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	15,085
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	16,536
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.39%
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 Wyong Shire 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 May 2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	170,000
(ii)	Number of assessments multiplied by \$3/assessment	186,387
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	170,000
(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]	1,812,242
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	1,693,870
(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	(1,986)

2016 Surplus	3,624,484	2015 Surplus	(537,049)	2014 Surplus	(3,089,421)
		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
	(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 Wyong Shire 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 May 2016**National Water Initiative (NWI) financial performance indicators**

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	31,880
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	650,516
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	14,630
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	17,423
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)]	%	0.82%
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	85,774
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.29%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	33,959
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.76%
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 Wyong Shire 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 May 2016
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 + s35) – total liabilities (w40 + s41)]	% 9.06%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 28,289 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: 9,718 Interest expense (w4a + s4a) – interest income (w9 + s10)	2.91
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 15,420
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000 1,106

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

SPECIAL SCHEDULES
FORMER WYONG SHIRE COUNCIL
1 JULY 2015 TO 12 MAY 2016



Half Marathon Girls by Rosie Wood
2014 Exposure Photography Competition

The former Wyong Shire 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 Wyong Shire 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	1,149	–	–	(1,149)
Administration	6,813	5,449	12,240	10,876
Public order and safety				
Fire service levy, fire protection, emergency services	4,209	544	575	(3,090)
Beach control	1,182	4	–	(1,178)
Enforcement of local government regulations	3,017	934	–	(2,083)
Animal control	436	200	–	(236)
Total public order and safety	8,844	1,682	575	(6,587)
Health	(33)	477	–	510
Environment				
Noxious plants and insect/vermin control	155	45	–	(110)
Other environmental protection	2,014	432	47	(1,535)
Solid waste management	34,344	41,322	–	6,978
Drainage	6,755	7,277	7,023	7,545
Total environment	43,268	49,076	7,070	12,878
Community services and education				
Administration and education	1,807	62	–	(1,745)
Aged persons and disabled	110	35	–	(75)
Children's services	3,298	2,967	–	(331)
Total community services and education	5,215	3,064	–	(2,151)
Housing and community amenities				
Public cemeteries	159	211	–	52
Public conveniences	1,111	–	–	(1,111)
Street lighting	2,888	412	–	(2,476)
Town planning	7,659	3,152	–	(4,507)
Total housing and community amenities	11,817	3,775	–	(8,042)
Water supplies	37,666	35,663	4,759	2,756
Sewerage services	27,728	29,214	3,562	5,048

The former Wyong Shire 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	4,331	447	35	(3,849)
Art galleries	12	–	–	(12)
Community centres and halls	5,404	3,155	160	(2,089)
Performing arts venues	957	–	326	(631)
Other cultural services	640	–	–	(640)
Sporting grounds and venues	5,094	189	125	(4,780)
Swimming pools	835	–	–	(835)
Parks and gardens (lakes)	10,494	1,986	1,199	(7,309)
Other sport and recreation	1,436	–	642	(794)
Total recreation and culture	29,203	5,777	2,487	(20,939)
Mining, manufacturing and construction				
Building control	(1)	1,353	–	1,354
Total mining, manufacturing and const.	(1)	1,353	–	1,354
Transport and communication				
Urban roads (UR) – local	19,838	1,326	1,895	(16,617)
Urban roads – regional	498	498	3,113	3,113
Unsealed rural roads (URR) – local	753	–	–	(753)
Bridges on SRR – local	293	–	4	(289)
Parking areas	40	–	–	(40)
Footpaths	1,541	–	45	(1,496)
Aerodromes	548	(87)	–	(635)
Other transport and communication	5,464	737	87	(4,640)
Total transport and communication	28,975	2,474	5,144	(21,357)
Economic affairs				
Camping areas and caravan parks	6,495	8,795	–	2,300
Other economic affairs	4,708	199	–	(4,509)
Total economic affairs	11,203	8,994	–	(2,209)
Totals – functions	211,847	146,998	35,837	(29,012)
General purpose revenues ⁽¹⁾		91,533		91,533
Share of interests – joint ventures and associates using the equity method	21	–		(21)
NET OPERATING RESULT ⁽²⁾	211,868	238,531	35,837	62,500

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As per the Income Statement grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

The former Wyong Shire 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)											
Financial institutions	12,084	166,014	178,098	–	9,144	–	–	10,479	12,502	156,452	168,954
Total loans	12,084	166,014	178,098	–	9,144	–	–	10,479	12,502	156,452	168,954
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	12,084	166,014	178,098	–	9,144	–	–	10,479	12,502	156,452	168,954

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 Wyong Shire Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act 1993*]
for the period 1 July 2015 to 12 May 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the period (principal and interest)	Principal outstanding at end of period
Water	40,000	2,992	37,940
Totals	40,000	2,992	37,940

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.
The rate of interest is set at the WACC for Council borrowing and is reset each year

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during period (princ. and int.)	Principal outstanding at end of period
Water	General	Not required	30/06/13	20	30/06/33	6.15%	20,000	1,434	18,395
Water	Sewer	26/02/15	26/02/15	20	21/02/35	6.15%	10,000	778	9,741
Water	General	Not required	31/05/15	20	26/05/35	6.15%	10,000	780	9,804
Totals							40,000	2,992	37,940

The former Wyong Shire 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	Actuals
	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,573	4,189
b. Engineering and supervision	2,063	2,381
2. Operation and maintenance expenses		
– Dams and Weirs		
a. Operation expenses	645	509
b. Maintenance expenses	59	60
– Mains		
c. Operation expenses	1,528	2,045
d. Maintenance expenses	2,011	3,558
– Reservoirs		
e. Operation expenses	299	196
f. Maintenance expenses	617	385
– Pumping stations		
g. Operation expenses (excluding energy costs)	244	473
h. Energy costs	864	894
i. Maintenance expenses	391	426
– Treatment		
j. Operation expenses (excluding chemical costs)	1,474	2,409
k. Chemical costs	777	820
l. Maintenance expenses	345	442
– Other		
m. Operation expenses	23	1,251
n. Maintenance expenses	14	100
o. Purchase of water	158	120
3. Depreciation expenses		
a. System assets	15,948	17,150
b. Plant and equipment	273	321
4. Miscellaneous expenses		
a. Interest expenses	10,742	12,206
b. Revaluation decrements	–	–
c. Other expenses	2,757	3,108
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
5. Total expenses	44,805	53,043

The former Wyong Shire 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 July 2015 - 12 May 2016	Actuals 1 July 2014 - 30 June 2015
Income		
6. Residential charges		
a. Access (including rates)	15,852	17,493
b. Usage charges	25,284	27,722
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	–	–
9. Interest income	1,047	1,044
10. Other income	684	844
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	61
b. Grants for pensioner rebates	557	702
c. Other grants	228	196
12. Contributions		
a. Developer charges	3,895	2,572
b. Developer provided assets	7,788	2,874
c. Other contributions	–	–
13. Total income	<u>55,335</u>	<u>53,508</u>
14. Gain (or loss) on disposal of assets	(146)	(488)
15. Operating result	<u>10,384</u>	<u>(23)</u>
15a. Operating result (less grants for acquisition of assets)	10,384	(84)

The former Wyong Shire 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	Actuals
	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	-	-
b. New assets for growth	8,450	3,471
c. Renewals	8,086	12,368
d. Plant and equipment	-	7
17. Repayment of debt	8,153	10,234
18. Totals	24,689	26,080
Non-operating funds employed		
19. Proceeds from disposal of assets	-	-
20. Borrowing utilised	-	20,000
21. Totals	-	20,000
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	59,965	59,381
b. Residential (unoccupied, ie. vacant lot)	1,005	904
c. Non-residential (occupied)	2,586	2,381
d. Non-residential (unoccupied, ie. vacant lot)	467	739
23. Number of ETs for which developer charges were received	- ET	- ET
24. Total amount of pensioner rebates (actual dollars)	\$ 1,087,209	\$ 1,261,673

The former Wyong Shire 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	14,834	17,645	32,479
b. Special purpose grants	3	1,355	1,358
c. Accrued leave	284	–	284
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	392	–	392
26. Receivables			
a. Specific purpose grants	554	–	554
b. Rates and availability charges	2,570	–	2,570
c. User charges	8,377	–	8,377
d. Other	805	373	1,178
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	959,959	959,959
b. Plant and equipment	–	188	188
29. Other assets	–	14	14
30. Total assets	<u>27,819</u>	<u>979,534</u>	<u>1,007,353</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	5,288	1,237	6,525
33. Borrowings	11,276	162,515	173,791
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	1,581	440	2,021
35. Total liabilities	<u>18,145</u>	<u>164,192</u>	<u>182,337</u>
36. NET ASSETS COMMITTED	<u>9,674</u>	<u>815,342</u>	<u>825,016</u>
EQUITY			
37. Accumulated surplus			363,276
38. Asset revaluation reserve			461,740
39. TOTAL EQUITY			<u>825,016</u>
Note to system assets:			
40. Current replacement cost of system assets			1,428,256
41. Accumulated current cost depreciation of system assets			(468,296)
42. Written down current cost of system assets			<u>959,960</u>

The former Wyong Shire 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 July 2015 - 12 May 2016	Actuals 1 July 2014 - 30 June 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,281	3,062
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– Mains		
a. Operation expenses	969	1,669
b. Maintenance expenses	1,145	1,686
– Pumping stations		
c. Operation expenses (excluding energy costs)	1,336	2,686
d. Energy costs	868	1,010
e. Maintenance expenses	1,965	2,234
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	3,932	5,286
g. Chemical costs	124	112
h. Energy costs	883	1,262
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	1,015	1,543
– Other		
l. Operation expenses	112	197
m. Maintenance expenses	–	68
3. Depreciation expenses		
a. System assets	11,671	12,857
b. Plant and equipment	272	318
4. Miscellaneous expenses		
a. Interest expenses	1,515	1,686
b. Revaluation decrements	–	–
c. Other expenses	–	–
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	28,088	35,676

The former Wyong Shire 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 July 2015 - 12 May 2016	Actuals 1 July 2014 - 30 June 2015
Income		
6. Residential charges (including rates)	23,918	26,376
7. Non-residential charges		
a. Access (including rates)	1,673	1,977
b. Usage charges	825	1,029
8. Trade waste charges		
a. Annual fees	173	246
b. Usage charges	714	713
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,492	1,851
11. Other income	337	384
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	549	672
c. Other grants	128	45
13. Contributions		
a. Developer charges	2,644	2,403
b. Developer provided assets	919	1,544
c. Other contributions	–	–
14. Total income	<u>33,372</u>	<u>37,240</u>
15. Gain (or loss) on disposal of assets	(248)	(306)
16. Operating result	<u>5,036</u>	<u>1,258</u>
16a. Operating result (less grants for acquisition of assets)	5,036	1,258

The former Wyong Shire 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	Actuals
	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	850	1,794
c. Renewals	16,573	9,717
d. Plant and equipment	–	–
18. Repayment of debt	1,264	1,169
19. Totals	18,687	12,680
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	5,900
22. Totals	–	5,900
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	58,558	58,045
b. Residential (unoccupied, ie. vacant lot)	924	914
c. Non-residential (occupied)	2,502	2,354
d. Non-residential (unoccupied, ie. vacant lot)	145	156
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 1,050,514	\$ 1,220,980

The former Wyong Shire 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	8,155	–	8,155
b. Special purpose grants	–	–	–
c. Accrued leave	345	–	345
d. Unexpended loans	2,306	–	2,306
e. Sinking fund	–	–	–
f. Other	20,792	–	20,792
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	3,735	–	3,735
c. User charges	120	–	120
d. Other	4,074	9,461	13,535
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	650,516	650,516
b. Plant and equipment	–	358	358
30. Other assets	–	9	9
31. Total assets	<u>39,527</u>	<u>660,344</u>	<u>699,871</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	3,722	–	3,722
34. Borrowings	1,744	25,749	27,493
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	1,849	244	2,093
36. Total liabilities	<u>7,315</u>	<u>25,993</u>	<u>33,308</u>
37. NET ASSETS COMMITTED	<u>32,212</u>	<u>634,351</u>	<u>666,563</u>
EQUITY			
38. Accumulated surplus			247,654
39. Asset revaluation reserve			418,909
40. TOTAL EQUITY			<u>666,563</u>
Note to system assets:			
41. Current replacement cost of system assets			1,008,977
42. Accumulated current cost depreciation of system assets			(358,461)
43. Written down current cost of system assets			<u>650,516</u>

The former Wyong Shire 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.

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 10a of Special Schedule 3 and item 11a 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 Wyong Shire 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 – non-specialised	60	–	75	80	788	4,130	21.3%	40.3%	34.5%	2.0%	1.9%
	Buildings – specialised	169	–	3,454	2,655	160,142	189,880	64.3%	30.2%	5.1%	0.3%	0.1%
	Sub-total	229	–	3,529	2,735	160,930	194,010	63.4%	30.4%	5.7%	0.3%	0.1%
Other structures	Other structures	82	–	289	380	16,211	22,273	27.3%	32.2%	38.4%	2.1%	0.0%
	Sub-total	82	–	289	380	16,211	22,273	27.3%	32.2%	38.4%	2.1%	0.0%
Roads	Roads	22,347	–	5,325	8,396	501,350	802,021	14.0%	39.0%	41.5%	5.3%	0.2%
	Bridges	193	–	308	230	12,938	17,797	54.2%	37.0%	5.3%	2.4%	1.1%
	Footpaths	47	–	816	546	32,079	47,120	13.9%	78.2%	7.3%	0.6%	0.0%
	Sub-total	22,587	–	6,449	9,172	546,367	866,938	14.8%	41.1%	38.9%	5.0%	0.2%
Water supply network	Water supply network	5,392	–	6,803	3,378	562,711	908,460	48.7%	18.5%	30.3%	2.1%	0.4%
	Sub-total	5,392	–	6,803	3,378	562,711	908,460	48.7%	18.5%	30.3%	2.1%	0.4%
Sewerage network	Sewerage network	9,061	–	5,414	4,864	605,921	962,909	15.1%	39.9%	41.9%	2.1%	1.0%
	Sub-total	9,061	–	5,414	4,864	605,921	962,909	15.1%	39.9%	41.9%	2.1%	1.0%

The former Wyong Shire 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
Stormwater drainage	Stormwater drainage	6,027	–	2,052	2,627	350,836	473,854	17.1%	62.3%	18.9%	0.2%	1.5%
	Sub-total	6,027	–	2,052	2,627	350,836	473,854	17.1%	62.3%	18.9%	0.2%	1.5%
Open space/recreational assets	Swimming pools	–	–	155	77	2,241	5,952	0.0%	67.7%	32.3%	0.0%	0.0%
	Other Open Space /Recreational Assets	62	–	603	3,945	32,203	46,370	44.5%	50.6%	4.3%	0.6%	0.0%
	Sub-total	62	–	758	4,022	34,444	52,322	39.4%	52.5%	7.5%	0.5%	0.0%
Other infrastructure assets	Other Infrastructure	37	–	59	65	3,567	4,554	61.8%	31.4%	2.2%	4.6%	0.0%
	Sub-total	37	–	59	65	3,567	4,554	61.8%	31.4%	2.2%	4.6%	0.0%
	TOTAL – ALL ASSETS	43,477	–	25,353	27,243	2,280,987	3,485,320	27.3%	37.3%	32.4%	2.4%	0.6%

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 Wyong Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Prior periods	
			30/6/15	30/6/14
Infrastructure asset performance indicators *				
consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	58,566	122.03%	100.34%	112.74%
Depreciation, amortisation and impairment	47,995			
2. Infrastructure backlog ratio				
(a) Based on written down value of infrastructure assets				
Estimated cost to bring assets to a satisfactory condition	43,477	1.91%	1.94%	3.09%
Total written down value of infrastructure, building, other structures and depreciable land improvement assets	2,280,987			
(b) Based on gross replacement cost of infrastructure assets				
Estimated cost to bring assets to a satisfactory condition	43,477	1.25%	1.27%	2.00%
Total gross replacement cost of infrastructure, building, other structures and depreciable land improvement assets	3,485,320			
3. Asset maintenance ratio				
Actual asset maintenance	27,243	1.07	1.07	1.00
Required asset maintenance	25,353			
4. Capital expenditure ratio				
Annual capital expenditure	91,391	1.67	1.52	1.43
Annual depreciation	54,837			

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 Wyong Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 1 July 2015 to 12 May 2016



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

Purpose of asset renewals ratio

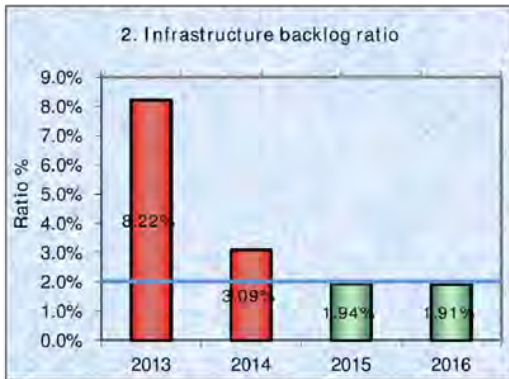
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 12/5/16 result

12/5/16 ratio 122.03%

A ratio of 1:1 indicates that the amount spent on asset renewals equals the amount of depreciation. Council's performance has improved in recent years due to the allocation of revenue from Council's Special Rate Variation to infrastructure renewal works. Council remains committed to maintaining financial sustainability and decreasing the infrastructure backlog.

Ratio achieves benchmark
Ratio is outside benchmark



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

Purpose of infrastructure backlog ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 1.91%

In June 2013, Council was successful in gaining approval for a Special Rate Variation for a period of 4 years. In accordance with the IPART approval, the additional rate income must be used to reduce the funding shortfall required to return Council's General Fund assets to a satisfactory condition. Council has allocated this funding to addressing the backlog, beginning to reverse a long-term decline in asset conditions and has led to an improvement to this ratio.

Ratio achieves benchmark
Ratio is outside benchmark



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

Purpose of asset maintenance ratio

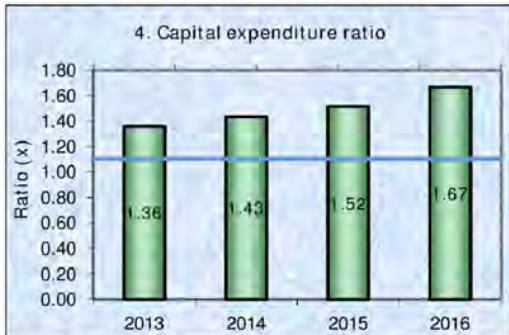
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 12/5/16 result

12/5/16 ratio 1.07 x

Council's asset maintenance ratio has exceeded the benchmark of 1. Council will continue to work to maintain and improve this benchmark.

Ratio achieves benchmark
Ratio is outside benchmark



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

Purpose of capital expenditure ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 1.67 x

Council's capital expenditure ratio continues to be above benchmark reflecting its significant capital expenditure program, and ongoing commitment to addressing the infrastructure backlog.

Ratio achieves benchmark
Ratio is outside benchmark

The former Wyong Shire 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⁾	44.96%	139.11%	173.87%
Depreciation, amortisation and impairment	prior period: 67.59%	74.72%	143.36%
2. Infrastructure backlog ratio			
(a) Based on Written Down Value of Infrastructure Assets			
Estimated cost to bring assets to a satisfactory condition	1.26%	1.49%	3.03%
Total written down value of infrastructure, building, other structures and depreciable land improvement assets	prior period: 0.88%	1.12%	3.91%
(b) Based on Gross Replacement Cost of Infrastructure Assets			
Estimated cost to bring assets to a satisfactory condition	0.83%	0.94%	2.02%
Total gross replacement cost of infrastructure, building, other structures and depreciable land improvement assets	prior period: 0.56%	0.75%	2.68%
3. Asset maintenance ratio			
Actual asset maintenance	0.53	0.88	1.62
Required asset maintenance	prior period: 0.67	0.99	1.47
4. Capital expenditure ratio			
Annual capital expenditure	1.02	1.46	2.15
Annual depreciation	prior period: 0.91	0.87	2.15

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.

FINANCIAL REPORTS
WATER SUPPLY AUTHORITY
FORMER WYONG SHIRE COUNCIL
1 JULY 2015 TO 12 MAY 2016



Wyong Water

100% owned and operated by Wyong Shire Council

Memorial Park, The Entrance

The former Wyong Shire Council Water Supply Authority

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 Wyong Shire Council Water Supply Authority .
- (ii) The former Wyong Shire Council Water Supply Authority is a water supply authority by proclamation of the Water Management Act 2000 and carries out the following functions:
- maintain and operate water management works and other associated works including sewerage and drainage services, and
 - to conduct research, collect information and develop technology in relation to water management.
- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Central Coast Council on 14 December 2016. Council has the power to amend and reissue these financial statements.

The former Wyong Shire Council Water Supply Authority

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

Understanding the reporting entity's financial statements

Reporting Entity

The former Wyong Shire Council, within its overall statutory responsibilities, is a statutory authority for water supply and related purposes. Wyong Shire Council Water Supply Authority (Wyong Water) is a water supply authority by proclamation of the Water Management Act 2000.

What you will find in the statements

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that the former Wyong Shire Council's operations would be amalgamated with the former Gosford City Council into a new Central Coast Council.

Any reference to Wyong Shire Council or Wyong Water refers to the former Wyong Shire Council or former Wyong Water.

These financial statements have been prepared to reflect the financial position as at 12 May 2016 and the financial performance for the reporting period 1 July 2015 to 12 May 2016 of Wyong Water.

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 Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' Wyong Water'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 Wyong Water's financial performance for the period 1 July 2015 to 12 May 2016, listing all income and expenses.

The accounting treatment for revenue in the Income Statement for the reporting period to 12 May 2016 complies with the Code of Accounting Practice and

Financial Reporting (Code) update 24(b) supplement which was issued on 28 September 2016. All income and expenditure reflects the statutory reporting period.

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

This statement is an end of period snapshot of Wyong Water'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 Wyong Water's 'net wealth'.

5. The Statement of Cash Flows

This statement indicates where Wyong Water's cash came from and where it was spent.

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.

Annual charges are levied quarterly with ratepayers having the option to make payments based on quarterly due dates in August, November, February and May. As the proclamation was made on 12 May 2016 the fourth instalment due on 31 May was not due for payment. This has resulted in a higher than normal outstanding balance as at the reporting date.

This has negatively impacted Wyong Water's Rates and Annual Charges Outstanding benchmark ratio contained within Note 13(a) and Note 13(b).

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.

The former Wyong Shire Council Water Supply Authority**General Purpose Financial Statements**
for the period 1 July 2015 to 12 May 2016**Statement by Management**

made pursuant to Section 41c(1b) and 1(c) of the Public Finance and Audit Act 1983


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

- The Public Finance and Audit Act 1983 and The Public Finance and Audit Regulation 2015.
- The Australian Accounting Standards (which include Australian Accounting Interpretations).
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these financial statements exhibit the true and fair financial position and financial performance of Wyong Water.

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 Central Coast Council made on 14 December 2016.


Mr Ian Reynolds
Administrator
Mr Rob Noble
Chief Executive Officer
Mr Stephen Naven
Responsible Accounting Officer

The former Wyong Shire Council Water Supply Authority

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget 1/7/15 - 30/6/16	\$ '000	Notes	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Income from continuing operations				
Revenue:				
n/a	Rates and annual charges	3a	41,618	46,092
n/a	User charges and fees	3b	27,662	30,390
n/a	Interest and investment revenue	3c	2,016	2,671
n/a	Other revenues	3d	185	304
n/a	Grants and contributions provided for operating purposes	3e,f	1,462	1,615
n/a	Grants and contributions provided for capital purposes	3e,f	15,241	9,454
n/a	Total income from continuing operations		88,184	90,526
Expenses from continuing operations				
n/a	Employee benefits and on-costs	4a	10,251	14,726
n/a	Borrowing costs	4b	11,734	13,668
n/a	Materials and contracts	4c	5,826	8,217
n/a	Depreciation, amortisation and impairment	4d	28,164	30,646
n/a	Other expenses	4e	16,394	21,238
n/a	Net losses from the disposal of assets	5	395	794
n/a	Total expenses from continuing operations		72,764	89,289
n/a	Operating result from continuing operations		15,420	1,237
Discontinued operations				
n/a	Operating result from discontinued operations	24	-	-
n/a	Net operating result for the period		15,420	1,237
Attributable to:				
n/a	Wyong Water		15,420	1,237
n/a	Non-controlling interests		-	-
n/a	Net operating result for the period before grants and contributions provided for capital purposes		179	(8,217)

¹ Original budget as approved by Council is not required for these financial statements as the former Wyong Shire Council has been amalgamated with the former Gosford City Council and has a statutory reporting period from 1 July 2015 to 12 May 2016 as per the Local Government (Council Amalgamations) Proclamation 2016.

The former Wyong Shire Council Water Supply Authority

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

\$ '000	Notes	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Net operating result for the period (as per Income Statement)		15,420	1,237
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of Infrastructure, Property, Plant and Equipment	20b (ii)	(55,868)	115,367
Amounts which will not be reclassified subsequently to the operating result		(55,868)	115,367
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the period		(55,868)	115,367
Total comprehensive income for the period		(40,448)	116,604
Total comprehensive income attributable to Wyong Water		(40,448)	116,604
Total comprehensive income attributable to non-controlling interests		-	-

The former Wyong Shire Council Water Supply Authority

Statement of Financial Position
as at 12 May 2016

\$ '000	Notes	Actual 12 May 2016	Restated* Actual 30 June 2015	Restated* Actual 1 July 2014
ASSETS				
Current assets				
Cash and cash equivalents	6a	4,680	12,899	15,269
Investments	6b	42,431	30,834	21,492
Receivables	7	19,956	19,075	18,538
Inventories	8	-	-	503
Other	8	-	57	-
Non-current assets classified as 'held for sale'	22	-	-	-
Total current assets		67,067	62,865	55,802
Non-current assets				
Investments	6b	19,000	25,000	25,000
Receivables	7	373	409	433
Inventories	8	-	-	-
Infrastructure, property, plant and equipment	9	1,611,021	1,661,855	1,550,515
Investments accounted for using the equity method	19	-	-	-
Investment property	14	-	-	-
Intangible assets	25	23	54	89
Total non-current assets		1,630,417	1,687,318	1,576,037
TOTAL ASSETS		1,697,484	1,750,183	1,631,839
LIABILITIES				
Current liabilities				
Payables	10	9,010	12,031	13,497
Borrowings	10	12,740	12,261	10,819
Provisions	10	3,430	3,361	3,720
Total current liabilities		25,180	27,653	28,036
Non-current liabilities				
Payables	10	1,237	1,648	2,821
Borrowings	10	178,803	188,499	185,386
Provisions	10	685	356	173
Total non-current liabilities		180,725	190,503	188,380
TOTAL LIABILITIES		205,905	218,156	216,416
Net assets		1,491,579	1,532,027	1,415,423
EQUITY				
Retained earnings	20	610,930	595,510	594,273
Revaluation reserves	20	880,649	936,517	821,150
Council equity interest		1,491,579	1,532,027	1,415,423
Non-controlling equity interests		-	-	-
Total equity		1,491,579	1,532,027	1,415,423

*See Note 20(c) for details regarding prior period errors and restated balances.

This Statement should be read in conjunction with the accompanying Notes.

page 6

The former Wyong Shire Council Water Supply Authority

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

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	WSA controlling interest	Non- interest	Total equity
1 July 2015 to 12 May 2016						
Opening balance		595,510	936,517	1,532,027	–	1,532,027
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Restated opening balance		595,510	936,517	1,532,027	–	1,532,027
c. Net operating result for the period		15,420	–	15,420	–	15,420
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	(55,868)	(55,868)	–	(55,868)
Other comprehensive income		–	(55,868)	(55,868)	–	(55,868)
Total comprehensive income		15,420	(55,868)	(40,448)	–	(40,448)
Closing balance		610,930	880,649	1,491,579	–	1,491,579

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	WSA controlling interest	Non- interest	Total equity
1 July 2014 to 30 June 2015						
Opening balance		600,747	821,150	1,421,897	–	1,421,897
a. Correction of prior period errors	20 (c)	(6,474)	–	(6,474)	–	(6,474)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Restated opening balance		594,273	821,150	1,415,423	–	1,415,423
c. Net operating result for the year		1,237	–	1,237	–	1,237
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	115,367	115,367	–	115,367
Other comprehensive income		–	115,367	115,367	–	115,367
Total comprehensive income		1,237	115,367	116,604	–	116,604
Closing balance		595,510	936,517	1,532,027	–	1,532,027

The former Wyong Shire Council Water Supply Authority

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget			Actual	Actual
1/7/15 - 30/6/16	\$ '000	Notes	1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
Cash flows from operating activities				
Receipts:				
n/a	Rates and annual charges		41,618	46,092
n/a	User charges and fees		31,165	27,580
n/a	Investment and interest revenue received		2,025	2,688
n/a	Grants and contributions		7,040	7,574
n/a	Bonds, deposits and retention amounts received		8	5
n/a	Other		–	559
Payments:				
n/a	Employee benefits and on-costs		(10,144)	(15,232)
n/a	Materials and contracts		(7,457)	(6,434)
n/a	Borrowing costs		(10,312)	(13,668)
n/a	Other		(22,491)	(23,788)
n/a	Net cash provided (or used) in operating activities	11b	31,452	25,376
Cash flows from investing activities				
Receipts:				
n/a	Sale of investments		42,638	24,917
n/a	Sale of infrastructure, property, plant and equipment		225	59
Payments:				
n/a	Purchase of investments		(48,235)	(34,259)
n/a	Purchase of infrastructure, property, plant and equipment		(25,082)	(23,018)
n/a	Net cash provided (or used) in investing activities		(30,454)	(32,301)
Cash flows from financing activities				
Receipts:				
n/a	Borrowings and advances		–	15,900
Payments:				
n/a	Borrowings and advances		(9,217)	(11,345)
n/a	Net cash flow provided (or used) in financing activities		(9,217)	4,555
n/a	Net increase/(decrease) in cash and cash equivalents		(8,219)	(2,370)
n/a	Cash and cash equivalents – beginning of reporting period	11a	12,899	15,269
n/a	Cash and cash equivalents – end of reporting period	11a	4,680	12,899

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 Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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The former Wyong Shire Council Water Supply Authority

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 in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The former Wyong Shire Council, within its overall statutory responsibilities, is a statutory authority for water supply and related purposes, under the Water Management Act 2000. The principal business office of the former Wyong Shire Council Water Supply Authority (now known as Wyong Water) is at 2 Hely St, Wyong NSW 2259. Wyong Water controls resources to carry out water supply, sewerage, stormwater drainage and ancillary activities within the former Wyong Shire local government area and these functions have been consolidated in these financial statements.

The financial statements have been authorised for use in accordance with the resolution of Council on 14 December 2016.

(a) Basis of preparation

These financial statements 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.

Wyong Water is a not-for-profit entity for the purpose of preparing these financial statements.

New and amended standards adopted by Wyong Water

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

Early adoption of accounting standards

Wyong Water 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 (t).

Basis of accounting

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

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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

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

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.

The former Wyong Shire Council Water Supply Authority

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

Note 1. Summary of significant accounting policies (continued)

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

- The business of Wyong Water is continuing through the Central Coast 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 Wyong Shire Council and Wyong Water have not been liquidated nor have ceased trading.

Significant judgements in applying the entity's accounting policies

- (i) Impairment of receivables – Wyong Water has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Revaluation of Water and Sewer assets – The significant inputs considered in the valuation of assets to fair value are the asset components, materials used in the construction of the asset, residual values, pattern of consumption, dimensions, condition ratings and remaining useful life.

(b) Revenue recognition

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

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

Annual Charges, Grants and Contributions

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

Control over assets acquired from 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 charges.

Annual charges are recognised as revenue for the period 1 July 2015 to 12 May 2016.

Control over granted assets/contributed assets are 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 is recognised when Wyong Water obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Wyong Water and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial period 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

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Wyong Water operations during the current period.

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

User charges and fees

User charges and fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

Sale of plant, property, infrastructure 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 in accordance with the terms of the lease.

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

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.

Dedications

Dedicated assets contributed to Wyong Water are recognised at the fair value of the consideration received for each asset.

(c) Principles of consolidation

These financial statements represent the consolidation of the Water and Sewer Funds.

The notional cash and investment assets of Wyong Water are represented in practice by an equity interest in the general cash and investment assets of Wyong Shire Council as a whole, and all investment

assets and bank accounts are held in the name of Wyong Shire Council.

Interests in other entities

Joint arrangements

Wyong Water has determined that it has joint operations.

Joint operations (controlled assets and operations)

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, Wyong Water has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements as well as Note 19.

(d) Leases

Leases for property, plant and equipment where Wyong Water, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Wyong Water currently has no finance lease obligations.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Wyong Water is a lessor is recognised as income in accordance with the terms of the lease.

The former Wyong Shire Council Water Supply Authority

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

Note 1. Summary of significant accounting policies (continued)

(e) Impairment of assets

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

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

(f) Cash and Cash Equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents include 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.

(g) Receivables

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Wyong Water will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor

will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(h) Inventories

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. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Investments and other financial assets

Classification

Wyong Water classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-

The former Wyong Shire Council Water Supply Authority

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the 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 Wyong Water's management has the positive intention and ability to hold to maturity. If Wyong Water were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

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

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

Subsequent measurement

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

Impairment

Wyong Water assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the entity may measure impairment on the basis of an instrument's fair value using an observable market price.

Investment policy

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

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise 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. As at the reporting date, Council does not hold any investments that are not prescribed.

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council, on behalf of Wyong Water, uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used

to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Wyong Water for similar financial instruments.

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

Wyong Water's IPPE assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

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

- Other Structures

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

At reporting date, the following classes of IPPE were stated at their fair value:

- Operational land (external valuation)
- Buildings – specialised/non-specialised (external valuation)
- Water/Sewerage networks (external and internal valuation)
- Plant and equipment (as approximated by depreciated historical cost)
- Road assets – roads including other road related assets, bridges and footpaths (internal valuation)
- Drainage assets – (internal valuation)

The former Wyong Shire Council Water Supply Authority

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

Note 1. Summary of significant accounting policies (continued)

- Bulk earthworks – (internal valuation)
- Land Improvements (as approximated by depreciated historical cost)
- Other structures (as approximated by depreciated historical cost)
- Other assets (as approximated by depreciated historical cost)

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided by Department of Primary Industries Office of Water. For all other assets, Wyong Water 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, Wyong Water determines the asset's fair value and revalues the asset to that amount. Full revaluations are undertaken for all assets on a maximum five year cycle.

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

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

Subsequent costs

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 Wyong Water and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land, bulk earthworks, detention basins and wetlands (part of the Stormwater Drainage asset class) are not depreciated. Depreciation on other assets is calculated using the straight line method to

allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	2 to 35 years
Office equipment	2 to 10 years
Furniture and fittings	5 to 20 years
Buildings - specialised	8 to 150 years
Other structures	5 to 100 years
Roads - car parks	15 to 63 years
Stormwater drainage	25 to 182 years
Water supply network	15 to 250 years
Sewerage network	15 to 250 years

The asset's 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.

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

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* (NSW). This classification is made in Note 9(a).

(l) Payables

These amounts represent liabilities and include goods and services provided to Wyong Water 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.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in

The former Wyong Shire Council Water Supply Authority

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 over the period of the borrowings using the effective interest method.

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

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

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

(n) Borrowing costs

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

(o) Provisions

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

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

any one item included in the same class of obligations may be small.

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

(p) Employee benefits

(i) Short-term obligations

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

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date,

The former Wyong Shire Council Water Supply Authority

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

Note 1. Summary of significant accounting policies (continued)

regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

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

Defined benefit plans

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

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 measurable, Wyong Water accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans ie. as an expense when it becomes payable.

Also refer to Note 18 for further information.

(q) Self insurance

Council, on behalf of Wyong Water, has decided to self-insure for workers' compensation risks. A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10. Wyong Water also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

(r) Intangible assets***IT development and software***

Council, on behalf of Wyong Water, has acquired, under a managed service arrangement, a licence to access information technology services. In conjunction with this contract, Wyong Water has incurred a number of costs including system build costs, software and hardware licences, as well as direct costs of materials and labour. Wyong Water's contribution to these costs have been capitalised as an intangible asset and amortised on a straight line basis over the period of the contract.

(s) Taxes

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

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

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

(t) 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 the reporting period ended 12 May 2016.

Wyong Water 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 Wyong Water

The former Wyong Shire Council Water Supply Authority

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

Note 1. Summary of significant accounting policies (continued)

in the current or future reporting periods and on foreseeable future transactions.

These include the following standards that are anticipated will impact Wyong Water:

AASB 9 – *Financial Instruments*

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

AASB ED 260 – *Income of Not-for-Profit Entities*

AASB16 – *Leases*

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

AASB 2014 – *3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]*

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 Wyong Water will be required to disclose information about related parties and Wyong Water 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).

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(u) Rounding of amounts

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

(v) Comparative figures

As the reporting period for the current year is different to prior year, the amounts are not comparable.

The former Wyong Shire Council Water Supply Authority

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

Note 2(a). Wyong Water 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 1 July 2015 - 30 June 2016	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Original budget ¹ 1 July 2015 - 30 June 2016	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Original budget ¹ 1 July 2015 - 30 June 2016	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	
Water supply	n/a	55,513	53,508	n/a	44,428	53,307	n/a	11,085	201	785	958	1,007,353	1,003,404	
Sewerage services	n/a	32,671	37,018	n/a	28,336	35,982	n/a	4,335	1,036	677	718	690,131	746,779	
Total functions and activities	n/a	88,184	90,526	n/a	72,764	89,289	n/a	15,420	1,237	1,462	1,676	1,697,484	1,750,183	
Share of gains/(losses) in associates and joint ventures (using the equity method)	n/a	–	–	n/a	–	–	n/a	–	–	–	–	–	–	
General purpose income ²	n/a	–	–	n/a	–	–	n/a	–	–	–	–	–	–	
Operating result from continuing operations	n/a	88,184	90,526	n/a	72,764	89,289	n/a	15,420	1,237	1,462	1,676	1,697,484	1,750,183	

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

2. Includes: annual charges (incl. ex-gratia) and unrestricted interest and investment income.

The former Wyong Shire Council Water Supply Authority

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

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

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

Sewerage services

Sewerage services provides safe and reliable storage collection, treatment and disposal facilities for sewage in a cost-effective and sustainable manner.

Water supply

Water supply provides safe and reliable water services including the collection, storage, transportation, treatment, and distribution of water to standards appropriate to its use in a cost-effective and sustainable manner.

The former Wyong Shire Council Water Supply Authority

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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(a) Rates and annual charges			
Ordinary rates			
Nil			
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Water supply services		9,056	10,334
Sewerage services		25,602	28,366
Drainage		6,787	7,146
Liquid trade waste		173	246
Total annual charges		41,618	46,092
TOTAL RATES AND ANNUAL CHARGES		41,618	46,092
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		25,286	27,722
Sewerage services		825	1,029
Liquid trade waste		714	713
Total user charges		26,825	29,464
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services		13	12
Regulatory/statutory certificates		71	96
Regulatory/ statutory fees		1	2
Total fees and charges – statutory/regulatory		85	110
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Sewer application fees		178	182
Sewer diagrams		107	114
Special water meter reading fees		14	17
Water carters licence fees		38	34
Water connection fees		412	448
Other		3	21
Total fees and charges – other		752	816
TOTAL USER CHARGES AND FEES		27,662	30,390

The former Wyong Shire Council Water Supply Authority

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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		289	408
– Interest earned on investments (interest and coupon payment income)		1,714	2,245
– Interest (other)		13	18
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>2,016</u>	<u>2,671</u>
Interest revenue is attributable to:			
Restricted investments/funds – external:			
Development contributions			
– Section 94 – Drainage		246	297
– Section 93F – Drainage		15	15
– Section 93F – Water		12	16
– Section 93F – Sewer		5	6
– Section 64 – Water		338	402
– Section 64 – Sewer		249	299
Water Fund operations		436	314
Sewerage Fund operations		715	1,322
<u>Total interest and investment revenue recognised</u>		<u>2,016</u>	<u>2,671</u>
(d) Other revenues			
External works		8	240
Property rents		1	47
Sales – general		103	–
Other		73	17
<u>TOTAL OTHER REVENUE</u>		<u>185</u>	<u>304</u>

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1 July 2015 - 12 May 2016 Operating	1 July 2014 - 30 June 2015 Operating	1 July 2015 - 12 May 2016 Capital	1 July 2014 - 30 June 2015 Capital
(e) Grants				
General purpose (untied)				
Nil				
Specific purpose				
Pensioners' rates subsidies:				
– Water	557	702	–	–
– Sewerage	549	672	–	–
Employment and training programs	3	–	–	–
Environmental protection	129	87	–	–
Fire protection	–	–	–	61
LIRS subsidy	224	154	–	–
Total specific purpose	1,462	1,615	–	61
Total grants	1,462	1,615	–	61
Grant revenue is attributable to:				
– State funding	1,368	1,615	–	61
– Other funding	94	–	–	–
	1,462	1,615	–	61
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – Contributions using planning agreements	–	–	292	49
S 64 – Water supply contributions	–	–	2,562	1,918
S 64 – Sewerage service contributions	–	–	2,711	2,403
S 94 – Stormwater contributions	–	–	1,434	752
Total developer contributions	–	–	6,999	5,122
Other contributions:				
Dedications (other than by S94)	–	–	8,242	4,271
Total other contributions	–	–	8,242	4,271
Total contributions	–	–	15,241	9,393
TOTAL GRANTS AND CONTRIBUTIONS	1,462	1,615	15,241	9,454

The former Wyong Shire Council Water Supply Authority

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

Note 3. Income from continuing operations (continued)

\$ '000	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Wyong Water on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	44,020	34,162
Add: grants and contributions recognised in the current period but not yet spent	7,866	11,751
Less: grants and contributions recognised in a previous reporting period now spent	(10,923)	(1,893)
Net increase (decrease) in restricted assets during the period	(3,057)	9,858
Unexpended and held as restricted assets	40,963	44,020
Comprising:		
– Specific purpose unexpended grants	1,358	1,535
– Developer contributions	39,505	42,356
– Other contributions	100	129
	40,963	44,020

Note 4. Expenses from continuing operations

(a) Employee benefits and on-costs

Salaries and wages	7,741	11,573
Employee leave entitlements (ELE)	3,103	2,734
Superannuation	1,569	1,605
Workers' compensation insurance	312	466
Payroll tax	831	998
Training costs (other than salaries and wages)	9	7
Other	132	1,013
Total employee costs	13,697	18,396
Less: capitalised costs	(3,446)	(3,670)
TOTAL EMPLOYEE COSTS EXPENSED	10,251	14,726
Number of 'full-time equivalent' employees as at 12 May 2016	126	–
Number of 'full-time equivalent' employees at 30 June 2015	–	119

The former Wyong Shire Council Water Supply Authority

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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		11,694	13,607
Other debts		40	61
Total interest bearing liability costs expensed		11,734	13,668
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		11,734	13,668
(c) Materials and contracts			
Raw materials and consumables		3,210	4,671
Contractor and consultancy costs		2,493	3,426
Auditors remuneration ⁽¹⁾		84	88
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		39	32
TOTAL MATERIALS AND CONTRACTS		5,826	8,217
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Wyong Water's Auditor:			
Audit and other assurance services			
Audit and review of financial statements: Wyong Water's Auditor		84	88
Remuneration for audit and other assurance services		84	88
Total Auditor remuneration		84	88
2. Operating lease payments are attributable to:			
Computers		29	19
Other		10	13
		39	32

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015	Actual 1 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	146	169
Office equipment		—	—	61	72
Furniture and fittings		—	—	13	11
Infrastructure:					
– Buildings – specialised		—	—	253	303
– Other structures		—	—	42	48
– Roads		—	—	1	1
– Stormwater drainage		—	—	3,554	3,053
– Water supply network		—	—	12,394	14,096
– Sewerage network		—	—	11,669	12,858
Intangible assets	25	—	—	31	35
TOTAL DEPRECIATION AND IMPAIRMENT COSTS		—	—	28,164	30,646

\$ '000	Notes	Actual	Actual
		1 July 2015 - 12 May 2016	1 July 2014 - 30 June 2015
(e) Other expenses			
Administration support		8,722	11,260
Advertising		2	26
Bad and doubtful debts		(82)	(2)
Computer software charges		46	14
Donations, contributions and assistance to other organisations (Section 356)			
– Other contributions and donations		—	3
Electricity and heating		3,196	4,194
Gas charges		29	66
Insurance		3	2
Licences		96	182
Plant hire		2,275	3,279
Printing and stationery		84	42
Road opening permits		250	174
Subscriptions and publications		1	2
Telephone and communications		78	97
Tipping fees		1,651	1,841
Other		43	58
TOTAL OTHER EXPENSES		16,394	21,238

The former Wyong Shire Council Water Supply Authority

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 July 2015 - 12 May 2016	Actual 1 July 2014 - 30 June 2015
Property (excl. investment property)			
Proceeds from disposal – property		220	59
Less: carrying amount of property assets sold/written off		(240)	(43)
Net gain/(loss) on disposal		(20)	16
Plant and equipment			
Proceeds from disposal – plant and equipment		5	–
Less: carrying amount of plant and equipment assets sold/written off		(6)	–
Net gain/(loss) on disposal		(1)	–
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(374)	(307)
Net gain/(loss) on disposal		(374)	(307)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		42,638	24,917
Less: carrying amount of financial assets sold/redeemed/matured		(42,638)	(24,917)
Net gain/(loss) on disposal		–	–
Water stock			
Less: carrying amount of water stock assets sold/written off		–	(503)
Net gain/(loss) on disposal		–	(503)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(395)	(794)

The former Wyong Shire Council Water Supply Authority

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 May 2016 Actual Current	12 May 2016 Actual Non-current	30 June 2015 Actual Current	30 June 2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		284	–	1,069	–
Cash equivalent assets ¹					
– Deposits at call		4,396	–	11,830	–
Total cash and cash equivalents		4,680	–	12,899	–
Investments (Note 6b)					
– Long term deposits		42,431	15,000	30,834	15,000
– Bank bonds		–	4,000	–	10,000
Total investments		42,431	19,000	30,834	25,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		47,111	19,000	43,733	25,000

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'

4,680	–	12,899	–
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Investments

a. 'Held to maturity'

42,431	19,000	30,834	25,000
42,431	19,000	30,834	25,000

Note 6(b-i)**Reconciliation of investments classified as 'held to maturity'**

Balance at beginning of period	30,834	25,000	21,492	25,000
Additions	43,235	5,000	24,259	10,000
Disposals (sales and redemptions)	(42,638)	–	(24,917)	–
Transfers between current/non-current	11,000	(11,000)	10,000	(10,000)
Balance at end of period	42,431	19,000	30,834	25,000

Comprising:

– Long term deposits	42,431	15,000	30,834	15,000
– Bank bonds	–	4,000	–	10,000
Total	42,431	19,000	30,834	25,000

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

The former Wyong Shire Council Water Supply Authority

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 May 2016	12 May 2016	30 June 2015	30 June 2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	47,111	19,000	43,733	25,000
attributable to:				
External restrictions (refer below)	24,666	19,000	24,826	25,000
Internal restrictions (refer below)	1,772	–	1,604	–
Unrestricted	20,672	–	17,303	–
	<u>47,111</u>	<u>19,000</u>	<u>43,733</u>	<u>25,000</u>
1 July 2015 - 12 May 2016	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance
Details of restrictions				
External restrictions – included in liabilities				
Specific purpose unexpended loans – Sewer (A)	5,472	–	(3,166)	2,306
External restrictions – included in liabilities	<u>5,472</u>	<u>–</u>	<u>(3,166)</u>	<u>2,306</u>
External restrictions – other				
Developer contributions – Water Fund (D)	11,536	2,900	(56)	14,380
Developer contributions – Sewer Fund (D)	14,067	2,960	(10,320)	6,707
Developer contributions – Drainage (D)	14,460	1,680	(339)	15,801
Developer contributions – VPA – Water (D)	1,923	318	–	2,241
Developer contributions – VPA – Sewer (D)	370	5	–	375
Specific purpose unexpended grants-water fund (F)	1,535	–	(177)	1,358
Contributions to works – Water (H)	129	–	(29)	100
Self insurance – Water	181	35	–	216
Self insurance – Sewer	153	29	–	182
External restrictions – other	<u>44,354</u>	<u>7,927</u>	<u>(10,921)</u>	<u>41,360</u>
Total external restrictions	<u>49,826</u>	<u>7,927</u>	<u>(14,087)</u>	<u>43,666</u>
Internal restrictions				
Employees leave entitlement – Water	339	–	(55)	284
Employees leave entitlement – Sewer	248	97	–	345
Prepaid contributions – Water	1,008	–	(952)	56
Prepaid contributions – sewer	–	1,072	–	1,072
Public liability insurance – Water	9	6	–	15
Total internal restrictions	<u>1,604</u>	<u>1,175</u>	<u>(1,007)</u>	<u>1,772</u>
TOTAL RESTRICTIONS	<u>51,430</u>	<u>9,102</u>	<u>(15,094)</u>	<u>45,438</u>

A Loan moneys which must be applied for the purposes for which the loans were raised.

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))

H External contributions not yet expended for the provision of specific services and amenities.

The former Wyong Shire Council Water Supply Authority

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

Note 7. Receivables

\$ '000	Notes	12 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
Purpose					
Drainage annual charges		1,111 ¹	–	428	–
Water annual charges		1,459 ¹	–	454	1
Sewerage annual charges		3,735 ¹	–	1,036	2
Interest and extra charges		237	–	259	–
User charges and fees		10,934	–	14,727	–
Accrued revenues					
– Interest on investments		1,105	–	1,092	–
Government grants and subsidies		1,061	–	103	–
Net GST receivable		111	–	381	–
Liquid trade waste		164	–	419	–
Toukley Golf Club Limited		37	373	36	406
Other debtors		2	–	222	–
Total		19,956	373	19,157	409
Less: provision for impairment					
Other debtors		–	–	(82)	–
Total provision for impairment – receivables		–	–	(82)	–
TOTAL NET RECEIVABLES		19,956	373	19,075	409

There are no restrictions applicable to the above assets.

¹ The final payment instalment for 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 and the instalment payment date.

Notes on debtors above:

- (i) Annual charges outstanding are secured against the property.
- (ii) Doubtful 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 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 Wyong Shire Council Water Supply Authority

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

Note 8. Inventories and other assets

\$ '000	Notes	12 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
Inventories					
Nil					
Other assets					
Prepayments					
		-	-	57	-
Total other assets		-	-	57	-
Total unrestricted assets					
		-	-	57	-
TOTAL INVENTORIES AND OTHER ASSETS		-	-	57	-

Other disclosures

Inventory write downs

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

The former Wyong Shire Council Water Supply Authority

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 June 2015				Asset movements during the reporting period								as at 12 May 2016			
	At cost	At fair value	Accumulated depreciation	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments / (decrements) to equity (ARR)	At cost	At fair value	Accumulated depreciation	Carrying value	
Capital work in progress	28,642	–	–	28,642	23,650	1,146	(220)	–	(21,622)	–	–	31,596	–	–	–	31,596
Plant and equipment	–	1,236	922	314	–	–	(6)	(146)	32	66	–	–	1,324	1,064	–	260
Office equipment	–	603	425	178	–	–	–	(61)	–	1	–	–	603	485	–	118
Furniture and fittings	–	170	143	27	–	–	–	(13)	155	(1)	–	–	324	156	–	168
Land:																
– Operational land	–	51,143	–	51,143	–	322	–	–	–	51	–	–	51,516	–	–	51,516
– Community land	–	1,105	–	1,105	–	–	–	–	–	(51)	(640)	–	414	–	–	414
Infrastructure:																
– Buildings – specialised	–	13,961	2,176	11,785	–	–	(20)	(253)	–	–	–	–	13,935	2,423	–	11,512
– Other structures	–	1,582	161	1,421	–	–	–	(42)	7	(132)	–	–	1,448	194	–	1,254
– Roads	–	41	16	25	–	–	–	(1)	–	1	–	–	42	17	–	25
– Bulk earthworks (non-depreciable)	–	16	–	16	–	–	–	–	–	–	–	–	16	–	–	16
– Stormwater drainage	–	459,624	117,865	341,759	–	7,259	(137)	(3,554)	181	2	–	–	466,896	121,386	–	345,510
– Water supply network	–	949,955	396,338	553,617	–	563	(9)	(12,394)	15,293	278	5,363	–	908,460	345,749	–	562,711
– Sewerage network	–	1,016,443	344,620	671,823	–	850	(228)	(11,669)	5,954	(218)	(60,591)	–	962,909	356,988	–	605,921
TOTAL INFRASTRUCTURE																
PROPERTY, PLANT AND EQUIP.	28,642	2,495,879	862,666	1,861,855	23,650	10,140	(620)	(28,133)	–	(3)	(55,868)	31,596	2,407,867	826,462	–	1,611,021

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 Wyong Shire Council Water Supply Authority

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 May 2016				Actual 30 June 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Water supply								
Work in Progress	10,200	—	—	10,200	17,948	—	—	17,948
Plant and equipment	—	413	335	78	—	411	312	99
Office equipment	—	359	281	78	—	360	246	114
Furniture and fittings	—	150	119	31	—	137	115	22
Land								
– Operational land	—	34,960	—	34,960	—	34,631	—	34,631
– Community land	—	414	—	414	—	1,105	—	1,105
Buildings	—	6,405	1,037	5,368	—	6,405	892	5,513
Other structures	—	921	124	797	—	1,222	117	1,105
Infrastructure – water supply	—	908,460	345,749	562,711	—	949,955	396,338	553,617
Infrastructure – stormwater	—	466,896	121,386	345,510	—	459,624	117,865	341,759
Total water supply	10,200	1,418,978	469,031	960,147	17,948	1,453,850	515,885	955,913
Sewerage services								
Work in Progress	21,397	—	—	21,397	10,695	—	—	10,695
Plant and equipment	—	911	729	182	—	824	610	214
Office equipment	—	244	204	40	—	244	179	65
Furniture and fittings	—	174	37	137	—	32	28	4
Land								
– Operational land	—	16,557	—	16,557	—	22,986	—	22,986
Buildings	—	7,531	1,387	6,144	—	7,556	1,284	6,272
Other structures	—	526	70	456	—	360	44	316
Infrastructure	—	962,908	356,988	605,920	—	1,016,442	344,620	671,822
Other assets	—	58	17	41	—	58	16	42
Total sewerage services	21,397	988,909	359,432	650,874	10,695	1,048,502	346,781	712,416
TOTAL RESTRICTED I,PP&E	31,597	2,407,887	828,463	1,611,021	28,643	2,502,352	862,666	1,668,329

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

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

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
Payables					
Goods and services – operating expenditure		788	–	2,419	–
Payments received in advance		1,129	1,237	1,008	1,648
Accrued expenses:					
– Borrowings		2,660	–	1,238	–
– Salaries and wages		372	–	275	–
– Other expenditure accruals		3,811	–	6,849	–
Security bonds, deposits and retentions		250	–	242	–
Total payables		9,010	1,237	12,031	1,648
Borrowings					
Loans – secured ¹		11,844	151,500	11,457	160,467
Loans – unsecured		896	27,303	804	28,032
Total borrowings		12,740	178,803	12,261	188,499
Provisions					
Employee benefits:					
Annual leave		938	–	897	–
Sick leave		580	–	568	–
Long service leave		1,474	122	1,344	91
Gratuities		–	–	201	–
Other leave		45	–	48	–
Sub-total – aggregate employee benefits		3,037	122	3,058	91
Self insurance – workers compensation		213	556	138	260
Self insurance – public liability		8	–	3	–
Self insurance – other		7	–	7	–
Payroll tax		165	7	155	5
Total provisions		3,430	685	3,361	356
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		25,180	180,725	27,653	190,503

¹ Loans are secured over the general income of Wyong Water

Refer next page for break up of liabilities relating to external restrictions

The former Wyong Shire Council Water Supply Authority

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

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

\$ '000	Notes	12 May 2016 Current	12 May 2016 Non-current	30 June 2015 Current	30 June 2015 Non-current
(i) Liabilities relating to restricted assets					
Externally restricted assets					
Other insurance		–	–	7	–
Developer contributions in advance water		56	1,237	1,008	1,648
Developer contributions in advance sewer		1,073	–	–	–
Unexpended loans sewer		2,306	–	5,472	–
Liabilities relating to externally restricted assets		3,435	1,237	6,487	1,648
Internally restricted assets					
Self insurance		213	556	138	260
Liabilities relating to internally restricted assets		213	556	138	260
Total liabilities relating to restricted assets		3,648	1,793	6,625	1,908
Total liabilities relating to unrestricted assets		21,532	178,932	21,028	188,595
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		25,180	180,725	27,653	190,503

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

\$ '000	Actual 12 May 2016	Actual 30 June 2015
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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	1,691	1,663
Payables – security bonds, deposits and retentions ¹	228	216
	1,919	1,879

¹ Payables not expected to be settled represent average balances held in security bonds, deposits, and overpayments

The former Wyong Shire Council Water Supply Authority

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

Note 10b. Description of (and movements in) provisions

\$ '000

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	897	891	(850)	—	—	938
Sick leave	568	472	(460)	—	—	580
Long service leave	1,435	552	(391)	—	—	1,596
Other leave	48	61	(64)	—	—	45
Gratuities	201	—	(201)	—	—	—
Self insurance	408	684	(308)	—	—	784
Other	160	797	(785)	—	—	172
TOTAL	3,717	3,457	(3,059)	—	—	4,115

- 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. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as per the actuarial assessment.

The former Wyong Shire Council Water Supply Authority

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 May 2016	Actual 30 June 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	4,680	12,899
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		4,680	12,899
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		15,420	1,237
Adjust for non-cash items:			
Depreciation and amortisation		28,164	30,646
Net losses/(gains) on disposal of assets		395	794
Non-cash capital grants and contributions		(8,705)	(4,419)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(763)	(511)
Increase/(decrease) in provision for doubtful debts		(82)	(2)
Decrease/(increase) in inventories		–	503
Decrease/(increase) in other assets		57	(57)
Increase/(decrease) in payables		(1,631)	1,280
Increase/(decrease) in accrued interest payable		1,422	(44)
Increase/(decrease) in other accrued expenses payable		(2,941)	(2,779)
Increase/(decrease) in other liabilities		(282)	(1,096)
Increase/(decrease) in employee leave entitlements		10	(431)
Increase/(decrease) in other provisions		388	255
Net cash provided from operating activities from the Statement of Cash Flows		31,452	25,376
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		463	148
Other dedications		8,242	4,271
Total non-cash investing and financing activities		8,705	4,419
(d) Financing arrangements			
Nil			

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12 May 2016	Actual 30 June 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Infrastructure		7,419	16,060
Total commitments		7,419	16,060
These expenditures are payable as follows:			
Within the next year		7,419	16,060
Total payable		7,419	16,060
Sources for funding of capital commitments:			
Unrestricted general funds		4,000	9,135
Future grants and contributions		772	-
Sect 64 and 94 funds/reserves		58	6,925
Internally restricted reserves		2,589	-
Total sources of funding		7,419	16,060

Details of capital commitments

Major project commitments include the design and documentation of the augmented sewer pump station at Wyong \$1.68M, the sewer treatment plant augmentation at Wyong South \$1.22M and the replacement of vacuum stations for sewer pump stations for \$1.14M.

The remaining commitments are for various capital works across council including \$2.9M in wyong water - water and wastewater and \$0.48M in Roads and Drainage.

(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	14	33
Later than one year and not later than 5 years	53	40
Total non-cancellable operating lease commitments	67	73

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

Computer equipment - PC's, monitors and laptops: lease terms were all originally for 60 months. The most recent leases have 45 months remaining.

Printers: Lease terms were originally for 60 months. The most recent lease has 57 months remaining.

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 Wyong Water regarding future debt etc.

The former Wyong Shire Council Water Supply Authority

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 May 2016	12 May 2016	30 June 2015	1 July 2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>574</u>	0.79%	-9.16%	-12.24%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	72,943			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>71,481</u>	81.06%	87.77%	91.18%
Total continuing operating revenue ⁽¹⁾ inclusive of all grants and contributions	88,184			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>42,401</u>	2.14x	1.97x	1.86x
Current liabilities less specific purpose liabilities ^(3, 4)	19,826			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>40,472</u>	1.93x	1.47x	1.38x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	20,951			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>6,542</u>	14.84%	4.43%	5.75%
Rates, annual and extra charges collectible	44,087			
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	<u>62,111</u>	12.50 mths	10.0 mths	9.5 mths
Payments from cash flow of operating and financing activities	4,968			

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.

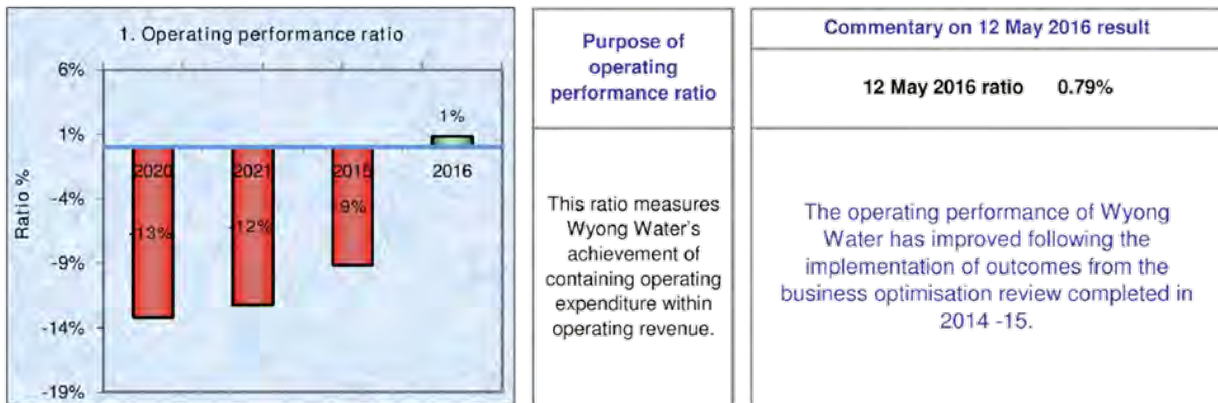
⁽³⁾ Refer to Note 10(a).

⁽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 Wyong Shire Council Water Supply Authority

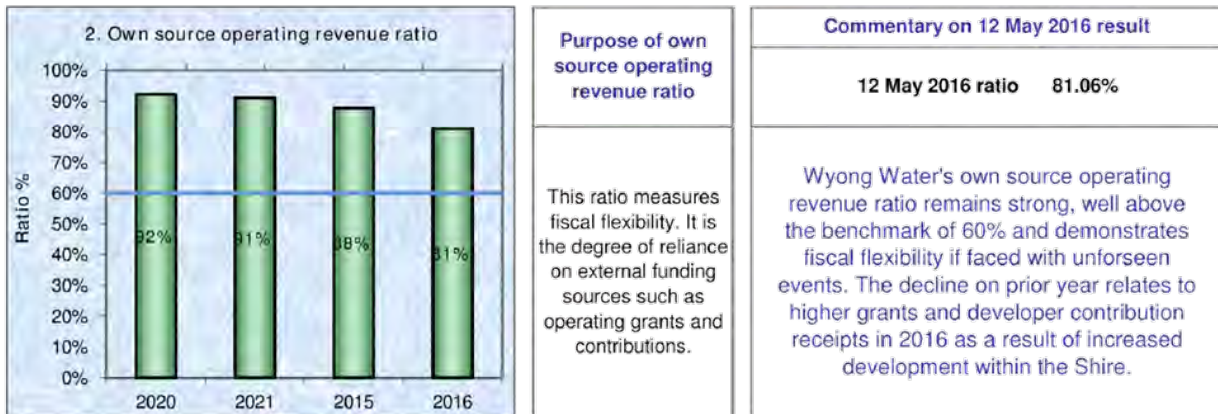
Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

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



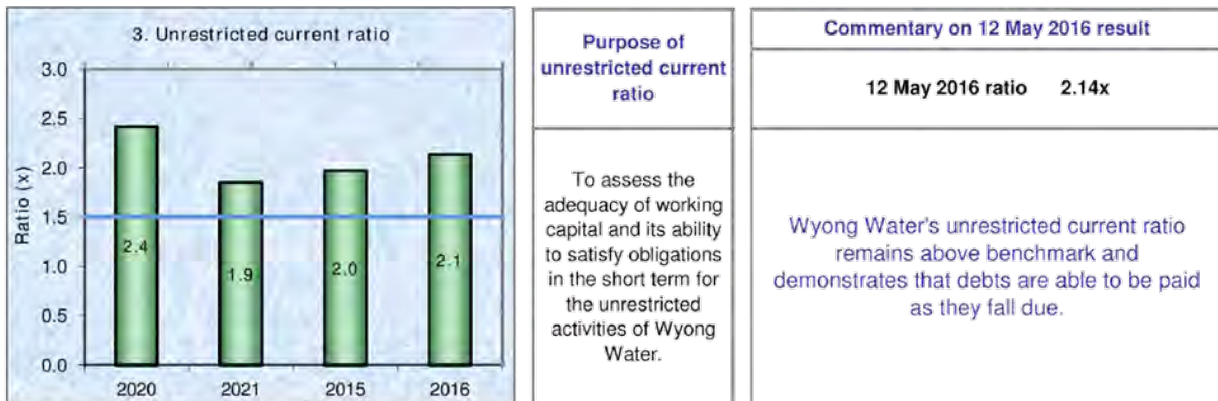
Benchmark: — Minimum $\geq 0.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



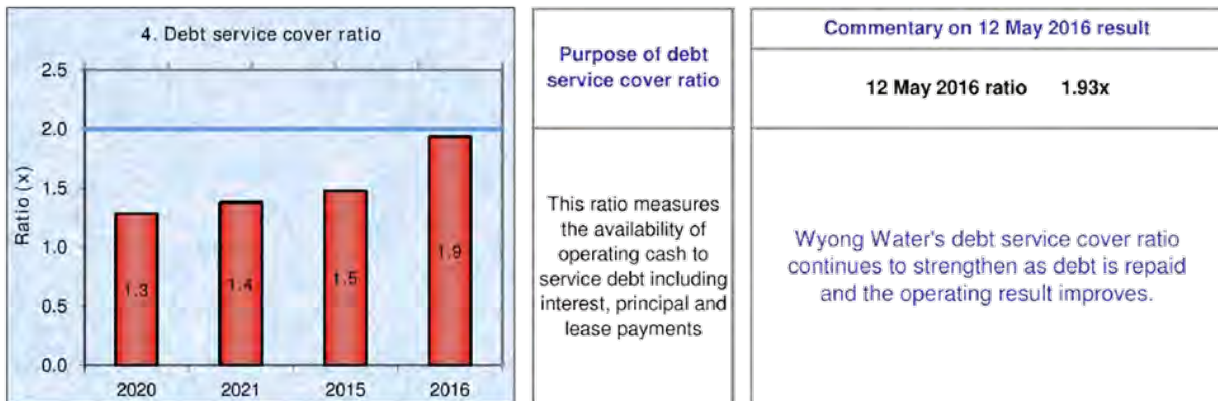
Benchmark: — Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Wyong Shire Council Water Supply Authority

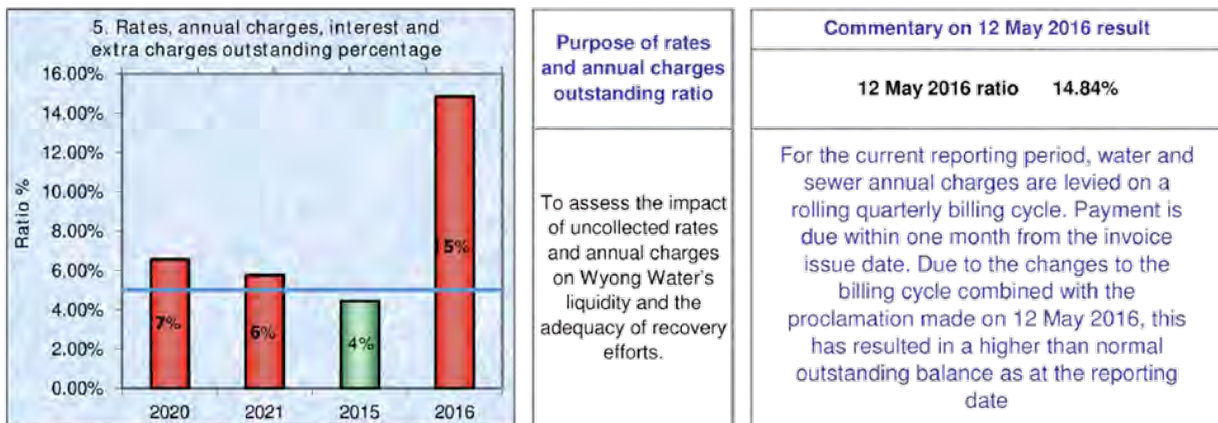
Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

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



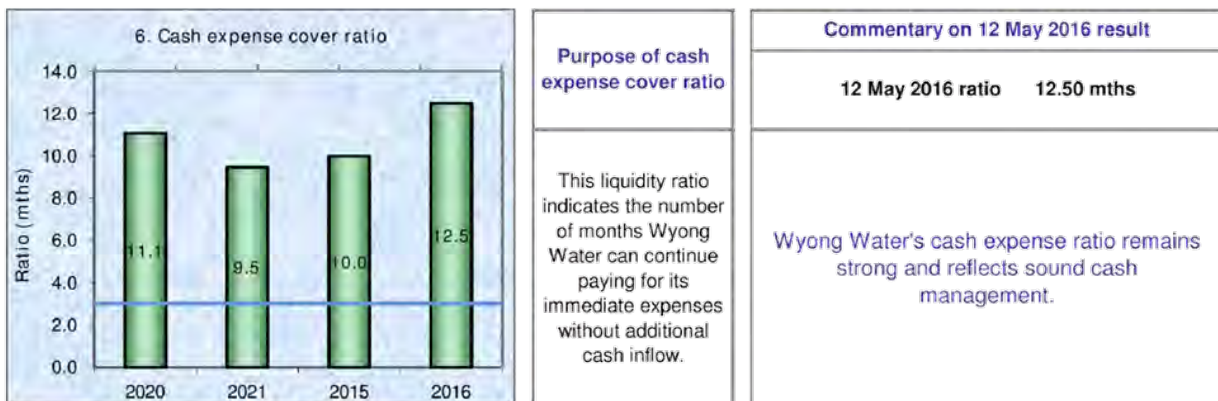
Benchmark: — Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $\leq 5.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Wyong Shire Council Water Supply Authority

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

Wyong Water's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk.

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

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

Financial risk management is carried out on behalf of Wyong Water by the Council's Finance Section under policies approved by the former Council.

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

	Carrying value		Fair value	
	12 May 2016	30 June 2015	12 May 2016	30 June 2015
Financial assets				
Cash and cash equivalents	4,680	12,899	4,680	12,899
Investments				
– 'Held to maturity'	61,431	55,834	61,431	55,834
Receivables	20,329	19,484	20,329	19,484
Total financial assets	86,440	88,217	86,440	88,217
Financial liabilities				
Payables	7,881	11,023	7,881	11,023
Loans/advances	191,543	200,760	203,004	239,786
Total financial liabilities	199,424	211,783	210,885	250,809

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 market 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 Wyong Shire Council Water Supply Authority

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

Note 15. Financial risk management (continued)

\$ '000

Wyong Water'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 the 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 the 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 the entity – 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 Wyong Water'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	661	661	(661)	(661)
1/7/14 to 30/6/15				
Possible impact of a 1% movement in interest rates	687	687	(687)	(687)

The former Wyong Shire Council Water Supply Authority

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

Wyong Water'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 Wyong Water may not be repaid in full.

The former Council manages this risk on behalf of Wyong Water 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 the former Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. The former Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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

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

Wyong Water 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 Wyong Water's receivables credit risk at balance date follows:

	12 May 2016	12 May 2016	30 June 2015	30 June 2015
	Rates and	Other	Rates and	Other
(i) Ageing of receivables – %	annual	receivables	annual	receivables
	charges		charges	
Current (not yet overdue)	0%	85%	0%	81%
Overdue	100%	15%	100%	19%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value	Rates and	Other	Rates and	Other
Rates and annual charges	annual	receivables	annual	receivables
Current	charges		charges	
Current	–	12,655	–	14,336
< 1 year overdue	6,018	371	1,536	898
1 – 2 years overdue	262	136	314	211
2 – 5 years overdue	196	110	243	1,467
> 5 years overdue	66	515	87	474
	<u>6,542</u>	<u>13,787</u>	<u>2,180</u>	<u>17,386</u>
(iii) Movement in provision for impairment of receivables			12 May 2016	30 June 2015
Balance at the beginning of the period			82	84
+ new provisions recognised during the period			–	(2)
– amounts already provided for and written off this period			(82)	–
Balance at the end of the period			<u>–</u>	<u>82</u>

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The former Wyong Shire Council Water Supply Authority

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.

The former Council manages this risk on behalf of Wyong Water 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 Wyong Water'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	250	7,631	–	–	–	–	–	7,881	7,881
Loans and advances	–	23,012	22,730	22,201	19,890	40,191	94,335	222,359	191,543
Total financial liabilities	250	30,643	22,730	22,201	19,890	40,191	94,335	230,240	199,424
1/7/14 to 30/6/15									
Trade/other payables	242	10,781	–	–	–	–	–	11,023	11,023
Loans and advances	–	25,959	25,688	25,417	24,885	46,127	142,594	290,670	200,760
Total financial liabilities	242	36,740	25,688	25,417	24,885	46,127	142,594	301,693	211,783

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

The following interest rates were applicable to Wyong Water's borrowings at balance date:	12 May 2016	12 May 2016	30 June 2015	30 June 2015
	Carrying value	Average interest rate	Carrying value	Average interest rate
Commercial banks	163,344	7.00%	171,924	7.0%
Wyong Shire Council	28,199	6.15%	28,836	6.8%
	<u>191,543</u>		<u>200,760</u>	

Note 16. Material budget variations

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

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

S '000

Wyong Water recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent. 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 (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	14,460	1,095	339	246	(339)	–	15,801	–
S94 contributions – under a plan	14,460	1,095	339	246	(339)	–	15,801	–
Total S94 revenue under plans	14,460	1,095	339	246	(339)	–	15,801	–
S93F planning agreements	2,292	292	–	32	–	–	2,616	–
S64 contributions	25,604	5,149	124	587	(10,376)	–	21,088	–
Total contributions	42,356	6,536	463	865	(10,715)	–	39,505	–

The former Wyong Shire Council Water Supply Authority

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

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 1 – Wyong

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,873	39	–	25	–	–	1,937	–
S94 Total	1,873	39	–	25	–	–	1,937	–
s64 – Water	2,491	167	–	57	(2,715)	–	–	–
s64 – Sewer	2,960	276	–	50	(8,535)	5,249	–	–
S64 Total	5,451	443	–	107	(11,250)	5,249	–	–
Total	7,324	482	–	132	(11,250)	5,249	1,937	–

Contribution plan number 2 – Southern Lakes

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,143	12	–	15	–	–	1,170	–
S94 Total	1,143	12	–	15	–	–	1,170	–
s64 – Water	1,789	108	–	50	(1,947)	–	–	–
s64 – Sewer	2,816	118	–	37	(598)	(2,373)	–	–
S64 Total	4,605	226	–	87	(2,545)	(2,373)	–	–
Total	5,748	238	–	102	(2,545)	(2,373)	1,170	–

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 3 – The Entrance

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4	–	–	–	–	–	4	–
S94 Total	4	–	–	–	–	–	4	–
s93F – Water	409	–	–	5	–	–	414	–
S93F Total	409	–	–	5	–	–	414	–
s64 – Water	644	5	–	40	(689)	–	–	–
s64 – Sewer	806	4	–	12	(822)	–	–	–
S64 Total	1,450	9	–	52	(1,511)	–	–	–
Total	1,863	9	–	57	(1,511)	–	418	–

Contribution plan number 5 – Ourimbah

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s64 – Water	700	–	–	13	(713)	–	–	–
s64 – Sewer	353	–	–	10	(363)	–	–	–
S64 Total	1,053	–	–	23	(1,076)	–	–	–
Total	1,053	–	–	23	(1,076)	–	–	–

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 6 – Toukley

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4	–	–	–	–	–	4	–
S94 Total	4	–	–	–	–	–	4	–
s64 – Water	527	1	–	13	(541)	–	–	–
s64 – Sewer	17	1	–	5	(840)	817	–	–
S64 Total	544	2	–	18	(1,381)	817	–	–
Total	548	2	–	18	(1,381)	817	4	–

Contribution plan number 7 – Gorokan

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s93F – Water	22	–	–	–	–	–	22	–
s93F – Sewer	15	–	–	–	–	–	15	–
S93F Total	37	–	–	–	–	–	37	–
s64 – Water	283	15	–	30	(328)	–	–	–
s64 – Sewer	1,362	11	–	18	(574)	(817)	–	–
S64 Total	1,645	26	–	48	(902)	(817)	–	–
Total	1,682	26	–	48	(902)	(817)	37	–

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

Contribution plan number 8 – San Remo

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	309	(67)	–	2	–	–	244	–
S94 Total	309	(67)	–	2	–	–	244	–
s64 – Water	1,241	119	–	32	(1,392)	–	–	–
s64 – Sewer	245	(47)	–	18	(216)	–	–	–
S64 Total	1,486	72	–	50	(1,608)	–	–	–
Total	1,795	5	–	52	(1,608)	–	244	–

Contribution plan number 9 – Budgewoi

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s64 – Water	527	–	–	7	(534)	–	–	–
s64 – Sewer	5	–	–	2	(7)	–	–	–
S64 Total	532	–	–	9	(541)	–	–	–
Total	532	–	–	9	(541)	–	–	–

Contribution plan number 15 – Northern Districts

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s64 – Water	1,208	12	–	24	(1,244)	–	–	–
s64 – Sewer	1,623	11	–	24	(1,658)	–	–	–
S64 Total	2,831	23	–	48	(2,902)	–	–	–
Total	2,831	23	–	48	(2,902)	–	–	–

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

Developer contributions – under a plan

CONTRIBUTION PLAN NUMBER 17 Warnervale District

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	11,128	1,111	339	204	(339)	–	12,443	–
S94 Total	11,128	1,111	339	204	(339)	–	12,443	–
s93F – Drainage	960	292	–	15	–	–	1,267	–
s93F – Water	531	–	–	7	–	–	538	–
s93F – Sewer	355	–	–	5	–	–	360	–
S93F Total	1,846	292	–	27	–	–	2,165	–
s64 – Water	1,690	809	19	57	(2,575)	–	–	–
s64 – Sewer	3,368	532	16	57	(1,097)	(2,876)	–	–
S64 Total	5,058	1,341	35	114	(3,672)	(2,876)	–	–
Total	18,032	2,744	374	345	(4,011)	(2,876)	14,608	–

Developer contributions – under a plan

CONTRIBUTION PLAN NUMBER 18 Development Service Plans water and sewerage

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (lent)/borrowed	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
s64 – Water	436	1,270	37	15	12,622	–	14,380	–
s64 – Sewer	513	1,737	52	16	4,390	–	6,708	–
S64 Total	949	3,007	89	31	17,012	–	21,088	–
Total	949	3,007	89	31	17,012	–	21,088	–

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and other assets/liabilities not recognised

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

Liabilities not recognised

1. Defined benefit superannuation

Council, on behalf of Wyong Water, is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119 Employee Benefits. 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.

Employer contributions paid to the defined benefit section of the Local Government Superannuation Scheme during 2015-16 were recognised as an expense.

The last valuation of the Scheme was performed by Mr Richard Boyfield of Mercer Consulting (Australia) Pty Ltd on 24 February 2016.

The position is monitored annually and the Actuary estimates that a deficiency still exists as at 12 May 2016. Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

Council and subsequently Wyong Water'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 members. For this reason, no liability for the deficiency has been recognised in the accounts.

Further contributions made to the scheme to rectify the net deficit position will be recognised as an expense when they become payable.

The defined benefit element of the scheme is now closed to new members.

2. Developer contributions

Wyong Water levies Section 64 contributions upon various developments across the local government area through the required contributions plans.

As part of these plans, Wyong Water 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 Wyong Water, which will be funded by making levies and receipting funds in future years.

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

The former Wyong Shire Council Water Supply Authority

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

Note 19. Interests in other entities

\$ '000

Wyong Water'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 Wyong Water's (i) interest and (ii) control and the type (form) of entity/operation, as follows:

Joint operations*Note 19(a)*

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.

(a) Joint operations

(a) Wyong Water is involved in the following joint operations

Name of joint operation	Principal activity	Interest in ownership	
		2016	2015
Joint water supply authority	Water supply headworks	49%	47%

(b) Wyong Water assets employed in the joint operations

12 May 2016 30 June 2015

Wyong Water's own assets employed in the operations

Non-current assets

Property, plant and equipment	291,429	326,821
Total assets – Wyong Water owned	291,429	326,821
Total net assets employed – Wyong Water and jointly owned	291,429	326,821

The former Wyong Shire Council Water Supply Authority

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 May 2016	Actual 30 June 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		595,510	600,747
a. Correction of prior period errors	20 (c)	-	(6,474)
b. Net operating result for the period		15,420	1,237
Balance at end of the reporting period		610,930	595,510
(b) Revaluation reserves			
(i) Reserves are represented by:			
- Infrastructure, property, plant and equipment revaluation reserve		880,649	936,517
Total		880,649	936,517
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
- Opening balance		936,517	821,149
- Revaluations for the period	9(a)	(55,868)	115,367
- Balance at end of period		880,649	936,517
TOTAL VALUE OF RESERVES		880,649	936,517
(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 in the revaluation of non-current assets.			

The former Wyong Shire Council Water Supply Authority

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 (continued)

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

Wyong Water had incorrectly recognised land assets at a value of \$6.474M from 1994. During the review of land valuation process, it was identified that the land should have been recognised by Wyong Shire Council. This error was corrected in the prior period in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* through adjusting retained earnings and de-recognition of land.

The restated balances for each financial statement line affected in each period presented are shown below.

(i) Restatement of Statement of Financial Position and Statement of Changes in Equity as at 30 June 2015.

Statement of Financial Position			
\$'000	2015 Previous Reported	Prior Period Errors	2015 Restated
Land	1,668,329	(6,474)	1,661,855
Total non-current assets	1,693,792	(6,474)	1,687,318
Total assets	1,756,657	(6,474)	1,750,183
Net assets	1,538,501	(6,474)	1,532,027
Retained earnings	601,984	(6,474)	595,510
Total equity	1,538,501	(6,474)	1,532,027

Statement of Changes in Equity			
\$'000	2015 Previous Reported	Prior Period Errors	2015 Restated
Retained earnings - Opening balance	600,747	(6,474)	594,273
Retained earnings - Closing balance	601,984	(6,474)	595,510

(ii) Restatement of Statement of Financial Position and Statement of Changes in Equity as at 1 July 2014.

Statement of Financial Position			
\$'000	2014 Previous Reported	Prior Period Errors	2014 Restated
Land	1,556,989	(6,474)	1,550,515
Total non-current assets	1,582,511	(6,474)	1,576,037
Total assets	1,638,313	(6,474)	1,631,839
Net assets	1,421,897	(6,474)	1,415,423
Retained earnings	600,747	(6,474)	594,273
Total equity	1,421,897	(6,474)	1,415,423

Statement of Changes in Equity			
\$'000	2014 Previous Reported	Prior Period Errors	2014 Restated
Retained earnings - Opening balance	605,016	(6,474)	598,542
Retained earnings - Closing balance	600,747	(6,474)	594,273

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Wyong Water made no changes in accounting estimates during the reporting period.

The former Wyong Shire Council Water Supply Authority

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	Actual
\$ '000	1 July 2015 - 12 May 2016	1 July 2015 - 12 May 2016
	Water	Sewer
Continuing operations		
Income from continuing operations		
Rates and annual charges	15,852	25,591
User charges and fees	25,407	1,836
Interest and investment revenue	1,047	1,492
Other revenues	561	213
Grants and contributions provided for operating purposes	785	677
Grants and contributions provided for capital purposes	<u>11,683</u>	<u>3,563</u>
Total income from continuing operations	55,335	33,372
Expenses from continuing operations		
Employee benefits and on-costs	5,510	4,742
Borrowing costs	10,742	1,515
Materials and contracts	2,964	2,705
Depreciation and amortisation	16,221	11,943
Other expenses	9,368	7,183
Net losses from the disposal of assets	146	248
Share of interests in joint ventures and associates using the equity method	<u>—</u>	<u>—</u>
Total expenses from continuing operations	44,951	28,336
Operating result from continuing operations	10,384	5,036
Discontinued operations		
Net profit/(loss) from discontinued operations	<u>—</u>	<u>—</u>
Net operating result for the period	10,384	5,036
Net operating result attributable to each fund	10,384	5,036
Net operating result attributable to non-controlling interests	—	—
Net operating result for the period before grants and contributions provided for capital purposes	(1,299)	1,473

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

The former Wyong Shire Council Water Supply Authority

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 May 2016	Actual 12 May 2016
	Water	Sewer
ASSETS		
Current assets		
Cash and cash equivalents	1,542	3,138
Investments	13,971	28,460
Receivables	12,306	7,929
Total current assets	27,819	39,527
Non-current assets		
Investments	19,000	–
Receivables	373	9,461
Infrastructure, property, plant and equipment	960,147	650,874
Intangible assets	14	9
Total non-current assets	979,534	660,344
TOTAL ASSETS	1,007,353	699,871
LIABILITIES		
Current liabilities		
Payables	5,288	3,722
Borrowings	11,276	1,744
Provisions	1,581	1,849
Total current liabilities	18,145	7,315
Non-current liabilities		
Payables	1,237	–
Borrowings	162,515	25,749
Provisions	440	244
Total non-current liabilities	164,192	25,993
TOTAL LIABILITIES	182,337	33,308
Net assets	825,016	666,563
EQUITY		
Retained earnings	363,276	247,654
Revaluation reserves	461,740	418,909
Wyong Water equity interest	825,016	666,563
Non-controlling interests	–	–
Total equity	825,016	666,563

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

The former Wyong Shire Council Water Supply Authority

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

Wyong Water 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.

Wyong Water has adopted the date of receipt of the Auditor's Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 14 December 2016.

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.

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

Amalgamation of operations for the former Wyong Shire Council to form Central Coast Council

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that the operations of the former Wyong Shire Council including the operations of Wyong Water would be amalgamated with Gosford City Council to form the new Central Coast Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Wyong Shire Council to Central Coast Council on 13 May 2016.

The proclamation ensures that any reference in any document to the former Wyong Shire Council or Wyong Water is to be read as a reference to Central Coast Council, and that anything done by the former Wyong Shire Council or Wyong Water before the amalgamation is taken to have been done by Central Coast 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 Wyong Water and its financial performance for the period 1 July 2015 to 12 May 2016.

The former Wyong Shire Council Water Supply Authority

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

Note 24. Discontinued operations

Wyong Water has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

\$ '000	Actual 12 May 2016	Actual 30 June 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	2,469	2,469
Accumulated amortisation (1/7)	(2,415)	(2,380)
Net book value – opening balance	54	89
Movements for the period		
– Amortisation charges	(31)	(35)
Closing values:		
Gross book value (12/5/16)	2,469	2,469
Accumulated amortisation (12/5/16)	(2,446)	(2,415)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	23	54
¹ The net book value of intangible assets represent:		
– Software	23	54
	23	54

Note 26. Reinstatement, rehabilitation and restoration liabilities

Wyong Water has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

The former Wyong Shire Council Water Supply Authority

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

Note 27. Fair value measurement

\$ '000

Wyong Water measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

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: Unobservable inputs for the asset or liability.

(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					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	260	260
Office equipment	30/06/13	–	–	118	118
Furniture and fittings	30/06/13	–	–	168	168
Operational land	30/06/13	–	–	51,516	51,516
Community land	12/05/16	–	–	414	414
Buildings – specialised	30/06/13	–	–	11,512	11,512
Other structures	30/06/13	–	–	1,254	1,254
Roads	30/06/15	–	–	25	25
Bulk earthworks (non depreciable)	30/06/15	–	–	16	16
Stormwater drainage	30/06/16	–	–	345,510	345,510
Water supply network	12/05/16	–	–	562,711	562,711
Sewerage network	12/05/16	–	–	605,921	605,921
Total infrastructure, property, plant and equipment		–	–	1,579,425	1,579,425

(continued on next page...)

The former Wyong Shire Council Water Supply Authority

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					
Plant and equipment	30/06/13	—	—	314	314
Office equipment	30/06/13	—	—	178	178
Furniture and fittings	30/06/13	—	—	27	27
Operational land	30/06/13	—	—	51,143	51,143
Community land	30/06/11	—	—	1,105	1,105
Buildings – specialised	30/06/13	—	—	11,785	11,785
Other structures	30/06/11	—	—	1,421	1,421
Roads	30/06/15	—	—	25	25
Bulk earthworks (non depreciable)	30/06/15	—	—	16	16
Stormwater drainage	30/06/15	—	—	341,759	341,759
Water supply network	30/06/12	—	—	553,617	553,617
Sewerage network	30/06/12	—	—	671,823	671,823
Total infrastructure, property, plant and equipment		—	—	1,633,213	1,633,213

(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 Wyong Shire Council Water Supply Authority

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

Note 27. Fair value measurement (continued)

(3) Valuation techniques used to derive Level 3 fair values

Where Wyong Water is unable to derive Fair Valuations using quoted market prices of identical assets (ie. Level 1 inputs), or observable inputs (Level 2 inputs) Wyong Water instead utilises unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Wyong Water has employed while utilising Level 3 inputs are as follows:

Infrastructure, property, plant and equipment

Plant and equipment, office equipment and furniture and fittings

Plant and equipment, office equipment and furniture and fittings assets are recognised and valued at cost. Wyong Water assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. Therefore these assets are disclosed at fair value in the notes.

These asset categories include:

- Plant and equipment – pumps, compressors and power hand tools
- Office equipment – computer hardware, digital cameras, photocopiers
- Furniture and fittings – work stations, storage cabinets and air conditioning units.

The unobservable level 3 inputs used include:

- pattern of consumption
- useful life

Wyong Water reviews the value of these assets based on the gross replacement cost of similar assets.

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

Operational land

This asset class is comprised of all Wyong Water's land classified as operational land under the Local Government Act 1993. The last valuation was undertaken in 2013 by APV Valuers and Asset Management.

The valuation of the freehold land has been carried out on a market value basis. It has been assessed on the basis of the estimated amount, which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between a willing vendor and a willing purchaser in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets.

This asset class is categorised as Level 3 as some of the inputs used in the valuation of these assets require significant professional judgement and are unobservable.

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

Community land

Community Land assets are comprised of Wyong Water owned land classified as Community Land under the Local Government Act 1993 and land under the care and management of Wyong Water on behalf of the Crown.

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Wyong Water values Community Land based on the unimproved land values provided by the Valuer General or an average unit rate based on the land values for similar properties (land use, land size, shape and location) where the Valuer General has not provided a land value based on the highest and best use for the land.

This asset class is valued using unimproved land values provided by the Valuer General which is not considered to be an observable input based on market evidence and therefore contains Level 3 unobservable inputs. As per Office of Local Government Circular 12-09, the asset class was revalued in 2016 with the Valuer General rates as at 1 July 2014.

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

Buildings – specialised

Council on behalf of Wyong Water engaged APV Valuers and Asset Management to value Buildings in 2013. The valuation methodology applied is dependent on whether a market exists to substantiate the value of the asset.

Where a depth in market is identified, the fair value is assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar assets. The net value of the building and site services is the difference between the market value of the asset (as a whole) less the market value of the land component.

Where there is no depth in market the fair value is determined on depreciated current replacement basis. This is calculated by determining the gross current replacement cost and determining the amount of accumulated depreciation to reflect the level of service potential remaining in the asset.

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

This asset class is categorised as Level 3 as some of the inputs used in the valuation of these assets require significant professional judgement and are unobservable.

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

Other structures

This asset class is comprised of fencing and structures which did not meet the definition of a building.

The cost approach has been utilised to value other structures. Valuations are undertaken by Wyong Water staff based on the technical knowledge and experience of engineers and asset management staff. Unobservable Level 3 inputs used include useful life, asset condition and pattern of consumption.

Stormwater drainage assets contained within Holiday Parks and classified in this asset class have been reclassified to roads and drainage asset classes and revalued during the prior year reporting period as part of the roads and drainage asset revaluation.

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

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Stormwater drainage

The Stormwater drainage asset class consists of Wyong Water's pits, pipes, detention basins, open drains, culverts, floodgates, wetlands, headwalls and gross pollutant traps. The valuation of the asset class, which was undertaken in the prior financial year, was performed by Wyong Water's experienced asset management staff using the cost assets approach. Replacement cost is assessed using the Modern Engineering Equivalent Replacement Asset (MEERA) approach.

Stormwater drainage assets contained within Holiday Parks and classified in Other Structures have been reclassified to this asset class and revalued during the prior year reporting period.

Replacement costs (unit rates) and useful lives for stormwater drainage assets were determined through a combination of historic data and technical knowledge during both the current and prior valuation, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life and pattern of consumption.

The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by CCTV investigation undertaken across a representative selection of the Wyong Water's drainage network and assumptions based on age. Due to the availability of historical information for assets with long lives there is some uncertainty on the specifications and dimensions of some assets however data validation processes have been undertaken to reduce this risk. The methodology applied by external valuers, GHD, in 2010 was based on asset condition ratings from 0 (New Asset) to 10 (Failed Asset or No Longer in Service) and applied to a random sample of the drainage network.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Water supply network

This asset class is comprised of water treatment plants, water pump stations, reservoirs, water mains, tunnels, dams, weirs and water meters.

The gross replacement cost approach has been utilised to value the water supply network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would result in recognising an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per AASB 116 Property, Plant and Equipment.

Valuations for dams and weirs, groundwater and treatment plants were undertaken by NSW Public Works. The remaining joint water assets, pump stations, telemetry and valve assets were valued by APV Valuers and Asset Management. The valuation of all other assets was undertaken by Wyong Water's staff based on the technical knowledge and experience of engineers and asset management staff taking into consideration NSW Reference Rates issued by the Department of Primary Industries Office of Water and the valuations performed by NSW Public Works and APV.

Unobservable Level 3 inputs used include materials used in the construction of the asset, useful life, asset condition, unit rates and pattern of consumption. As some of the assets have very long lives there is some uncertainty on the specifications and dimensions of some assets however the Water and Sewer Planning section undertook data validation processes to reduce this risk.

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

The former Wyong Shire Council Water Supply Authority

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

Sewerage network

This asset class is comprised of sewer treatment plants, sewer pump stations, sewer vacuum systems and sewer mains.

The gross replacement cost approach has been utilised to value the sewerage network. This approach estimates the gross replacement cost based on MEERA techniques and equipment that would yield an asset to serve the same function as the existing asset, rather than replicate the existing asset. Assets have been componentised as per AASB 116 Property, Plant and Equipment.

Sewer Treatment Works plants were valued by NSW Public Works, while vacuum systems and a selection of pump stations were valued by APV Valuers and Asset Management. The remaining asset valuations were undertaken by Wyong Water's staff based on the technical knowledge and experience of engineers and asset management staff taking into consideration NSW Reference Rates issued by the Department of Primary Industries Office of Water.

Unobservable Level 3 inputs used include materials used in the construction of the asset, residual value, useful life, asset condition, unit rates and pattern of consumption. As some of the assets have very long lives there is some uncertainty on the specifications and dimensions of some assets however the Water and Sewer Planning section undertook data validation processes to reduce this risk.

Major sewer rising mains and effluent disposal mains were valued in 2011 by Evans and Peck, who utilised a resource cost approach. This change in methodology has resulted in a reduction in the fair value of sewer mains.

There have been no other changes to the valuation process during the reporting period.

The former Wyong Shire Council Water Supply Authority

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.

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/14	478	158	18	57,652	58,306
Purchases (GBV)	5	92	20	–	117
Disposals (WDV)	–	–	–	(35)	(35)
Depreciation and impairment	(169)	(72)	(11)	–	(252)
Other movement - equity transfer	–	–	–	(6,474)	(6,474)
Closing balance – 30/6/15	314	178	27	51,143	51,662
Transfers from/(to) another asset class	66	–	–	51	117
Purchases (GBV)	32	1	154	322	509
Disposals (WDV)	(6)	–	–	–	(6)
Depreciation and impairment	(146)	(61)	(13)	–	(220)
Closing balance – 12/5/16	260	118	168	51,516	52,062
	Community land	Buildings specialised	Other structures	Stormwater drainage	Total
Opening balance – 1/7/14	1,113	12,088	1,413	237,154	251,768
Transfers from/(to) another asset class	–	–	–	650	650
Purchases (GBV)	–	–	56	9,746	9,803
Disposals (WDV)	(8)	–	–	–	(8)
Depreciation and impairment	–	(303)	(48)	(3,053)	(3,404)
Revaluation increments to equity (ARR)	–	–	–	97,262	97,262
Closing balance – 30/6/15	1,105	11,785	1,421	341,759	356,070
Transfers from/(to) another asset class	(51)	–	(132)	–	(183)
Purchases (GBV)	–	–	7	7,442	7,449
Disposals (WDV)	–	(20)	–	(137)	(157)
Depreciation and impairment	–	(253)	(42)	(3,554)	(3,849)
Revaluation increments to equity (ARR)	(640)	–	–	–	(640)
Closing balance – 12/5/16	414	11,512	1,254	345,510	358,690

The former Wyong Shire Council Water Supply Authority

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)

	Roads	Bulk earthworks	Water supply network	Sewerage network	Total
Opening balance – 1/7/14	–	–	558,140	669,335	1,227,475
Transfers from/(to) another asset class	26	16	(493)	–	(451)
Purchases (GBV)	–	–	1,906	5,708	7,614
Disposals (WDV)	–	–	–	(307)	(307)
Depreciation and impairment	(1)	–	(14,096)	(12,858)	(26,955)
Revaluation increments to equity (ARR)	–	–	8,160	9,945	18,105
Closing balance – 30/6/15	25	16	553,617	671,823	1,225,481
Purchases (GBV)	1	–	16,134	6,585	22,720
Disposals (WDV)	–	–	(9)	(228)	(237)
Depreciation and impairment	(1)	–	(12,394)	(11,669)	(24,064)
Revaluation increments to equity (ARR)	–	–	5,363	(60,591)	(55,228)
Closing balance – 12/5/16	25	16	562,711	605,920	1,168,672

The former Wyong Shire Council Water Supply Authority

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)

b. The valuation process for level 3 fair value measurements

The revaluation of assets is carried out based on the appropriate methodology for each asset class. The fair value of Water Supply and Sewerage Network assets has been evaluated using a cost approach based on MEERA techniques that would result in recognising an asset to serve the same function as the existing asset, rather than replicate the existing asset. The asset classes Operational Land and Buildings Non-Specialised use a market value approach where applicable and Land under Roads encapsulates the Englobo valuation basis.

The significant inputs considered in the valuation of assets to fair value are the asset components, materials used in the construction of the asset, residual values, pattern of consumption, dimensions, condition ratings and remaining useful life. Asset conditions are based on field inspections using ratings aligned with technical asset condition standards for each asset class which aligns to the condition ratings set out in Special Schedule 7. For assets with long lives there is some uncertainty on the specifications and dimensions of some assets however data validation processes have been undertaken to reduce this risk.

Revaluation of assets is undertaken by experienced Wyong Water staff or independent valuation consultants depending on the asset class and available information for valuation purposes. Wyong Water's asset managers will determine if external valuation consultants are required to be engaged.

Wyong Water's asset managers and finance team work together to analyse fair value movements post valuation. In the 2016 reporting period the asset classes Water Supply network, Sewerage network and Community Land were revalued.

(5). Highest and best use

All of Wyong Water's other non-financial assets are considered as being utilised for their highest and best use to serve Community needs.



Former Wyong Shire Council

Independent auditor's report to the Council - s417(2)

Report on the general purpose financial statements

Report on the financial statements

We have audited the accompanying financial report of the former Wyong Shire Council (the former Council), which comprises the statement of financial position as at 12 May 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, accompanying notes to the financial statements and the Statement by the Administrator and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Administrators' responsibility for the financial report

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

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is 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 report 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 Management, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

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

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Auditor's opinion

In our opinion:

- (a) the former Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the former Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as at 12 May 2016 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (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 during the course of the audit.

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PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', is written over a faint, dotted grid background.

Peter Buchholz
Partner

Sydney
15 December 2016



The Administrator
Mr Ian Reynolds
Central Coast Council
DX 7306
WYONG

Dear Mr Reynolds

Report on the conduct of the audit for the period ended 12 May 2016 – Section 417(3) in respect to the former Wyong Shire Council

We have completed our audit of the financial reports of the Council for the period ended 12 May 2016, in accordance with Section 415 of the Local Government Act, 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

Operating Result

Council's operating result improved from a \$36 million surplus to a \$63 million surplus during the period under review. The operating result before capital improved from a \$10m surplus to a \$27m surplus.

Cash Position

Council's overall cash position improved from \$156 million to \$158 million during the period under review.

The following table highlights the composition of cash.

	June 2015 \$m	May 2016 \$m
Externally restricted	122	112
Internally restricted	27	17
Unrestricted	26	29
Total	156	158

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Working Capital

Council's net current assets improved from \$91 million to \$115 million during the period under review.

The value of net current assets needs to be adjusted in order to establish Council's available working capital.

	June 2015 \$m	May 2016 \$m
Net current assets	91	115
Less:		
External restrictions	(80)	(99)
Internal restrictions	(27)	(17)
	(16)	(1)
Add:		
Current Liabilities to be funded from other sources	51	49
Available Working Capital	35	48

The effective unrestricted or available working capital upon which Council could build its 2017 budget was \$48 million.

Performance Indicators

The financial reports disclose a number of indicators in Note 13 and these are detailed below:

	June 2015 %	May 2016 %
Operating performance ratio	4.5	12
Own source operating revenue ratio	82	79
Unrestricted current ratio	157	155
Debt service cover ratio	351	482
Rates outstanding ratio	4.6	18
Cash expense cover ratio	9	11

The Operating Performance Ratio improved and remained above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio declined to 79% but remained above the industry benchmark of 60%.

The Unrestricted Current Ratio declined to 155% but remained above the industry benchmark of 150%.

The Debt Service Cover Ratio improved and remained above the industry benchmark of 200%.

The Rates Outstanding Ratio increased due to the early close of the accounts. Had the ratio been calculated at 30 June it would have been within the benchmark.

The Cash Expense Cover Ratio indicates that Council could continue to trade for 11 months should cash inflows cease.



Council's financial position was considered to be sound and stable at the time of its closure.

General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the Interim General Manager and his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully

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PricewaterhouseCoopers

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P L Buchholz
Partner

Sydney
15 December 2016



Former Wyong Shire Council

Independent auditor's report

Report on the special purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements, being the special purpose financial statements, of the former Wyong Shire Council (the former Council), which comprises the Statement of Financial Position by Business Activity for the period ended 12 May 2016, the Income Statements by Business Activity for the year then ended, Notes to the financial statements for the Business Activities identified by the Administrator and the Statement by the Administrator and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the period ended 12 May 2016.

Administrator's responsibility for the financial report

The Administrator of the former 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 requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Administrator's responsibility also includes such internal control as the Administrator determines is necessary to enable the preparation of a financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is 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 Administrator, as well as evaluating the overall presentation of the financial statements.

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



Auditor's opinion

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of the former Wyong Shire Council as at 12 May 2016 and its financial performance by Business Activity for the period then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared for fulfilling the Administrator's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting.

As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the former Wyong Shire Council and should not be distributed to or used by parties other than the former Wyong Shire Council.

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PricewaterhouseCoopers

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Peter Buchholz
Partner

Sydney
15 December 2016



INDEPENDENT AUDITOR'S REPORT

Former Wyong Shire Council Water Supply Authority

To the Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the former Wyong Shire Council Water Supply Authority (the Authority), which comprise the statement of financial position as at 12 May 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, for the period 1 July 2015 to 12 May 2016, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 12 May 2016, and of its financial performance and its cash flows for the period 1 July 2015 to 12 May 2016 in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2015
- The Local Government Code of Accounting Practice and Financial Reporting.

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

Basis of Opinion

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

I am independent of the Authority in accordance with the auditor independence requirements of:

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

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

Other Information

The Administrator of the Central Coast Council is responsible for the Other Information, which comprises the information in the Authority's annual report for the period 1 July 2015 to 12 May 2016, other than the financial statements and my Independent Auditor's Report thereon.

My opinion on the financial statements does not cover the Other Information. Accordingly, I do not express any form of assurance conclusion on the Other Information. However, I must read the Other Information and consider whether it is materially inconsistent with the financial statements, the knowledge I obtained during the audit, or otherwise appears to be materially misstated.

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

I have nothing to report in this regard.

The Administrator's Responsibility for the Financial Statements

The Administrator is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Administrator determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Administrator must assess the Authority's ability to continue as a going concern unless the Authority will be dissolved by an Act of Parliament or cease operations. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

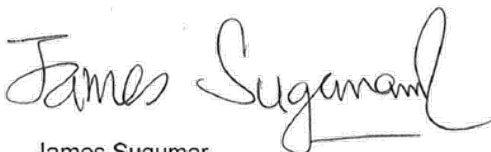
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and
- issue an Independent Auditor's Report including my opinion.

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

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Authority carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



James Sugumar
Director, Financial Audit Services
14 December 2016
SYDNEY