

# Wagga Wagga City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

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*"A thriving, innovative, connected community on the  
Murrumbidgee, rich in opportunity, choice, learning and  
environment, where paths cross, where people meet"*



# Wagga Wagga City Council

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

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### Overview

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

Cnr Morrow and Baylis Streets  
Wagga Wagga NSW 2650

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

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

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

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

# Wagga Wagga City Council

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

### Understanding Council's financial statements

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#### Introduction

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

#### What you will find in the statements

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

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

##### 2. The Statement of Comprehensive Income

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

##### 3. The Statement of Financial Position

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

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

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

##### 5. The Statement of Cash Flows

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

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

#### Who uses the financial statements?

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

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

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

# Wagga Wagga City Council

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

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

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

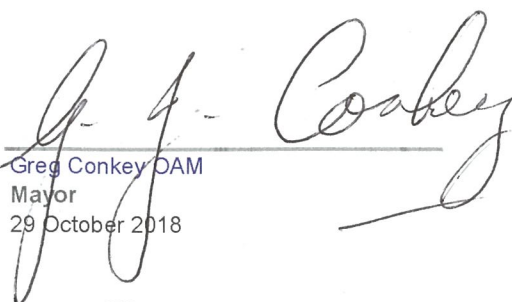
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 29 October 2018.



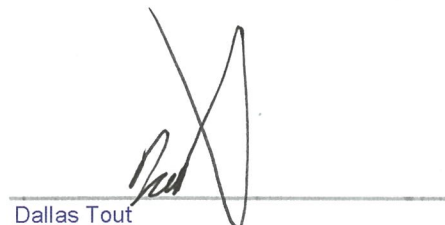
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Greg Conkey OAM  
Mayor  
29 October 2018



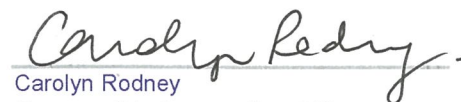
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Peter Thompson  
General Manager  
29 October 2018



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Dallas Tout  
Councillor  
29 October 2018



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Carolyn Rodney  
Responsible Accounting Officer  
29 October 2018



## Wagga Wagga City Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
63,090	Rates and annual charges	3a	62,681	60,035
26,401	User charges and fees	3b	26,322	23,807
2,804	Interest and investment revenue	3c	3,774	4,085
2,882	Other revenues	3d	2,652	3,439
13,910	Grants and contributions provided for operating purposes	3e,f	16,717	20,630
13,705	Grants and contributions provided for capital purposes	3e,f	34,550	41,994
<b>Other income:</b>				
–	Fair value increment on investment property	10	25	–
–	Net share of interests in joint ventures and associates using the equity method	15	103	69
<b>122,792</b>	<b>Total income from continuing operations</b>		<b>146,823</b>	<b>154,059</b>
<b>Expenses from continuing operations</b>				
42,458	Employee benefits and on-costs	4a	39,352	40,287
3,591	Borrowing costs	4b	3,614	3,778
29,834	Materials and contracts	4c	33,424	28,837
34,478	Depreciation and amortisation	4d	34,595	36,251
9,453	Other expenses	4e	10,060	9,371
–	Net losses from the disposal of assets	5	3,660	2,906
–	Fair value decrement on investment property	10	–	50
<b>119,814</b>	<b>Total expenses from continuing operations</b>		<b>124,705</b>	<b>121,480</b>
<b>2,978</b>	<b>Operating result from continuing operations</b>		<b>22,118</b>	<b>32,579</b>
<b>2,978</b>	<b>Net operating result for the year</b>		<b>22,118</b>	<b>32,579</b>
2,978	Net operating result attributable to Council		22,118	32,579
(10,727)	Net operating result for the year before grants and contributions provided for capital purposes		(12,431)	(9,415)

# Wagga Wagga City Council

## Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>22,118</b>	<b>32,579</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	66,143	(54,694)
Other comprehensive income – joint ventures and associates	15	9	4
Other movements in reserves		–	(766)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>66,152</b>	<b>(55,456)</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>66,152</b>	<b>(55,456)</b>
<b>Total comprehensive income for the year</b>		<b>88,270</b>	<b>(22,877)</b>
Total comprehensive income attributable to Council		88,270	(22,877)

## Wagga Wagga City Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	15,182	14,633
Investments	6b	33,044	34,013
Receivables	7	14,508	20,254
Inventories	8	1,978	2,160
Other	8	557	510
<b>Total current assets</b>		<b>65,269</b>	<b>71,570</b>
<b>Non-current assets</b>			
Investments	6b	81,172	59,686
Receivables	7	94	44
Infrastructure, property, plant and equipment	9	1,422,749	1,348,783
Investments accounted for using the equity method	15	2,050	1,938
Investment property	10	2,825	2,800
<b>Total non-current assets</b>		<b>1,508,890</b>	<b>1,413,251</b>
<b>TOTAL ASSETS</b>		<b>1,574,159</b>	<b>1,484,821</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	12,702	14,380
Income received in advance	11	1,876	2,573
Borrowings	11	2,892	2,461
Provisions	12	12,463	11,605
<b>Total current liabilities</b>		<b>29,933</b>	<b>31,019</b>
<b>Non-current liabilities</b>			
Borrowings	11	51,119	49,095
Provisions	12	1,749	1,618
<b>Total non-current liabilities</b>		<b>52,868</b>	<b>50,713</b>
<b>TOTAL LIABILITIES</b>		<b>82,800</b>	<b>81,732</b>
<b>Net assets</b>		<b>1,491,359</b>	<b>1,403,089</b>
<b>EQUITY</b>			
Accumulated surplus		905,640	883,513
Revaluation reserves		585,719	519,576
<b>Total equity</b>		<b>1,491,359</b>	<b>1,403,089</b>

## Wagga Wagga City Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		883,513	519,576	<b>1,403,089</b>	851,695	574,271	<b>1,425,966</b>
<b>Net operating result for the year</b>		<b>22,118</b>	<b>–</b>	<b>22,118</b>	<b>32,579</b>	<b>–</b>	<b>32,579</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	66,143	<b>66,143</b>	–	(54,694)	<b>(54,694)</b>
– Joint ventures and associates	15	9	–	<b>9</b>	4	–	<b>4</b>
– Other movements		–	–	<b>–</b>	(766)	–	<b>(766)</b>
<b>Other comprehensive income</b>		<b>9</b>	<b>66,143</b>	<b>66,152</b>	<b>(762)</b>	<b>(54,694)</b>	<b>(55,456)</b>
<b>Total comprehensive income</b>		<b>22,128</b>	<b>66,143</b>	<b>88,270</b>	<b>31,818</b>	<b>(54,694)</b>	<b>(22,877)</b>
<b>Equity – balance at end of the reporting period</b>		<b>905,640</b>	<b>585,719</b>	<b>1,491,359</b>	<b>883,513</b>	<b>519,576</b>	<b>1,403,089</b>

## Wagga Wagga City Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
62,926	Rates and annual charges		62,710	59,535
25,561	User charges and fees		25,849	24,827
3,136	Investment and interest revenue received		3,395	4,000
28,845	Grants and contributions		45,067	44,453
–	Bonds, deposits and retention amounts received		213	242
2,092	Other		10,437	8,232
<b>Payments:</b>				
(42,592)	Employee benefits and on-costs		(38,952)	(40,710)
(32,588)	Materials and contracts		(33,007)	(28,263)
(3,591)	Borrowing costs		(3,599)	(3,755)
(7,793)	Other		(16,730)	(17,352)
<b>35,996</b>	<b>Net cash from (or used in) operating activities</b>	14b	<b>55,383</b>	<b>51,208</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
39,569	Sale of investment securities		38,667	27,017
–	Sale of investment property		–	463
4,678	Sale of infrastructure, property, plant and equipment		2,157	2,934
–	Deferred debtors receipts		42	2,443
<b>Payments:</b>				
(30,000)	Purchase of investment securities		(59,000)	(36,349)
(50,995)	Purchase of infrastructure, property, plant and equipment		(39,154)	(40,516)
(1,223)	Contributions paid to joint ventures and associates		–	–
<b>(37,970)</b>	<b>Net cash from (or used in) investing activities</b>		<b>(57,288)</b>	<b>(44,008)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
7,216	Proceeds from borrowings and advances		4,916	–
<b>Payments:</b>				
(2,474)	Repayment of borrowings and advances		(2,461)	(2,352)
<b>4,742</b>	<b>Net cash flow from (used in) financing activities</b>		<b>2,455</b>	<b>(2,352)</b>
<b>2,767</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>549</b>	<b>4,848</b>
8,218	Plus: cash and cash equivalents – beginning of year	14a	14,633	9,785
<b>10,986</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>15,182</b>	<b>14,633</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	114,216	93,699
	<b>Total cash, cash equivalents and investments</b>		<b>129,398</b>	<b>108,332</b>

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 29/10/2018.

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

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

#### **Basis of preparation**

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

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

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

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

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

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

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

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

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

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

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties – refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) estimated tip remediation provisions – refer Note 12,
- (iv) employee benefit provisions – refer Note 12.

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

- (v) Impairment of receivables

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

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

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

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

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

- General purpose operations
- Sewerage service

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

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

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

#### **Goods and Services Tax (GST)**

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

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 that are recoverable from, or payable to the taxation authority are presented as operating cash flows.



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

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

##### **Effective for annual reporting periods beginning on or after 1 July 2018**

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

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

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

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

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

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position. It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

All assets leased for greater than 12 months (except low value assets) will be included in the Statement of Financial Position. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.

While Council is still reviewing the likely impact of this new standard, at this stage it is not likely to have a material impact on future financial statements.

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Community Leadership and Collaboration	60,629	61,317	19,494	20,778	41,136	40,539	9,051	11,899	58,320	53,355
Safe and Healthy Community	6,554	5,580	15,410	15,218	(8,856)	(9,638)	1,093	530	186,747	184,043
Growing Economy	12,517	29,572	13,740	10,632	(1,223)	18,941	2,498	20,548	53,751	55,322
Community Place and Identity	5,195	3,557	8,680	8,535	(3,486)	(4,978)	3,486	2,065	12,448	11,896
The Environment	61,928	54,032	67,381	66,318	(5,453)	(12,285)	10,604	8,553	1,262,892	1,180,205
<b>Total functions and activities</b>	<b>146,823</b>	<b>154,059</b>	<b>124,705</b>	<b>121,481</b>	<b>22,118</b>	<b>32,579</b>	<b>26,731</b>	<b>43,595</b>	<b>1,574,159</b>	<b>1,484,821</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

##### **Community Leadership and Collaboration**

Includes costs related to Council's planning and reporting, governance and customer service activities. Council activities include corporate governance and management, financial management and reporting, and information services.

##### **Safe and Healthy Community**

Includes services and actions Council takes to ensure the community's safety, from managing the physical environment to ensuring the health standard of the community including activities related to providing recreational spaces and programs for a healthy community. Council activities include parks management, recreational programming, and ranger and animal management services.

##### **Growing Economy**

Includes costs of providing assets and services to develop our transport networks and encourage economic growth as well as projects and events that make our city a great place to live and visit. Council activities include visitor economy, events management, economic development, and airport and livestock management operations.

##### **Community Place and Identity**

Includes costs of programs and activities Council delivers that bring people together including projects and programs that will help our spaces reflect our community. Council activities include operation and management of wagga wagga regional family day care, civic theatre, art and glass galleries, museums and wagga wagga city library.

##### **The Environment**

Includes costs of all programs, projects and services that contribute to the sustainability of our community including managing our growth and impact on the environment, as well as protecting and maintaining our assets. Council activities include planning and development, environmental management and compliance, project delivery, sewer and stormwater services, building management and civil infrastructure management.

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	25,130	24,090
Farmland	4,771	4,720
Business	10,226	10,044
Less: pensioner rebates (mandatory)	(635)	(663)
<b>Total ordinary rates</b>	<b>39,492</b>	<b>38,191</b>
<b>Special rates</b>		
Special rate variation – Levee	1,481	1,449
<b>Total special rates</b>	<b>1,481</b>	<b>1,449</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	7,736	7,326
Stormwater management services	691	690
Sewerage services	13,173	12,322
Waste management services (non-domestic)	600	557
Less: pensioner rebates (mandatory)	(491)	(499)
<b>Total annual charges</b>	<b>21,709</b>	<b>20,395</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>62,681</b>	<b>60,035</b>

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

#### Accounting policy for rates and annual charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

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

<b>(b) User charges and fees</b>			<b>2018</b>	<b>2017</b>
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)				
Domestic waste management services		1,109	827	
Sewerage services		4,590	4,062	
Waste management services (non-domestic)		3,621	3,139	
<b>Total specific user charges</b>		<b>9,320</b>	<b>8,028</b>	
<b>Other user charges and fees</b>				
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>				
Private works – section 67		61	(8)	
Regulatory/ statutory fees		638	537	
<b>Total fees and charges – statutory/regulatory</b>		<b>699</b>	<b>529</b>	

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	4,010	3,541
Cemeteries	1,191	1,199
Corporate services	36	37
Development services	2,243	2,171
Family day care	317	316
Fire and emergency services levy	15	100
Leaseback fees – Council vehicles	105	146
Library and art gallery	32	36
Livestock marketing centre	5,526	5,005
Oasis swimming complex	1,433	1,496
Park and sportsgrounds	348	343
Regional civic theatre	786	630
Tourist information centre	65	53
Other	197	178
<b>Total fees and charges – other</b>	<b>16,303</b>	<b>15,251</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>26,322</b>	<b>23,807</b>

#### Accounting policy for user charges and fees

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

### (c) Interest and investment revenue (including losses)

#### Interest

– Overdue rates and annual charges (incl. special purpose rates)	194	214
– Cash and investments	3,395	3,285
– Deferred debtors	1	3

#### Fair value adjustments

– Fair valuation movements in investments (at fair value or held for trading)	184	583
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>3,774</b>	<b>4,085</b>

#### Interest revenue is attributable to:

##### Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	187	208
General Council cash and investments	2,485	2,855

##### Restricted investments/funds – external:

Development contributions		
– Section 7.11	99	110
– Section 64	26	25
Sewerage fund operations	369	394
Domestic waste management operations	100	108
Other externally restricted assets (Grant funds held)	65	–

##### Restricted investments/funds – internal:

Internally restricted assets	444	385
<b>Total interest and investment revenue recognised</b>	<b>3,774</b>	<b>4,085</b>

#### Accounting policy for interest and investment revenue

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – investment property	10	265	376
Rental income – other council properties		733	981
Ex gratia rates		37	36
Fines		368	556
Legal fees recovery – rates and charges (extra charges)		149	97
Diesel rebate		151	188
Insurance claim recoveries		89	134
Other theatre		9	10
Provision for remediation		–	357
Sales – miscellaneous		460	420
Sales – oasis swimming complex		122	144
Other		268	139
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,652</u></b>	<b><u>3,439</u></b>

#### Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	5,062	9,611	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance	5,199	4,957	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	347	360	–	–
<b>Total general purpose</b>	<b>10,608</b>	<b>14,928</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Sewerage	154	158	–	–
– Domestic waste management	114	113	–	–
Airport	–	–	(60)	192
Bushfire and emergency services	36	50	277	8
Community care	156	122	–	–
Drainage	–	–	1,766	(382)
Economic development	–	–	–	154
Environmental protection	1,139	217	91	20
Evocities	25	12	–	–
Family and childrens services – other	144	181	–	–
Family day care	1,459	1,403	–	–
Heritage and cultural	394	364	–	–
Noxious weeds	113	85	–	–
Recreation and culture	43	34	3,408	426
Street lighting	84	82	–	–
Transport (other roads and bridges funding)	506	1,054	6,175	24,357
Other	16	18	83	–
<b>Total specific purpose</b>	<b>4,384</b>	<b>3,893</b>	<b>11,739</b>	<b>24,775</b>
<b>Total grants</b>	<b>14,993</b>	<b>18,821</b>	<b>11,739</b>	<b>24,775</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	12,021	16,305	6,300	17,136
– State funding	2,736	2,333	5,438	7,619
– Other funding	236	183	–	20
	<b>14,993</b>	<b>18,821</b>	<b>11,739</b>	<b>24,775</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	5,845	4,553
S 7.12 – fixed development consent levies		–	–	492	419
S 64 – sewerage service contributions		–	–	1,761	1,536
S 64 – stormwater contributions		–	–	1,225	899
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>9,323</b>	<b>7,407</b>
<b>Total developer contributions</b>	23	<b>–</b>	<b>–</b>	<b>9,323</b>	<b>7,407</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire services		37	64	–	–
Drainage		–	–	47	415
Recreation and culture		468	247	148	7
Roads and bridges		–	25	–	–
RMS contributions (regional roads, block grant)		735	979	1,585	887
Sewerage (excl. section 64 contributions)		61	110	2	–
Other		423	384	30	44
<b>Total other contributions – cash</b>		<b>1,724</b>	<b>1,809</b>	<b>1,811</b>	<b>1,353</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	11,238	8,388
Artworks		–	–	72	72
Works In Kind		–	–	367	–
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>11,678</b>	<b>8,460</b>
<b>Total other contributions</b>		<b>1,724</b>	<b>1,809</b>	<b>13,488</b>	<b>9,812</b>
<b>Total contributions</b>		<b>1,724</b>	<b>1,809</b>	<b>22,811</b>	<b>17,220</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>16,717</b>	<b>20,630</b>	<b>34,550</b>	<b>41,994</b>

**Accounting policy for grants and contributions**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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.



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	651	438
<b>Add:</b> operating grants recognised in the current period but not yet spent	316	517
<b>Add:</b> operating grants received for the provision of goods and services in a future period	20	58
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(512)	(362)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>475</u>	<u>651</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	2,692	3,130
<b>Add:</b> capital grants recognised in the current period but not yet spent	163	205
<b>Add:</b> capital grants received for the provision of goods and services in a future period	1,773	59
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(341)	(702)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>4,287</u>	<u>2,692</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	23,058	20,280
<b>Add:</b> contributions recognised in the current period but not yet spent	7,514	6,063
<b>Add:</b> contributions received for the provision of goods and services in a future period	–	372
<b>Less:</b> contributions recognised in a previous reporting period now spent	(3,448)	(3,658)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>27,124</u>	<u>23,058</u>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	30,256	30,585
Travel expenses	475	434
Employee leave entitlements (ELE)	5,026	4,611
Superannuation	3,507	3,381
Workers' compensation insurance	532	1,448
Fringe benefit tax (FBT)	37	98
Payroll tax	98	113
Training costs (other than salaries and wages)	341	217
Other	471	438
<b>Total employee costs</b>	<b>40,744</b>	<b>41,325</b>
Less: capitalised costs	(1,392)	(1,038)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>39,352</b>	<b>40,287</b>
Number of 'full-time equivalent' employees (FTE) at year end	465	451

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

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

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

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the Fund. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

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

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### (a) Employee benefits and on-costs (continued)

###### Superannuation plans (continued)

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

We believe that the Pooled Employers sub-group can be considered a defined *multi-employer plan*, as defined by AASB119 "Employee Benefits", for the following reasons:

- 1) Assets are not segregated within the sub-group according to the employees or each sponsoring employer;
- 2) The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer;
- 3) Benefits of employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- 4) The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

The expected contributions to the Fund by Council for the next annual reporting period are \$605,404.76.

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

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

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

Investment Return	6.0% per annum
Salary Inflation*	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

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

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

Council's participation in the scheme compared with other entities is about 0.85% based on Council's current level of additional contributions of \$1,023,000 against total contributions of \$40M. The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$603,401.18.

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		3,460	3,611
<b>Total interest bearing liability costs expensed</b>		<b>3,460</b>	<b>3,611</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	12	24	30
– Other liabilities		131	137
<b>Total other borrowing costs</b>		<b>154</b>	<b>167</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,614</b>	<b>3,778</b>
<b>Accounting policy for borrowing costs</b>			
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.			
<b>(c) Materials and contracts</b>			
Raw materials and consumables		21,734	20,897
Contractor and consultancy costs		11,133	7,399
Auditors remuneration <sup>(2)</sup>		131	126
Legal expenses:			
– Legal expenses: planning and development		57	13
– Legal expenses: debt recovery		120	95
– Legal expenses: other		214	261
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(1)</sup>		34	46
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>33,424</b>	<b>28,837</b>
<b>Operating leases</b>			
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.			
<b>1. Operating lease payments are attributable to:</b>			
Computers		34	46
		<b>34</b>	<b>46</b>
<b>2. Auditor remuneration</b>			
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms			
<b>Auditors of the Council – NSW Auditor-General:</b>			
<b>(i) Audit and other assurance services</b>			
Audit and review of financial statements		108	108
<b>Total Auditor-General remuneration</b>		<b>108</b>	<b>108</b>
<b>Non NSW Auditor-General audit firms:</b>			
<b>(i) Audit and other assurance services</b>			
Compliance Audits		23	18
<b>Total remuneration of non NSW Auditor-General audit firms</b>		<b>23</b>	<b>18</b>
<b>Total Auditor remuneration</b>		<b>131</b>	<b>126</b>

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,193	1,101
Office equipment		413	393
Furniture and fittings		59	65
<b>Infrastructure:</b>			
– Buildings – non-specialised		2,086	2,093
– Buildings – specialised		1,351	1,401
– Other structures		903	900
– Roads		15,507	16,786
– Bridges		484	486
– Footpaths		727	738
– Stormwater drainage		1,953	1,851
– Sewerage network		5,112	4,953
– Swimming pools		80	17
– Other open space/recreational assets		1,137	1,284
<b>Other assets:</b>			
– Other		3,724	4,326
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9 & 12	10	–
– Quarry assets	9 & 12	41	59
<b>Total gross depreciation and amortisation costs</b>		<b>34,778</b>	<b>36,453</b>
Less: capitalised costs		(183)	(202)
<b>Total depreciation and amortisation costs</b>		<b>34,595</b>	<b>36,251</b>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT /</u></b>			
<b><u>REVALUATION DECREMENT COSTS EXPENSED</u></b>			
		<b>34,595</b>	<b>36,251</b>

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

##### Depreciation and amortisation

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

##### Impairment of non-financial assets

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Bad and doubtful debts	105	–
Cost of sales	408	405
Contributions/levies to other levels of government		
– Bushfire fighting fund	394	384
– Emergency services levy (includes FRNSW, SES, and RFS levies)	105	118
– NSW fire brigade levy	463	446
– REROC	54	48
– Riverina Regional Library	1,228	1,190
– Valuation fees	188	182
Councillor expenses – mayoral fee	40	40
Councillor expenses – councillors' fees	176	171
Donations, contributions and assistance to other organisations (Section 356)	290	405
Election expenses	–	326
Electricity and heating	2,320	1,682
Fire and emergency services levy (FESL) implementation costs	–	4
Insurance	1,292	1,375
Postage	154	162
Reinstatement of infrastructure assets	1	95
Street lighting	1,434	1,104
Subscriptions and publications	51	50
Telephone and communications	320	341
Water	1,039	843
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>10,060</u></b>	<b><u>9,371</u></b>

#### Accounting policy for other expenses

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>Property</b> (excl. investment property)	9		
Proceeds from disposal – property		1,018	10
Less: carrying amount of property assets sold/written off		(418)	(100)
<b>Net gain/(loss) on disposal</b>		<b>600</b>	<b>(90)</b>
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		1,139	504
Less: carrying amount of plant and equipment assets sold/written off		(1,200)	(588)
<b>Net gain/(loss) on disposal</b>		<b>(61)</b>	<b>(84)</b>
<b>Infrastructure</b>	9		
Proceeds from disposal – infrastructure		–	2,420
Less: carrying amount of infrastructure assets sold/written off		(4,198)	(5,135)
<b>Net gain/(loss) on disposal</b>		<b>(4,198)</b>	<b>(2,715)</b>
<b>Investment property</b>	10		
Proceeds from disposal – investment property		–	463
Less: carrying amount of investment property sold/written off		–	(480)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(17)</b>
<b>Financial assets</b>	6		
Proceeds from disposal/redemptions/maturities – financial assets		38,667	27,017
Less: carrying amount of financial assets sold/redeemed/matured		(38,667)	(27,017)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(3,660)</b>	<b>(2,906)</b>

**Accounting policy for disposal of assets**

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

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

<b>Cash and cash equivalents</b>			
Cash on hand and at bank		15,110	12,259
Cash-equivalent assets			
– Deposits at call		72	374
– Short-term deposits		–	2,000
<b>Total cash and cash equivalents</b>		<b>15,182</b>	<b>14,633</b>

**Accounting policy for cash and cash equivalents**

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Investments</b>				
<b>a. 'At fair value through the profit and loss'</b>				
– 'Designated at fair value on initial recognition'	5,044	54,172	6,024	46,686
<b>b. 'Held to maturity'</b>	28,000	27,000	27,989	13,000
<b>Total investments</b>	<b>33,044</b>	<b>81,172</b>	<b>34,013</b>	<b>59,686</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>				
	<b>48,226</b>	<b>81,172</b>	<b>48,646</b>	<b>59,686</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	–	1,416	–	1,291
Floating rate notes	5,044	52,756	6,024	45,395
<b>Total</b>	<b>5,044</b>	<b>54,172</b>	<b>6,024</b>	<b>46,686</b>
<b>Held to maturity investments</b>				
Long term deposits	28,000	27,000	27,989	13,000
<b>Total</b>	<b>28,000</b>	<b>27,000</b>	<b>27,989</b>	<b>13,000</b>

#### Accounting policy for investments

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

##### (a) Financial assets at fair value through profit or loss

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

##### (b) 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. Assets in this category are measured at amortised cost.

##### 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. Investments 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.



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	48,226	81,172	48,646	59,686
<b>attributable to:</b>				
External restrictions (refer below)	7,153	74,672	9,620	59,686
Internal restrictions (refer below)	30,298	6,500	35,688	–
Unrestricted	10,775	–	3,338	–
	<b>48,226</b>	<b>81,172</b>	<b>48,646</b>	<b>59,686</b>

\$ '000	2018	2017
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## Details of restrictions

**External restrictions – included in liabilities**

Employee leave – sewer and waste	717	792
<b>External restrictions – included in liabilities</b>	<b>717</b>	<b>792</b>

**External restrictions – other**

Developer contributions – general	25,902	21,947
Specific purpose unexpended grants	2,959	3,283
Sewerage services	25,111	22,981
Sewerage services – unexpended contributions	640	615
Domestic waste management	19,921	15,483
Stormwater management	3,167	2,941
Other unexpended contributions	561	98
Special rate variation – Levee bank	2,847	1,167
<b>External restrictions – other</b>	<b>81,108</b>	<b>68,515</b>
<b>Total external restrictions</b>	<b>81,825</b>	<b>69,306</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>Internal restrictions</b>		
Plant and vehicle replacement	3,935	5,894
Employees leave entitlement	3,323	3,185
Airport	64	372
Bridge replacement	202	241
CBD carparking facilities	864	892
CCTV	74	64
Cemetery perpetual	65	158
Civil projects	156	156
Community amenities	77	6
Council election	256	167
Emergency events	220	134
Environmental conservation	131	131
Estella community centre	231	231
Family day care	320	170
Fit for the Future	5,340	3,033
Grant commission reserve	5,199	4,957
Gravel pit restoration	768	761
Gurwood st property	50	50
Information services E / business	369	379
Infrastructure improvements / replacement	194	136
Insurance premium savings	29	29
Internal loans	519	675
Lake Albert improvements	62	54
LEP preparation	4	29
Livestock marketing centre	5,727	7,267
Oasis building renewal	210	172
Oasis plant	1,141	1,115
Other building improvements	134	142
Other cemetery	453	193
Other operational	1,264	1,416
Parks and recreation reserve	80	79
Playground equipment replacement	165	59
Project carryovers	2,006	1,277
Public art reserve	209	174
Robertson oval	92	87
Stormwater drainage	180	183
Strategic real property	475	703
Street lighting replacement	75	75
Subdivision tree planting	582	273
Sustainable energy	589	520
Traffic committee	22	50
Unexpended external loans	842	–
Workers Compensation Projects	40	–
Community Works	62	–
<b>Total internal restrictions</b>	<b>36,798</b>	<b>35,688</b>
<b>TOTAL RESTRICTIONS</b>	<b>118,622</b>	<b>104,994</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	2,916	–	2,944	–
Interest and extra charges	282	–	319	–
User charges and fees	3,508	–	3,648	–
Accrued revenues				
– Interest on investments	685	–	452	–
– Other income accruals	100	–	102	–
Deferred debtors	15	33	46	44
Government grants and subsidies	5,512	–	10,990	–
Net GST receivable	1,123	–	1,054	–
Other debtors	486	61	733	–
<b>Total</b>	<b>14,627</b>	<b>94</b>	<b>20,288</b>	<b>44</b>
<b>Less: provision for impairment</b>				
User charges and fees	(118)	–	(34)	–
<b>Total provision for impairment – receivables</b>	<b>(118)</b>	<b>–</b>	<b>(34)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>14,508</b>	<b>94</b>	<b>20,254</b>	<b>44</b>
<b>Externally restricted receivables</b>				
<b>Sewerage services</b>				
– Rates and availability charges	778	–	754	–
– Other	1,398	–	1,296	–
<b>Domestic waste management</b>	<b>1,050</b>	<b>–</b>	<b>1,124</b>	<b>–</b>
<b>Stormwater management</b>	<b>34</b>	<b>–</b>	<b>39</b>	<b>–</b>
<b>Other</b>				
– Unexpended grants	1,803	–	62	–
– Unexpended contributions	20	–	372	–
<b>Total external restrictions</b>	<b>5,083</b>	<b>–</b>	<b>3,647</b>	<b>–</b>
<b>Internally restricted receivables</b>				
– Livestock marketing centre	363	–	353	–
– Airport	647	–	705	–
<b>Internally restricted receivables</b>	<b>1,010</b>	<b>–</b>	<b>1,058</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>8,415</b>	<b>94</b>	<b>15,549</b>	<b>44</b>
<b>TOTAL NET RECEIVABLES</b>	<b>14,508</b>	<b>94</b>	<b>20,254</b>	<b>44</b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			34	2,195
+ new provisions recognised during the year			118	34
– amounts already provided for and written off this year			(34)	(2,195)
<b>Balance at the end of the year</b>			<b>118</b>	<b>34</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### Accounting policy for receivables

###### Recognition and measurement

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

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

###### Impairment

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

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

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	1,864	–	2,059	–
Trading stock	114	–	101	–
<b>Total inventories at cost</b>	<b>1,978</b>	<b>–</b>	<b>2,160</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>1,978</b>	<b>–</b>	<b>2,160</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	557	–	510	–
<b>TOTAL OTHER ASSETS</b>	<b>557</b>	<b>–</b>	<b>510</b>	<b>–</b>
<b>Externally restricted assets</b>				
<b>Sewerage</b>				
Stores and materials	293	–	451	–
Prepayments	–	–	6	–
<b>Total sewerage</b>	<b>293</b>	<b>–</b>	<b>457</b>	<b>–</b>
<b>Domestic waste management</b>				
Prepayments	4	–	–	–
<b>Total domestic waste management</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>297</b>	<b>–</b>	<b>457</b>	<b>–</b>
<b>Total internally restricted assets</b>	<b>–</b>	<b>–</b>	<b>9</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>2,238</b>	<b>–</b>	<b>2,204</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>2,535</b>	<b>–</b>	<b>2,670</b>	<b>–</b>
<b>Other disclosures</b>				
<b>Movements:</b>				
Real estate assets at beginning of the year	–	–	282	–
– Purchases and other costs	–	–	(1)	–
– Transfers in from (out to) Note 9	–	–	(282)	–
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

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

**Inventory held for distribution**

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	29,351	–	29,351	3,488	7,573	(160)	–	(21,938)	–	–	–	18,314	–	18,314
Plant and equipment	26,353	13,733	12,620	3,673	1,609	(1,179)	(1,193)	–	–	–	–	28,272	12,741	15,531
Office equipment	4,871	3,638	1,233	–	269	–	(413)	–	–	–	–	5,140	4,051	1,090
Furniture and fittings	2,808	2,526	282	–	20	–	(59)	–	–	–	–	2,828	2,585	244
<b>Land:</b>														
– Operational land	61,902	–	61,902	–	23	(418)	–	–	–	–	–	61,507	–	61,507
– Community land	82,088	–	82,088	–	888	–	–	–	–	–	1,365	84,341	–	84,341
– Land under roads	8,463	–	8,463	–	37	–	–	–	–	–	–	8,500	–	8,500
<b>Infrastructure:</b>														
– Buildings – non-specialised	81,288	37,597	43,691	1,049	25	–	(2,086)	685	–	–	36,249	100,432	20,819	79,613
– Buildings – specialised	50,568	19,570	30,997	119	546	–	(1,351)	173	–	–	9,862	56,006	15,660	40,345
– Other structures	33,979	10,539	23,440	99	27	(53)	(903)	13	–	–	–	33,983	11,359	22,624
– Roads	824,610	354,946	469,663	9,856	7,620	(2,949)	(15,507)	12,582	–	(18,227)	–	721,733	258,694	463,039
– Bridges	44,285	14,330	29,955	138	–	(1)	(484)	6,529	–	–	13,080	79,951	30,732	49,219
– Footpaths	29,926	15,075	14,851	–	1,082	(17)	(727)	–	–	–	12,836	48,278	20,254	28,024
– Stormwater drainage	257,229	51,298	205,931	–	4,050	(40)	(1,953)	1,192	–	–	–	262,432	53,251	209,181
– Sewerage network	345,401	82,926	262,475	1,057	3,527	(634)	(5,112)	746	–	–	10,978	360,026	86,990	273,037
– Swimming pools	4,000	960	3,040	–	–	–	(80)	–	–	–	–	4,000	1,040	2,960
– Other open space/recreational assets	25,751	10,350	15,401	48	330	(75)	(1,137)	–	–	–	–	25,884	11,318	14,566
<b>Other assets:</b>														
– Artworks	5,205	–	5,205	–	83	(21)	–	–	–	–	–	5,267	–	5,267
– Other	64,979	17,752	47,227	364	239	(270)	(3,724)	18	–	–	–	65,192	21,338	43,855
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>														
– Tip assets	903	428	475	–	–	–	(10)	–	508	–	–	1,411	437	974
– Quarry assets	765	273	492	–	–	–	(41)	–	69	–	–	834	314	520
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,984,725</b>	<b>635,941</b>	<b>1,348,783</b>	<b>19,891</b>	<b>27,950</b>	<b>(5,817)</b>	<b>(34,778)</b>	<b>–</b>	<b>577</b>	<b>(18,227)</b>	<b>84,369</b>	<b>1,974,331</b>	<b>551,582</b>	<b>1,422,749</b>

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

Sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW) and for 2017/18 the indexation was 2.1%.

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

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

Land and Artworks 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office Equipment	3 to 20	Playground equipment	5 to 10
Furniture & Fittings	1 to 100	Benches, seats etc.	10 to 20
Computer Equipment	3 to 10		
Vehicles	2 to 5	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 15	Fit Out	13 to 130
Other plant and equipment	5 to 20	Roof	20 to 150
		Services	9 to 195
<b>Sewer assets</b>		Structure	20 to 195
Sewer Mains	50 to 210	Sub-structure	25 to 195
Sewer Manholes	67 to 150		
Pump Stations	15 to 150	<b>Stormwater assets</b>	
Treatment Works	7 to 200	Stormwater Pipes	70 to 100
		Stormwater Pits	100
<b>Transportation assets</b>		Levee Banks	60 to 100
Sealed roads: surface	15 to 25	Open Drains & Detention Basins	80 to 100
Sealed roads: structure	50 to 100	Culverts	60
Unsealed roads	8 to 24		
Bridges	20 to 100	<b>Other infrastructure assets</b>	
Footpaths	15 to 80	Swimming pools	50
Kerb & Gutter	110	Other Open Space/Rec assets	1 to 50
Bus & Taxi Shelters	20	Other Structures	1 to 100

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### Accounting policy for infrastructure, property, plant and equipment (continued)

###### 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 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.

Council has utilised the Englobo method to value its Land under roads. The Englobo valuation method utilises a discount factor of 90% to the market price of the land across the Local Government Area.

###### Crown reserves

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

###### Rural Fire Service assets

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

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

#### Note 10. Investment property

\$ '000	2018	2017
<b>(a) Investment property at fair value</b>		
<u>Investment property on hand</u>	<u>2,825</u>	<u>2,800</u>
<b>Reconciliation of annual movement:</b>		
Opening balance	2,800	3,330
– Disposals during year	–	(480)
– Net gain/(loss) from fair value adjustments	25	(50)
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b><u>2,825</u></b>	<b><u>2,800</u></b>



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Investment property (continued)

##### (b) Valuation basis

The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by: David Bolton, Certified Practising Valuer (No. 65118), Opteon Property Group

##### (c) Leasing arrangements – Council as lessor

The investment property are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

	2018	2017
Within 1 year	132	–
<b>Total minimum lease payments receivable</b>	<b>132</b>	<b>–</b>

##### (d) Investment property income and expenditure – summary

Rental income from investment property:

– Minimum lease payments	265	376
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(51)	(30)
<b>Net revenue contribution from investment property</b>	<b>213</b>	<b>346</b>
plus:		
<b>Fair value movement for year</b>	<b>25</b>	<b>(50)</b>
<b>Total income attributable to investment property</b>	<b>238</b>	<b>296</b>

##### Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

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

## Wagga Wagga City Council

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

## Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,676	–	4,442	–
Goods and services – capital expenditure	3,709	–	6,305	–
Accrued expenses:				
– Borrowings	209	–	217	–
– Salaries and wages	172	–	159	–
– Other expenditure accruals	66	–	71	–
Security bonds, deposits and retentions	3,295	–	3,082	–
Other	576	–	104	–
<b>Total payables</b>	<b>12,702</b>	<b>–</b>	<b>14,380</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	1,876	–	2,573	–
<b>Total income received in advance</b>	<b>1,876</b>	<b>–</b>	<b>2,573</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>(1)</sup>	2,892	51,119	2,461	49,095
<b>Total borrowings</b>	<b>2,892</b>	<b>51,119</b>	<b>2,461</b>	<b>49,095</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>17,470</b>	<b>51,119</b>	<b>19,414</b>	<b>49,095</b>

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

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Sewer	1,549	30,813	1,779	31,527
Domestic waste management	990	–	1,450	–
Stormwater Management	–	–	15	–
<b>Payables and borrowings relating to externally restricted assets</b>	<b>2,539</b>	<b>30,813</b>	<b>3,244</b>	<b>31,527</b>
<b>Internally restricted assets</b>				
Livestock Marketing Centre	374	–	965	–
Airport	1,413	7,618	1,088	8,411
<b>Payables and borrowings relating to internally restricted assets</b>	<b>1,787</b>	<b>7,618</b>	<b>2,053</b>	<b>8,411</b>
<b>Total payables and borrowings relating to restricted assets</b>	<b>4,326</b>	<b>38,431</b>	<b>5,297</b>	<b>39,938</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>13,143</b>	<b>12,688</b>	<b>14,117</b>	<b>9,157</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>17,470</b>	<b>51,119</b>	<b>19,414</b>	<b>49,095</b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings (continued)

\$ '000

## (b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	51,556	(2,461)	4,916	–	–	54,011
<b>TOTAL</b>	<b>51,556</b>	<b>(2,461)</b>	<b>4,916</b>	<b>–</b>	<b>–</b>	<b>54,011</b>

\$ '000

2018

2017

## (c) Financing arrangements

## (i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities <sup>(1)</sup>	500	500
Credit cards/purchase cards	400	400
<b>Total financing arrangements</b>	<b>900</b>	<b>900</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	3	0
<b>Total drawn financing arrangements</b>	<b>3</b>	<b>0</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	397	400
<b>Total undrawn financing arrangements</b>	<b>897</b>	<b>900</b>

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Payables and borrowings (continued)

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##### Accounting policy for payables and borrowings

###### Payables

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

###### Borrowings

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

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

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

###### Finance leases

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

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	4,034	–	4,116	–
Long service leave	7,797	161	7,308	185
Other leave – TOIL	139	–	118	–
Other leave – RDO	31	–	48	–
<b>Sub-total – aggregate employee benefits</b>	<b>12,001</b>	<b>161</b>	<b>11,590</b>	<b>185</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	462	1,588	15	1,433
<b>Sub-total – asset remediation/restoration</b>	<b>462</b>	<b>1,588</b>	<b>15</b>	<b>1,433</b>
<b>TOTAL PROVISIONS</b>	<b>12,463</b>	<b>1,749</b>	<b>11,605</b>	<b>1,618</b>

## (a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Sewer	730	4	720	9
Domestic waste management	757	587	431	475
<b>Provisions relating to externally restricted assets</b>	<b>1,487</b>	<b>591</b>	<b>1,151</b>	<b>484</b>
<b>Internally restricted assets</b>				
Livestock Marketing Centre	202	2	230	2
Airport	45	4	74	2
<b>Provisions relating to internally restricted assets</b>	<b>247</b>	<b>6</b>	<b>304</b>	<b>4</b>
<b>Total provisions relating to restricted assets</b>	<b>1,734</b>	<b>597</b>	<b>1,455</b>	<b>488</b>
<b>Total provisions relating to unrestricted assets</b>	<b>10,729</b>	<b>1,152</b>	<b>10,150</b>	<b>1,130</b>
<b>TOTAL PROVISIONS</b>	<b>12,463</b>	<b>1,749</b>	<b>11,605</b>	<b>1,618</b>

\$ '000	2018	2017
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## (b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,259	7,832
	<b>8,259</b>	<b>7,832</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 12. Provisions (continued)

\$ '000

## (c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	4,116	7,493	166	11,775
Additional provisions	2,216	1,060	5	3,280
Amounts used (payments)	(2,260)	(470)	–	(2,730)
Remeasurement effects	(38)	(125)	–	(163)
<b>Total ELE provisions at end of year</b>	<b>4,034</b>	<b>7,958</b>	<b>171</b>	<b>12,162</b>
<b>2017</b>				
At beginning of year	4,197	7,957	171	12,325
Additional provisions	1,991	106	(5)	2,092
Amounts used (payments)	(2,039)	(466)	–	(2,505)
Remeasurement effects	(33)	(104)	–	(137)
<b>Total ELE provisions at end of year</b>	<b>4,116</b>	<b>7,493</b>	<b>166</b>	<b>11,775</b>
			Other provisions	
2018			Asset remediation	Total
At beginning of year			1,448	1,448
<b>Changes to provision:</b>				
Additional provisions			578	578
Unwinding of discount			24	24
<b>Total other provisions at end of year</b>			<b>2,050</b>	<b>2,050</b>
<b>2017</b>				
At beginning of year			1,868	1,868
<b>Changes to provision:</b>				
Additional provisions			475	475
Amounts used (payments)			(924)	(924)
Unwinding of discount			30	30
<b>Total other provisions at end of year</b>			<b>1,448</b>	<b>1,448</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### **Nature and purpose of non-employee benefit provisions**

###### **Asset remediation**

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

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

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

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

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

##### **Employee benefits**

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

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

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

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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

###### **Restoration**

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

###### **Rehabilitation**

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

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

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

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

Other movements in the provisions for close down and restoration 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.

Close down and restoration 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.

#### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

##### (a) Nature and purpose of reserves

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

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



## Wagga Wagga City Council

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

#### Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	15,182	14,633
<b>Balance as per the Statement of Cash Flows</b>		<b>15,182</b>	<b>14,633</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>22,118</b>	<b>32,579</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		34,595	36,251
Net losses/(gains) on disposal of assets		3,660	2,906
Non-cash capital grants and contributions		(11,678)	(8,460)
<b>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</b>			
– Investments classified as 'at fair value' or 'held for trading'		(184)	(583)
– investment property		(25)	50
– Other		–	(766)
Unwinding of discount rates on reinstatement provisions		24	30
Share of net (profits) or losses of associates/joint ventures		(103)	(69)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		5,570	(9,672)
Increase/(decrease) in provision for doubtful debts		84	(2,162)
Decrease/(increase) in inventories		182	175
Decrease/(increase) in other assets		(47)	21
Increase/(decrease) in payables		234	399
Increase/(decrease) in accrued interest payable		(8)	(7)
Increase/(decrease) in other accrued expenses payable		7	150
Increase/(decrease) in other liabilities		(12)	1,365
Increase/(decrease) in employee leave entitlements		387	(550)
Increase/(decrease) in other provisions		578	(450)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>55,383</b>	<b>51,208</b>
<b>(c) Non-cash investing and financing activities</b>			
Developer contributions 'in kind'		11,238	8,388
Works In Kind		367	–
Art gallery donated		72	72
<b>Total non-cash investing and financing activities</b>		<b>11,678</b>	<b>8,460</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	103	69	2,050	1,938
<b>Total</b>	<b>103</b>	<b>69</b>	<b>2,050</b>	<b>1,938</b>

## Joint arrangements

## (i) Joint ventures

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

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

Name of entity	Nature of relationship	Measurement method	2018	2017
Riverina Regional Library Service	Joint venture	Equity method	2,050	1,938
<b>Total carrying amounts – material joint ventures</b>			<b>2,050</b>	<b>1,938</b>

## (b) Details

Name of entity	Principal activity	Place of business
Riverina Regional Library Service	Public library service	Wagga Wagga

## (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Riverina Regional Library Service	NA	NA	46%	46%	46%	46%	46%	46%

## (d) Summarised financial information for joint ventures

	Riverina Regional Library Service	
Statement of financial position	2018	2017
<b>Current assets</b>		
Cash and cash equivalents	2,651	2,274
Other current assets	26	17
<b>Non-current assets</b>	<b>2,742</b>	<b>2,816</b>
<b>Current liabilities</b>		
Other current liabilities	939	853
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	3	2
<b>Net assets</b>	<b>4,477</b>	<b>4,253</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 15. Interests in other entities (continued)

\$ '000

#### Joint arrangements (continued)

##### (d) Summarised financial information for joint ventures (continued)

	Riverina Regional Library Service	
	2018	2017
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	4,253	4,101
Profit/(loss) for the period	224	152
<b>Closing net assets</b>	<b>4,477</b>	<b>4,253</b>
<b>Council's share of net assets (%)</b>	<b>45.8%</b>	<b>45.6%</b>
<b>Council's share of net assets (\$)</b>	<b>2,050</b>	<b>1,938</b>
<b>Statement of comprehensive income</b>		
Income	2,955	2,876
Interest income	26	25
Depreciation and amortisation	(828)	(781)
Other expenses	(1,928)	(1,968)
<b>Profit/(loss) for period</b>	<b>224</b>	<b>152</b>
<b>Total comprehensive income</b>	<b>224</b>	<b>152</b>
<b>Share of income – Council (%)</b>	<b>45.8%</b>	<b>45.6%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>103</b>	<b>69</b>
<b>Total comprehensive income – Council (\$)</b>	<b>103</b>	<b>69</b>

##### (e) County Councils

Council is a member of the Riverina Water County Council which is a body corporate under the Local Government Act. Riverina Water County Council exists for the construction, operation and maintenance of works of water supply within the Local Government Areas of Greater Hume, Lockhart, Federation and Wagga Wagga. The governing body of Riverina Water County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the Riverina Water County Council and accordingly this entity has not been consolidated or otherwise included within these financial statements.

##### Accounting policy for joint arrangements

The Council has determined that it has interest in the Riverina Regional Library joint venture only.

##### Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 16. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	5,381	616
Parks and sportsgrounds	483	357
Sewerage infrastructure	542	564
Waste management services	–	10
Infrastructure	1,978	8,772
Other	56	168
<b>Total commitments</b>	<b>8,440</b>	<b>10,487</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	8,440	10,487
<b>Total payable</b>	<b>8,440</b>	<b>10,487</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	33	332
Future grants and contributions	3,622	5,816
Unexpended grants	6	–
Externally restricted reserves	1,283	1,680
Internally restricted reserves	1,372	2,211
New loans (to be raised)	2,087	444
Other funding - Sale of assets	39	4
<b>Total sources of funding</b>	<b>8,440</b>	<b>10,487</b>

**(b) 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	7	2
<b>Total non-cancellable operating lease commitments</b>	<b>7</b>	<b>2</b>

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

Plant - Vehicle lease expiring March 2019

**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.

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised

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

##### **LIABILITIES NOT RECOGNISED:**

##### **1. Guarantees**

##### **(i) Statewide Limited**

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

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

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

##### **(ii) StateCover Limited**

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

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

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

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

##### **(iii) Other guarantees**

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

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

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised (continued)

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

##### **(ii) Section 7.11 & Section 7.12 Contributions Plans**

Council levies section 7.11 & 7.12 contributions upon various development across the Council area through contributions plans.

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

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

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

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

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

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

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

##### **(iv) Potential Land Remediation**

Council has identified a number of land parcels that may be required to remediate in the future.

Due to the intrinsic high risk involved in remediation projects, there may be associated costs with the groundwater and other contamination issues that may not have been apparent at the completion of the project.

Council to date has not made any provision in relation to the above issues that may or may not occur in the future. Provision for these costs will be made if deemed necessary in the future.

##### **(v) Sewer Treatment Plants Future Remediation**

Council has identified that it has a future obligation to close and remediate the land on which its Sewerage Treatment Plants operate.

Due to the uncertainty regarding the timing of these requirements, Council to date has not made any provision for this closure and remediation. Provision for these costs will be made when deemed necessary in the future.

##### **ASSETS NOT RECOGNISED:**

##### **(i) Infringement notices/fines**

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

## Wagga Wagga City Council

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

#### Note 18. Financial risk management

\$ '000

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	15,182	14,633	15,182	14,633
Investments				
– 'Designated at fair value on initial recognition'	59,216	52,710	59,216	52,710
– 'Held to maturity'	55,000	40,989	55,000	40,989
Receivables <sup>(1)</sup>	13,479	19,244	13,479	19,244
<b>Total financial assets</b>	<b>142,877</b>	<b>127,576</b>	<b>142,877</b>	<b>127,576</b>
<b>Financial liabilities</b>				
Payables	12,702	14,380	12,702	14,380
Loans/advances	54,011	51,556	54,011	51,556
<b>Total financial liabilities</b>	<b>66,713</b>	<b>65,936</b>	<b>66,713</b>	<b>65,936</b>

Fair value is determined as follows:

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

(1) As per AASB7, Receivables does not include statutory receivables (Net GST Receivable).

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 10% movement in market values	142	142	(142)	(142)
Possible impact of a 1% movement in interest rates	730	730	(730)	(730)
<b>2017</b>				
Possible impact of a 10% movement in market values	129	129	(129)	(129)
Possible impact of a 1% movement in interest rates	641	641	(641)	(641)



# Wagga Wagga City Council

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

### Note 18. Financial risk management (continued)

\$ '000

#### (b) Credit risk

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	48%	94%	43%	95%
Overdue	52%	6%	57%	5%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>			2018	2017
<b>Rates and annual charges</b>				
Current			1,398	1,274
< 1 year overdue			1,142	1,108
1 – 2 years overdue			213	286
2 – 5 years overdue			154	230
> 5 years overdue			9	46
			<b>2,916</b>	<b>2,944</b>
<b>Other receivables</b>				
Current			9,996	15,424
0 – 30 days overdue			364	484
31 – 60 days overdue			75	161
61 – 90 days overdue			35	9
> 91 days overdue			212	256
			<b>10,682</b>	<b>16,334</b>

## Wagga Wagga City Council

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

#### Note 18. 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	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
<b>2018</b>							
Trade/other payables	0.00%	3,295	9,407	–	–	12,702	<b>12,702</b>
Loans and advances	6.55%	–	6,364	24,269	56,922	87,555	<b>54,011</b>
<b>Total financial liabilities</b>		<b>3,295</b>	<b>15,771</b>	<b>24,269</b>	<b>56,922</b>	<b>100,257</b>	<b>66,713</b>
<b>2017</b>							
Trade/other payables	0.00%	3,082	11,298	–	–	14,380	<b>14,380</b>
Loans and advances	6.83%	–	5,930	22,680	58,632	87,241	<b>51,556</b>
<b>Total financial liabilities</b>		<b>3,082</b>	<b>17,227</b>	<b>22,680</b>	<b>58,632</b>	<b>101,621</b>	<b>65,936</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

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

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

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

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>63,090</b>	<b>62,681</b>	<b>(409)</b>	(1%) <b>U</b>
<b>User charges and fees</b>	<b>26,401</b>	<b>26,322</b>	<b>(79)</b>	(0%) <b>U</b>
<b>Interest and investment revenue</b>	<b>2,804</b>	<b>3,774</b>	<b>971</b>	35% <b>F</b>
Councils interest on investments outperformed budget for 2017/18. This was a result of the investment portfolio maintaining a larger balance than expected throughout the financial year. A variation was reported to Council at its February 2018 meeting.				
<b>Other revenues</b>	<b>2,882</b>	<b>2,652</b>	<b>(231)</b>	(8%) <b>U</b>
<b>Operating grants and contributions</b>	<b>13,910</b>	<b>16,717</b>	<b>2,807</b>	20% <b>F</b>
<ul style="list-style-type: none"> <li>- Council received multiple environmental grants for projects including FOGO Organics collection, "Don't dump its dumb" and "Cover your load", resulting in \$1,127K favourable income to Council.</li> <li>- Indexation on Council's Financial Assistance grants was reintroduced for 2017/18 resulting in an additional \$458K income to Council.</li> <li>- Subdivision tree planting contributions were significantly higher than budgeted for 2017/18, resulting in an additional \$340K for Council as a result of higher than expected developer activity.</li> </ul>				
<b>Capital grants and contributions</b>	<b>13,705</b>	<b>34,550</b>	<b>20,845</b>	152% <b>F</b>
Council received a number of capital grants and contributions that were not originally budgeted for including:				
<ul style="list-style-type: none"> <li>- Bomen Enabling Roads - \$2,528K favourable - this project was originally budgeted to be completed in previous years and final grant funding was received during 2017/18.</li> <li>- Non cash subdivider dedication assets - \$11,238K favourable - recognition of developer contributed assets including roads, sewer, stormwater and footpaths that are not budgeted for.</li> <li>- Equex Multi Purpose Stadium - \$1,451K favourable - the construction of this stadium was commenced during the 2017/18 financial year with Council receiving milestone payments that were originally budgeted for in a previous year.</li> <li>- Botanic Gardens Museum site redevelopment - \$1,275K favourable - Council received notification late in the financial year of this successful grant application, with the first milestone payment received in 2017/18.</li> <li>- Developer Contributions - \$2,887K favourable - contributions from developers was higher than budgeted due to strong subdivision activity in growth areas such as Estella, Boorooma, Gobbagombalin and Brunslea Park.</li> </ul>				
<b>Fair value increment on investment property</b>	<b>-</b>	<b>25</b>	<b>25</b>	0% <b>F</b>
<b>Joint ventures and associates - net profits</b>	<b>-</b>	<b>103</b>	<b>103</b>	0% <b>F</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>42,458</b>	<b>39,352</b>	<b>3,106</b>	7% <b>F</b>
<b>Borrowing costs</b>	<b>3,591</b>	<b>3,614</b>	<b>(23)</b>	(1%) <b>U</b>
<b>Materials and contracts</b>	<b>29,834</b>	<b>33,424</b>	<b>(3,590)</b>	(12%) <b>U</b>
Contractor costs totalling \$3.5M for the Bomen Enabling Roads project were budgeted as capital expenditure but were expensed for the construction of street and intersection lighting as well as medians and traffic islands on the Olympic highway.				
<b>Depreciation and amortisation</b>	<b>34,478</b>	<b>34,595</b>	<b>(118)</b>	(0%) <b>U</b>
<b>Other expenses</b>	<b>9,453</b>	<b>10,060</b>	<b>(607)</b>	(6%) <b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>3,660</b>	<b>(3,660)</b>	0% <b>U</b>

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

<b>Cash flows from operating activities</b>	<b>35,996</b>	<b>55,383</b>	<b>19,387</b>	53.9% <b>F</b>
This variation is a result of Council receiving additional grants and contributions payments during the financial year, which were either outstanding receivables at 30 June 2017 or unbudgeted for 2017/18.				
<b>Cash flows from investing activities</b>	<b>(37,970)</b>	<b>(57,288)</b>	<b>(19,318)</b>	50.9% <b>U</b>
This variation is a result of Council receiving additional grants and contributions during the financial year which allowed for more funds to be invested to mature in line with expected contractor payments.				
<b>Cash flows from financing activities</b>	<b>4,742</b>	<b>2,455</b>	<b>(2,287)</b>	(48.2%) <b>U</b>
This variation is a result of Council not being required to undertake its full budgeted borrowings for 2017/18 due to a number of capital works projects not requiring this funding during the financial year.				

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. 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      – Investment property      – Financial assets

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:

2018	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	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Designated at fair value on initial recognition'	30/06/18	–	59,216	–	59,216
– 'Held to maturity'	30/06/18	–	55,000	–	55,000
<b>Total financial assets</b>		<b>–</b>	<b>114,216</b>	<b>–</b>	<b>114,216</b>
<b>Investment property</b>					
Commercial property	30/06/18	–	2,825	–	2,825
<b>Total investment property</b>		<b>–</b>	<b>2,825</b>	<b>–</b>	<b>2,825</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/18	–	15,531	–	15,531
Office equipment	30/06/18	–	–	1,090	1,090
Furniture and fittings	30/06/18	–	–	244	244
Operational land	30/06/17	–	42,071	19,436	61,507
Community land	30/06/17	–	8,980	75,361	84,341
Buildings non-specialised	30/06/18	–	400	79,213	79,613
Buildings specialised	30/06/18	–	–	40,345	40,345
Other structures	30/06/16	–	–	22,624	22,624
Roads	30/06/18	–	–	463,039	463,039
Bridges	30/06/18	–	–	49,219	49,219
Footpaths	30/06/18	–	–	28,024	28,024
Stormwater drainage	30/06/15	–	–	209,181	209,181
Sewerage network	30/06/17	–	–	273,037	273,037
Swimming pools	30/06/17	–	–	2,960	2,960
Other open space/recreational assets	30/06/16	–	–	14,566	14,566
Artworks	30/06/16	–	5,267	–	5,267
Other assets	30/06/16	–	–	43,855	43,855
Tip remediation assets	30/06/18	–	–	974	974
Quarry assets	30/06/18	–	–	520	520
Land under roads	30/06/17	–	–	8,500	8,500
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>72,249</b>	<b>1,332,186</b>	<b>1,404,435</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/17	–	52,709	–	52,709
– ‘Held to maturity’	30/06/17	–	40,989	–	40,989
<b>Total financial assets</b>		<b>–</b>	<b>93,699</b>	<b>–</b>	<b>93,699</b>
<b>Investment property</b>					
Commercial and residential properties	30/06/17	–	2,800	–	2,800
<b>Total investment property</b>		<b>–</b>	<b>2,800</b>	<b>–</b>	<b>2,800</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	12,620	–	12,620
Office equipment	30/06/17	–	–	1,233	1,233
Furniture and fittings	30/06/17	–	–	282	282
Operational land	30/06/17	–	42,466	19,436	61,902
Community land	30/06/17	–	8,980	73,108	82,088
Buildings non-specialised	30/06/13	–	–	43,691	43,691
Buildings specialised	30/06/13	–	–	30,997	30,997
Other structures	30/06/16	–	–	23,440	23,440
Roads	30/06/15	–	–	469,663	469,663
Bridges	30/06/15	–	–	29,955	29,955
Footpaths	30/06/15	–	–	14,851	14,851
Stormwater drainage	30/06/15	–	–	205,931	205,931
Sewerage network	30/06/17	–	–	262,475	262,475
Swimming pools	30/06/17	–	–	3,040	3,040
Other open space/recreational assets	30/06/16	–	–	15,401	15,401
Artworks	30/06/16	–	5,205	–	5,205
Other assets	30/06/16	–	–	47,227	47,227
Tip remediation assets	30/06/17	–	–	475	475
Quarry assets	30/06/17	–	–	492	492
Land under roads	30/06/17	–	–	8,463	8,463
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>69,271</b>	<b>1,250,161</b>	<b>1,319,432</b>

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

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

##### **Financial assets**

Wagga Wagga City Council receives monthly valuations and statements from the financial institutions that hold investments on behalf of Council.

There have been no change in valuation techniques during the reporting year.

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##### **Investment property**

Council currently holds 1 investment property:

- 36-40 Gurwood Street, Wagga Wagga

An independent full revaluation is undertaken on Council's investment properties on an annual basis, at the end of the financial year. The figure listed in the financial statements is the most up to date valuation.

The property has been valued using the Income Approach. The property was valued on 30/06/2018 by Opteon (Southern Inland NSW), AAPI Certified Practising Valuers.

There have been no change in valuation techniques during the reporting year.

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## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

###### Plant & Equipment

Council's Plant & Equipment, Furniture Fittings and Office Equipment includes:

- Major Plant - Trucks, street sweepers, graders
- Fleet Vehicles - Cars, Vans, Utes
- Minor Plant - Chainsaws, brushcutters, mowers
- Furniture & Fittings - Desks, chairs, kitchen appliances, furniture
- Office Equipment - Computers, Monitors, Projectors

Plant equipment, office equipment and furniture & fittings are valued internally using a Depreciated Replacement Cost.

Council values Plant & Equipment using Level 2 and Level 3 inputs. The unobservable Level 2 and Level 3 inputs used include:

- Gross Replacement Cost
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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

###### Roads

This asset class includes Sealed and Unsealed roads, Carparks, Culverts, Kerb and Gutter and Bus and Taxi Shelters. Council uses the Depreciated Replacement Cost to value the roads and associated assets, and has componentised a number of the assets into multiple components.

This asset class was revalued as part of the Roads and Associated Assets revaluation, undertaken internally during the 2017/18 financial year.

Council values Roads and Associated Assets using Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

###### Footpaths

The footpath asset class includes all footways (footpaths, shared paths and cycleways) sealed or unsealed, and has been valued using a Depreciated Replacement Cost. This asset class was revalued as part of the Roads and Associated Assets revaluation, undertaken internally during the 2017/18 financial year.

Council values Footpaths using Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Estimated useful life of the Asset
- Asset Condition

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

###### Bridges

The bridges asset class consists of all pedestrian, vehicle access and rail bridges and have been valued using a Depreciated Replacement Cost. This asset class was revalued as part of the Roads and Associated Assets Revaluation, undertaken internally during the 2017/18 financial year.

Council values Bridges using Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Estimated useful life of the Asset
- Asset Condition

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

###### Operational Land

Council's Operational Land was valued externally by Opteon Property Group during 2016/17 using the Market value approach. The valuation took into account only the land component and excluded the added value of any existing structures.

Operational Land has been valued using Level 2 and Level 3 inputs. The unobservable Level 2 input used is the unit rate per square metre or hectare.

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

###### Land under Roads

Land Under Roads was valued internally during 2016/17 using the Englobo method. The value is calculated using the road reserve area of the LGA, the total LGA area and total LGA land site value.

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

###### Community Land

Council's Community Land was valued externally by Opteon Property Group during 2016/17 using the Market value. The valuation took into account the available market evidence for identical and comparable assets.

Community Land has been valued using Level 2 and Level 3 inputs. The unobservable Level 2 input used is the unit rate per square metre or hectare.

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

###### Buildings Non-Specialised

Council's Non-Specialised Buildings were valued externally by APV Valuers & Asset Management during 2017/18 using the Cost and Market approaches. The valuation took into account the components of each individual building.

Council values Non-Specialised Buildings using Level 2 and 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Residual Value & Useful Life
- Asset Condition
- Components

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

###### Buildings Specialised

Council's Specialised Buildings were valued externally by APV Valuers & Assets Management during 2017/18 using the Cost approach. The valuation took into account the components of each individual building.

Council values Specialised Buildings using Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Residual Value & Useful Life
- Asset Condition
- Components

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

###### Other Structures

Council's Other Structures include fences, shelters, shade sails and Livestock Marketing Centre assets.

Other Structures were revalued internally in 2015/16 using a Depreciated Replacement Cost and Level 3 inputs.

The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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

###### Other Assets

Council's Other Assets include fountains, memorials, monuments, lighting, Public Art, Cemetery, Airport and Solid Waste assets.

Other Assets were revalued internally in 2015/16 using a Depreciated Replacement Cost and Level 3 inputs.

The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

###### Stormwater Drainage

The Stormwater Drainage asset class includes stormwater pits, stormwater pipes, open drains and detention basins and levee banks. This asset class was revalued as part of the Drainage Revaluation undertaken internally in the 2014/15 financial year.

Stormwater Drainage assets have been valued internally using a Depreciated Replacement Cost and Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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

###### Sewerage Network

The Sewerage Network asset class includes Sewer Mains, Sewer Nodes, Pumping Stations and Sewerage Treatments Plants.

An external valuation of the Sewerage Network was undertaken in 2017 by APV Valuers & Asset Management, and has been valued using the cost method and Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Asset Condition
- Remaining life estimate
- Residual Value

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

###### Swimming Pools

Swimming pools includes only the outside 50m pool and the dive pool. The indoor swimming pools are valued in the buildings class with the Aquatic Centre.

Swimming Pools were revalued internally during 2016/17 using the Cost approach.

Council values Swimming Pools using Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

##### **Other Open Space/Recreational Assets**

Council's Other Open Space/Rec Assets class includes playgrounds, irrigation, sports equipment, BBQ's, bins, seats, boat ramps and Oasis Regional Aquatic centre assets including filtration equipment, pool blankets, dive boards and energy co-generation system.

Council's Other Open Space/Rec Assets were revalued internally in 2015/16 using a Depreciated Replacement Cost and Level 3 inputs. The Level 3 unobservable inputs used include:

- Gross Replacement Cost
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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

##### **Artworks**

Council's Artworks were externally valued in 2015/16 by Philippa Kelly and Helen Maxwell using Market Value. The asset class is valued using Level 2 inputs.

The Artworks asset class includes glass works, prints, paintings, photography, ceramics, books, textiles, drawings and sculptures.

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

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

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

###### Quarry Assets

Council utilised an external consultant, GHD, to produce the remediation cost estimates for the Quarry Assets for 2017/18. The majority of Council operated quarries are situated on private land, with two located on Council owned land.

The remediation cost estimates include:

- Mobilisation Costs
- Project Management Costs
- Monitoring Costs

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

###### Tip Remediation Assets

Council utilised an external consultant, GHD, to produce the remediation cost estimates for the Tip Assets for 2017/18. Council currently only operates a landfill at Gregadoo that will need future remediation.

The remediation cost estimates include:

- Mobilisation Costs
- Project Management Costs
- Monitoring Costs

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

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## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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

	Community land	Buildings non- specialised	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Stormwater drainage	Total
<b>Opening balance – 1/7/16</b>	151,066	45,425	34,542	24,169	473,346	30,441	15,196	203,355	977,540
Transfers from/(to) level 2 FV hierarchy	(6,832)	–	–	–	–	–	–	–	(6,832)
Purchases (GBV)	51	296	380	201	13,518	–	401	4,427	19,274
Disposals (WDV)	–	(72)	(3,381)	(49)	(1,377)	–	(9)	–	(4,888)
Depreciation and impairment	–	(2,093)	(1,401)	(900)	(16,786)	(486)	(738)	(1,851)	(24,255)
Other movement (revaluation)	(71,177)	–	–	–	–	–	–	–	(71,177)
Adjustments and transfers	–	135	857	19	963	–	–	–	1,974
<b>Closing balance – 30/6/17</b>	<b>73,108</b>	<b>43,691</b>	<b>30,997</b>	<b>23,440</b>	<b>469,663</b>	<b>29,955</b>	<b>14,851</b>	<b>205,931</b>	<b>891,637</b>
Transfers from/(to) level 2 FV hierarchy	–	(400)	–	–	–	–	–	–	(400)
Purchases (GBV)	888	1,075	665	127	17,476	138	979	4,050	25,398
Disposals (WDV)	–	–	–	(53)	(2,949)	(1)	(17)	(40)	(3,059)
Depreciation and impairment	–	(2,086)	(1,351)	(903)	(15,507)	(484)	(727)	(1,953)	(23,011)
Other movement (revaluation)	1,366	36,249	9,862	–	(18,227)	13,080	12,938	–	55,268
Adjustments and transfers	–	685	173	13	12,582	6,529	–	1,192	21,174
<b>Closing balance – 30/6/18</b>	<b>75,361</b>	<b>79,213</b>	<b>40,345</b>	<b>22,624</b>	<b>463,039</b>	<b>49,219</b>	<b>28,024</b>	<b>209,181</b>	<b>967,007</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. 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	Other open space/rec assets	Artworks	Other assets	Tip assets	Quarry assets	Furniture and fittings and office equip	Total
<b>Opening balance – 1/7/16</b>	251,831	1,530	16,310	–	51,343	–	1,117	1,454	323,585
Purchases (GBV)	2,301	–	497	–	175	–	–	519	3,492
Disposals (WDV)	–	–	(121)	–	–	–	–	–	(121)
Depreciation and impairment	(4,953)	(17)	(1,284)	–	(4,326)	–	(59)	(458)	(11,097)
Other movement (revaluation)	12,343	1,526	–	–	–	–	–	–	13,869
Adjustments and transfers	953	–	–	–	36	475	(566)	–	897
<b>Closing balance – 30/6/17</b>	<b>262,475</b>	<b>3,040</b>	<b>15,401</b>	<b>–</b>	<b>47,227</b>	<b>475</b>	<b>492</b>	<b>1,515</b>	<b>330,625</b>
Purchases (GBV)	4,584	–	377	–	603	–	–	290	5,854
Disposals (WDV)	(634)	–	(75)	–	(270)	–	–	–	(979)
Depreciation and impairment	(5,112)	(80)	(1,137)	–	(3,724)	(10)	(41)	(472)	(10,574)
Other movement (revaluation)	10,978	–	–	–	–	–	–	–	10,978
Adjustments and transfers	746	–	–	–	18	508	69	–	1,341
<b>Closing balance – 30/6/18</b>	<b>273,037</b>	<b>2,960</b>	<b>14,566</b>	<b>–</b>	<b>43,855</b>	<b>974</b>	<b>520</b>	<b>1,333</b>	<b>337,244</b>



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. 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)

	Operational Land	Land under roads	Total
<b>Opening balance – 1/7/16</b>	–	7,703	7,703
Transfers from/(to) level 2 FV hierarchy	19,436	–	19,436
Other movement (revaluation)	–	760	760
<b>Closing balance – 30/6/17</b>	<b>19,436</b>	<b>8,463</b>	<b>27,899</b>
Purchases (GBV)	–	37	37
<b>Closing balance – 30/6/18</b>	<b>19,436</b>	<b>8,500</b>	<b>27,935</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E</b>			
Buildings non-specialised	79,213	Cost Method	Unit Rate Cost Asset Condition Useful life Residual Value Components
Buildings specialised	40,345	Cost Method	Unit Rate Cost Asset Condition Useful life of Asset Residual Value Components
Other structures	22,624	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Roads	463,039	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E (cont'd)</b>			
Bridges	49,219	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Footpaths	28,024	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset Residual Value
Stormwater drainage	209,181	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Sewerage network	273,037	Cost Method	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E (cont'd)</b>			
Swimming pools	2,960	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Furniture and fittings, office equip	1,333	Depreciated Historical Cost	Unit Rate Cost Estimated useful life of the Asset Residual Value
Other open space/recreational assets	14,566	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset
Other assets	43,855	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset Residual Value
Community Land	75,361	Market Value	Unit Rates per square metre or hectare

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E (cont'd)</b>			
Operational Land	19,436	Market Value	Unit Rates per square metre or hectare
Quarry assets	520	Discounted Net Present Value	Value of future expenditure for remediation
Tip Remediation Assets	974	Discounted Net Present Value	Value of future expenditure for remediation
Land under Roads	8,500	Englobo Method	Rateable land and Local government area

## (5). Highest and best use

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Related party transactions

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\$ '000

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##### a. Key management personnel

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

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

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	1,315	1,810
Termination benefits	–	313
<b>Total</b>	<b>1,315</b>	<b>2,124</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Related party transactions (continued)

**b. Other transactions with KMP and their related parties**

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

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance</b>	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
		<b>Actual \$</b>	<b>Actual \$</b>		<b>Actual \$</b>	<b>Actual \$</b>
	Ref		(incl. loans and commitments)			
<b>2018</b>						
Fees and Charges Income	1	260,635	12	30 day debtor account	—	—
Other Income		103,292	12,926	30 day debtor account	—	—
Lease/Rental Income	2	9,594	—	30 day debtor account	—	—
Reimbursements for Council related expenses		24,217	199	30 day creditor payment terms	—	—
Payment for goods received		6,169	—	30 day creditor payment terms	—	—
Advertisement services	4	24,134	766	30 day creditor payment terms	—	—
Grants and other assistance provided		293	—	30 day creditor payment terms	—	—
Provision of services relating to fleet maintenance		1,497	—	30 day creditor payment terms	—	—
Refund of fees (no longer required)		21,552	—	30 day creditor payment terms	—	—
Provision of Labour Hire staff	5	360,512	7,527	30 day creditor payment terms	—	—
Employee Expenses relating to close family members of KMP	6	104,550	—	Council staff award	—	—

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Related party transactions (continued)

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

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
<b>2017</b>						
Fees & Charges	1	274,714	13,468	30 day debtor account	—	—
Other Income		609	—	30 day debtor account	—	—
Lease/Rental Income	2	15,434	—	30 day debtor account	—	—
Long Term Debtors	3	10,448	10,448	Long Term Debtor raised in prior financial year	—	—
Reimbursement for Council related expenses		11,299	571	30 day creditor payment term	—	—
Subsidy for Charitable organisations		78	—	30 day creditor payment term	—	—
Payment for goods received		10,175	—	30 day creditor payment term	—	—
Advertisement services	4	39,281	—	30 day creditor payment term	—	—
Grants and other assistance provided		3,442	—	30 day creditor payment term	—	—
Use of facilities for Council related functions		1,685	—	30 day creditor payment term	—	—
Provision of services relating to fleet maintenance		6,775	—	30 day creditor payment term	—	—
Provision of services relating to graphical design		4,400	—	30 day creditor payment term	—	—
Refund of fees		160	—	30 day creditor payment term	—	—
Provision for labour hire staff	5	305,418	—	30 day creditor payment term	—	—
Employee expenses relating to close family members of KMP	6	101,346	—	Council staff award	—	—



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Related party transactions (continued)

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

During 2017/18, KMP's and their related parties submitted to Council for approval, development applications with an estimated value of works of \$3.6M. These development applications were considered by Council's planning staff and processed in accordance with Council's policies and procedures.

##### Notes

- 1 Charged in accordance with Council's adopted Fees & Charges
- 2 Charged in accordance with Council approved annual lease agreements
- 3 Agreement made by Council for payment of Section 64 contribution made over a 3 year period
- 4 Radio and Television advertising
- 5 Council entered into a two year contract with a 2 x 1 year option to extend in 2015 with Group Training Employment Services (GTES) for labour hire services
- 6 Close family members of Council's KMP are employed by the Council under the relevant pay award on an arm's length basis

##### c. Other related party transactions

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>						
Contribution to Riverina Regional Library	7	1,227,650	—	30 day creditor payment term	—	—
<b>2017</b>						
Contribution to Riverina Regional Library	7	1,189,766	—	30 day creditor payment term	—	—

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 22. Events occurring after the reporting date

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

On 24 July 2018 Wagga Wagga City Council was advised that JetGo Holdings Pty Ltd (ABN 35 141 649 989) has been placed into liquidation. Council lodged a formal proof of debt claim for \$103,599.70 being for passenger and screening charges unpaid. A provision for doubtful debt at 30 June 2018 has been made for the above amount in Council's 2017/18 financial statements.

On 7 August 2018 Wagga Wagga City Council released information to the public that advised Council was working with the Department of Defence after PFAS was detected at the Forest Hill Sewage Treatment Plant. Based on the expected volume of effluent being treated and expected weather conditions, Council believes that it has the capacity to store up to 18 months of effluent. No provision has been made for any works required in the near future.

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	101	–	–	–	–	–	101	–
Roads and traffic facilities	5,994	2,128	–	–	(219)	–	7,903	–
Cycleways and footpaths	13	–	–	–	–	–	13	–
Parking	(139)	–	–	–	–	–	(139)	–
Open space – local	9	–	–	–	–	–	9	–
Open space – city wide	1	–	–	–	–	–	1	–
Open Space – future	5,792	2,044	–	–	(388)	–	7,448	–
Open space recoupment – Oasis regional aquatic centre	1,703	361	–	–	–	–	2,064	–
Open space recoupment – netball complex equex	176	36	–	–	–	–	212	–
Open space recoupment – skate park central	(52)	4	–	–	–	–	(48)	–
Community facilities	134	–	–	–	–	–	134	–
Community facilities – future – major community facility	314	178	–	–	(840)	–	(348)	–
Community facilities – future – Lloyd community centre	74	21	–	–	–	–	95	–

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## SUMMARY OF CONTRIBUTIONS AND LEVIES (cont'd)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities – future – Estella community centre	211	50	–	–	–	–	261	–
Civic, community and cultural recoupment – main street upgrade	56	232	–	–	–	–	288	–
Civic, community and cultural recoupment – civic centre	1,881	542	–	–	(297)	–	2,126	–
Civic, community and cultural recoupment – civic theatre	368	101	–	–	(642)	–	(173)	–
Plan Management	(71)	148	–	94	(157)	–	14	–
<b>S7.11 contributions – under a plan</b>	<b>16,565</b>	<b>5,845</b>	<b>–</b>	<b>94</b>	<b>(2,543)</b>	<b>–</b>	<b>19,961</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>826</b>	<b>492</b>	<b>–</b>	<b>5</b>	<b>(860)</b>	<b>–</b>	<b>463</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>17,391</b>	<b>6,337</b>	<b>–</b>	<b>99</b>	<b>(3,403)</b>	<b>–</b>	<b>20,424</b>	<b>–</b>
S64 contributions	4,556	2,985	–	26	(2,089)	–	5,478	–
<b>Total contributions</b>	<b>21,947</b>	<b>9,322</b>	<b>–</b>	<b>125</b>	<b>(5,492)</b>	<b>–</b>	<b>25,902</b>	<b>–</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN – 1993 to 2004

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	101	–	–	–	–	–	101	–
Roads and traffic facilities	8	–	–	–	–	–	8	–
Cycleways and footpaths	13	–	–	–	–	–	13	–
Parking	8	–	–	–	–	–	8	–
Open space – local	9	–	–	–	–	–	9	–
Open space – city wide	1	–	–	–	–	–	1	–
Community facilities	134	–	–	–	–	–	134	–
Plan Management	(29)	–	–	1	–	–	(28)	–
<b>Total</b>	<b>245</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>246</b>	<b>–</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN – 2006 to 2019

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads and traffic facilities	5,986	2,128	–	–	(219)	–	7,895	–
Parking	(147)	–	–	–	–	–	(147)	–
Open space – future	5,792	2,044	–	–	(388)	–	7,448	–
Open space recoupment – Oasis Regional Aquatic Centre	1,703	361	–	–	–	–	2,064	–
Open space recoupment – netball complex equex	176	36	–	–	–	–	212	–
Open space recoupment – skate park central	(52)	4	–	–	–	–	(48)	–
Community facilities – future – major community facility	314	178	–	–	(840)	–	(348)	–
Community facilities – future – Lloyd community centre	74	21	–	–	–	–	95	–
Community facilities – future – Estella community centre	211	50	–	–	–	–	261	–
Civic, community and cultural recoupment – main street upgrade	56	232	–	–	–	–	288	–
Civic, community and cultural recoupment – civic centre	1,881	542	–	–	(297)	–	2,126	–
Civic, community and cultural recoupment – civic theatre	368	101	–	–	(642)	–	(173)	–
Plan Management	(42)	148	–	93	(157)	–	42	–
<b>Total</b>	<b>16,320</b>	<b>5,845</b>	<b>–</b>	<b>93</b>	<b>(2,543)</b>	<b>–</b>	<b>19,715</b>	<b>–</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.12 LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN - 2006

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 94A levy	826	492	–	5	(860)	–	463	–
<b>Total</b>	<b>826</b>	<b>492</b>	<b>–</b>	<b>5</b>	<b>(860)</b>	<b>–</b>	<b>463</b>	<b>–</b>

## S64 levies under a plan

## CONTRIBUTION PLAN - STORMWATER 2007

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Stormwater Projects	4,556	1,225	–	26	(329)	–	5,478	–
<b>Total</b>	<b>4,556</b>	<b>1,225</b>	<b>–</b>	<b>26</b>	<b>(329)</b>	<b>–</b>	<b>5,478</b>	<b>–</b>

## CONTRIBUTION PLAN - SEWER 2013

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Sewer Projects	–	1,760	–	–	(1,760)	–	–	–
<b>Total</b>	<b>–</b>	<b>1,760</b>	<b>–</b>	<b>–</b>	<b>(1,760)</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 24. Financial result and financial position by fund

Income Statement by fund		
\$ '000	2018	2018
<b>Continuing operations</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>		
Rates and annual charges	12,876	49,806
User charges and fees	4,789	21,533
Interest and investment revenue	369	3,405
Other revenues	27	2,624
Grants and contributions provided for operating purposes	217	16,500
Grants and contributions provided for capital purposes	5,075	29,475
<b>Other income</b>		
Fair value increment on investment property	–	25
Share of interests in joint ventures and associates using the equity method	–	103
<b>Total income from continuing operations</b>	<b>23,353</b>	<b>123,471</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,728	37,624
Borrowing costs	2,324	1,290
Materials and contracts	6,832	26,592
Depreciation and amortisation	5,115	29,481
Other expenses	3,377	6,683
Net losses from the disposal of assets	633	3,027
<b>Total expenses from continuing operations</b>	<b>20,008</b>	<b>104,697</b>
<b>Operating result from continuing operations</b>	<b>3,344</b>	<b>18,774</b>
<b>Net operating result attributable to each council fund</b>	<b>3,344</b>	<b>18,774</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(1,730)</b>	<b>(10,701)</b>

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

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



## Wagga Wagga City Council

## Notes to the Financial Statements

as at 30 June 2018

## Note 24. Financial result and financial position by fund (continued)

Statement of Financial Position by fund		
\$ '000	2018	2018
<b>ASSETS</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>		
Cash and cash equivalents	9,597	5,585
Investments	–	33,044
Receivables	2,176	12,332
Inventories	293	1,685
Other	–	557
<b>Total current assets</b>	<b>12,066</b>	<b>53,203</b>
<b>Non-current assets</b>		
Investments	16,154	65,018
Receivables	–	94
Infrastructure, property, plant and equipment	277,931	1,144,818
Investments accounted for using the equity method	–	2,050
Investment property	–	2,825
<b>Total non-current assets</b>	<b>294,085</b>	<b>1,214,805</b>
<b>TOTAL ASSETS</b>	<b>306,150</b>	<b>1,268,009</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	835	11,867
Income received in advance	–	1,876
Borrowings	714	2,178
Provisions	730	11,733
<b>Total current liabilities</b>	<b>2,279</b>	<b>27,654</b>
<b>Non-current liabilities</b>		
Borrowings	30,813	20,306
Provisions	4	1,745
<b>Total non-current liabilities</b>	<b>30,817</b>	<b>22,051</b>
<b>TOTAL LIABILITIES</b>	<b>33,095</b>	<b>49,705</b>
<b>Net assets</b>	<b>273,055</b>	<b>1,218,304</b>
<b>EQUITY</b>		
Accumulated surplus	69,957	835,683
Revaluation reserves	203,098	382,621
<b>Total equity</b>	<b>273,055</b>	<b>1,218,304</b>

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

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(9,083)</u>	<b>-8.11%</b>	-6.38%	-13.90%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>111,962</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>95,245</u>	<b>65.01%</b>	59.18%	69.27%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>146,512</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>52,736</u>	<b>2.99x</b>	3.08x	3.39x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>17,648</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>29,126</u>	<b>4.79x</b>	5.37x	4.03x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>6,075</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>3,198</u>	<b>4.82%</b>	5.10%	5.91%	< 10% regional & rural
Rates, annual and extra charges collectible	<b>66,287</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>70,182</u>	<b>8.89 mths</b>	7.2 mths	6.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<b>7,896</b>				

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Notes 11 and 12.

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 25(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>(5)</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>-8.48%</b>	-6.36%	<b>-6.22%</b>	-6.52%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>62.67%</b>	54.98%	<b>77.34%</b>	87.68%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>2.90x</b>	3.00x	<b>6.85x</b>	6.27x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>					

## Notes

(1) - (4) Refer to Notes at Note 25a above.

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 25(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>(5)</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Local government industry indicators – by fund (continued)</b>					
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>7.38x</b>	8.50x	<b>2.11x</b>	2.07x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>4.59%</b>	4.91%	<b>5.71%</b>	5.89%	< 10% Regional & Rural
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>9.11</b>	7.00	<b>7.69</b>	8.41	> 3 months
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	

## Notes

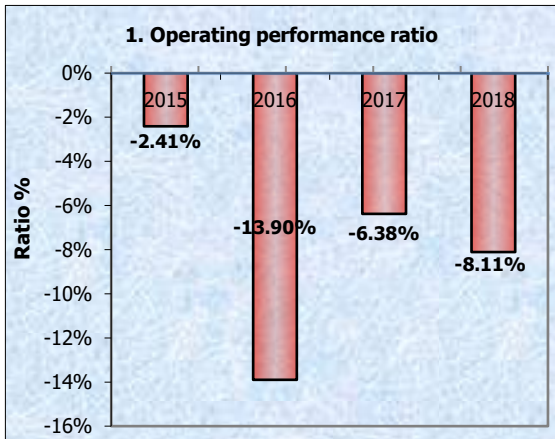
(1) Refer to Notes at Note 25a above.

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

# Wagga Wagga City Council

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

### Note 25(c). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

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

**Commentary on 2017/18 result**

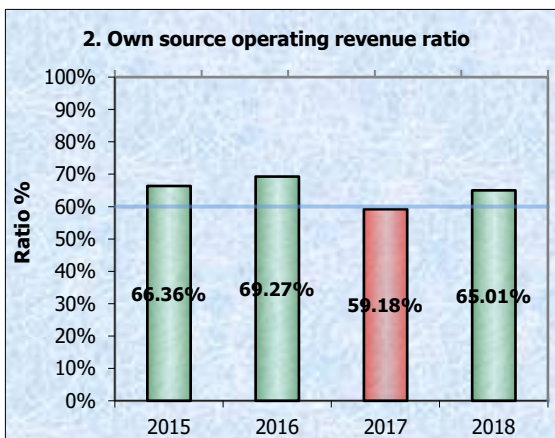
**2017/18 ratio -8.11%**

Council's Operating performance ratio has decreased from -6.38% in 2016/17 to -8.11% in 2017/18. This is mainly due to an increase in operating expenses for the 2017/18 financial year. These expenses deemed operating were budgeted within Council's capital works program.

Benchmark: Minimum  $\geq 0.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2017/18 result**

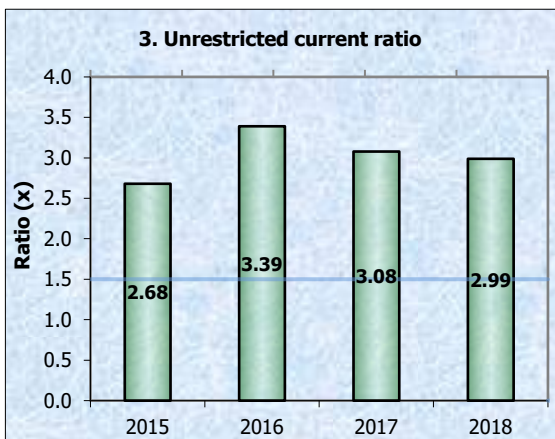
**2017/18 ratio 65.01%**

Council's Own source operating revenue ratio has increased to 65.01% for 2017/18, up from 59.18% in 2016/17. This ratio has again increased above the benchmark of 60%. The 2016/17 financial year was a decrease due to a larger amount of capital grants & contributions being received.

Benchmark: Minimum  $\geq 60.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 2.99x**

Council's Unrestricted current ratio indicates that it currently has \$2.99 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities including loan repayments and payables. A ratio of 2.99x is considered sound and demonstrates Council's ability to satisfy short term obligations.

Benchmark: Minimum  $\geq 1.50$

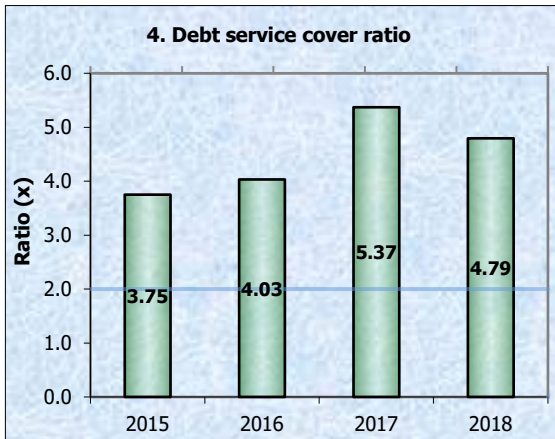
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark

# Wagga Wagga City Council

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

### Note 25(c). Statement of performance measures – consolidated results (graphs)



**Purpose of debt service cover ratio**

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

**Commentary on 2017/18 result**

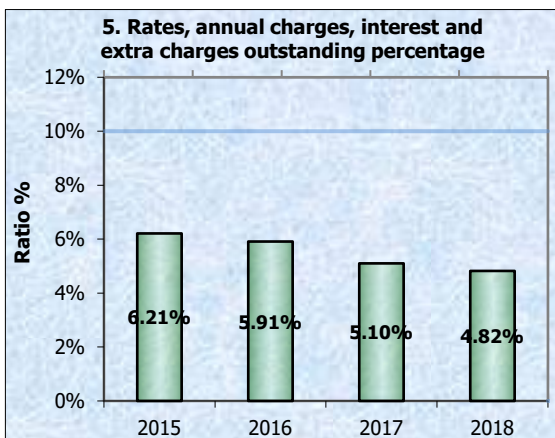
**2017/18 ratio 4.79x**

Council's debt service cover ratio of 4.79x outlines its ability to generate sufficient cash to cover its debt repayments. Council has consistently been above the minimum benchmark of 2.00x for this ratio.

Benchmark: Minimum >=2.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark



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

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

**Commentary on 2017/18 result**

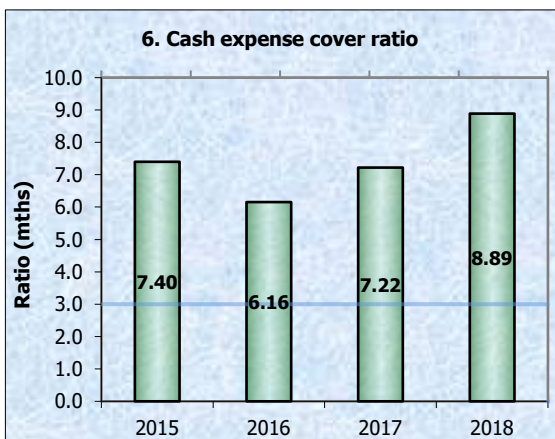
**2017/18 ratio 4.82%**

This ratio indicates the outstanding Rates and Annual charges at end of the financial year. Council has continued to decrease the outstanding percentage and has resulted in 4.82% outstanding at 30 June 2018. This is a significant decrease from the 7.23% outstanding in 2012/13, and is attributable to Council's debt management activities undertaken in recent years.

Benchmark: Maximum <10.00%

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

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2017/18 result**

**2017/18 ratio 8.89 mths**

Council's Cash expense cover ratio indicates Council's continued ability to be able to cover its immediate expenses without additional cash flows with a result of 8.89 months. This result continues to be in excess of the minimum benchmark of 3.00 months.

Benchmark: Minimum >=3.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark

# Wagga Wagga City Council

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

### Note 26. Council information and contact details

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**Principal place of business:**

Cnr Morrow and Baylis Streets  
Wagga Wagga NSW 2650

**Contact details****Mailing address:**

PO Box 20  
Wagga Wagga NSW 2650

**Opening hours:**

Mon - Fri 8.30am to 5.00pm

**Telephone:** 1300 292 442

**Facsimile:** 02 6926 9199

**Internet:** <http://www.wagga.nsw.gov.au>

**Email:** [council@wagga.nsw.gov.au](mailto:council@wagga.nsw.gov.au)

**Officers****GENERAL MANAGER**

Peter Thompson

**RESPONSIBLE ACCOUNTING OFFICER**

Carolyn Rodney

**PUBLIC OFFICER**

Natalie Te Pohe

**AUDITORS**

Audit Office of New South Wales  
Level 15, 1 Margaret St  
Sydney NSW 2000

**Elected members****MAYOR**

Greg Conkey OAM

**COUNCILLORS**

Greg Conkey OAM

Dallas Tout

Yvonne Braid

Paul Funnell

Dan Hayes

Vanessa Keenan

Rod Kendall

Tim Koschel

Kerry Pascoe

**Other information**

**ABN:** 56 044 159 537





## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial report

#### Wagga Wagga City Council

To the Councillors of the Wagga Wagga City Council

### Opinion

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

In my opinion,

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

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

### Basis for Opinion

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

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

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

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



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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Lawrissa Chan  
Director

29 October 2018  
SYDNEY

Cr Greg Conkey  
Mayor  
Wagga Wagga City Council  
PO Box 20  
WAGGA WAGGA NSW 2650

Contact: Lawrissa Chan  
Phone no: (02) 9275 7255  
Our ref: D1820941/1799

29 October 2018

Dear Cr Conkey

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Wagga Wagga City Council**

I have audited the general purpose financial statements of the Wagga Wagga City Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

## INCOME STATEMENT

### Operating result

	2018 \$m	2017 \$m	Variance %
<b>Rates and annual charges revenue</b>	62.7	60.0	↑ 4.5
<b>Grants and contributions revenue</b>	51.3	62.6	↓ 18.1
<b>Operating result for the year</b>	22.1	32.6	↓ 32.2
<b>Net operating result before capital amounts</b>	(12.4)	(9.4)	↓ 31.9

The following comments are made in respect of Council’s operating result for the year:

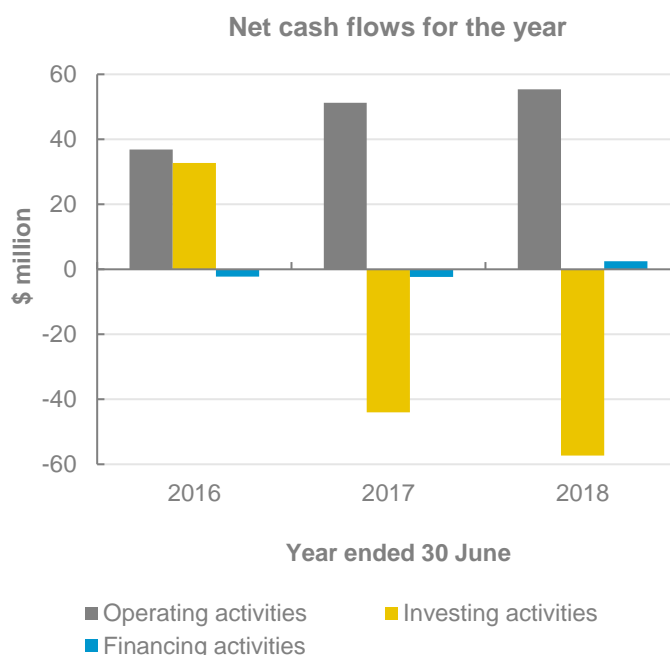
- Council’s operating result for the year was a surplus of \$22.1 million (\$32.6 million for the year ended 30 June 2017). This decrease is mainly due to the reduction in grants and contributions for operating and capital purposes. The Council budgeted for a surplus of \$2.9 million.
- Council’s net operating result before capital grants and contributions was a deficit of \$12.4 million (\$9.4 million for the year ended 30 June 2017). This is mainly due to an increase in materials and contracts expenses and a decrease in grants and contributions provided for operating purposes.
- Rates and annual charges revenue was \$62.7 million (\$60.0 million for the year ended 30 June 2017). The movement is mainly due to the permissible rate increase of 1.5 per cent granted by the Minister for Local Government, special rate variation and increase in domestic waste management and sewerage services charges.
- Grants and contributions revenue was \$51.3 million (\$62.6 million for the year ended 30 June 2017). The \$11 million movement is mainly due to a reduction in:
  - financial assistance grants of \$4.3 million
  - capital grants for the Bomen RIFL project of \$17 million

This is offset by an increase in:

- grants for recreation and culture of \$3 million, for the multi-purpose stadium at Wagga Wagga’s Equex Centre and Botanic Garden Museum site redevelopment
- non-cash dedications of \$2.9 million
- developer contributions of \$1.9 million

## STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was \$15.2 million (\$14.6 million for the year ended 30 June 2017). The net increase in cash and cash equivalents was \$0.6 million.
- Net cash flows from operating activities increased by \$4.2 million compared with the prior year. This is due to additional inflows from rates and annual charges and grants and contributions.
- Net cash flows used in investing activities increased by \$13.3 million compared with the prior year. This is due to more purchases of investment securities.
- Net cash flows from financing activities increased by \$4.8 million. The council drew down \$4.9 million in borrowing facilities (\$nil for the year ended 30 June 2017).



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	81.8	69.3	<ul style="list-style-type: none"> <li>Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$12.5 million primarily due to:               <ul style="list-style-type: none"> <li>domestic waste management (\$4.4 million)</li> <li>developer contributions (\$4.0 million)</li> <li>sewerage services (\$2.1 million)</li> </ul> </li> <li>Internally restricted cash and investments are restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash and investments has remained steady.</li> <li>Unrestricted cash and investments was \$10.8 million which is available to provide liquidity for day-to-day operations of the Council. Unrestricted cash has increased due to large amounts of debtors in 2016-17 received in 2017-18.</li> </ul>
Internal restrictions	36.8	35.7	
Unrestricted	10.8	3.3	
<b>Cash and investments</b>	<b>129.4</b>	<b>108.3</b>	

### Debt

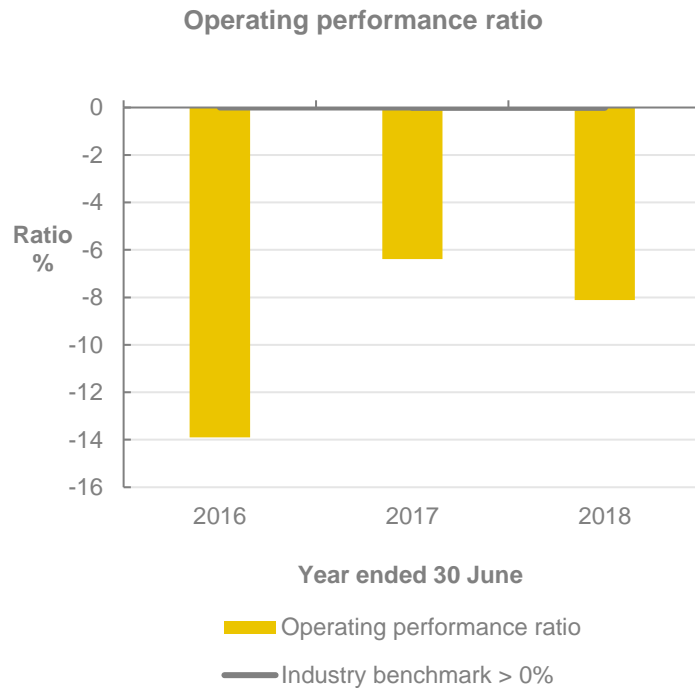
- Council have a \$0.5 million overdraft facility with the National Australia Bank. Council did not access this facility during the financial year.

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 25 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

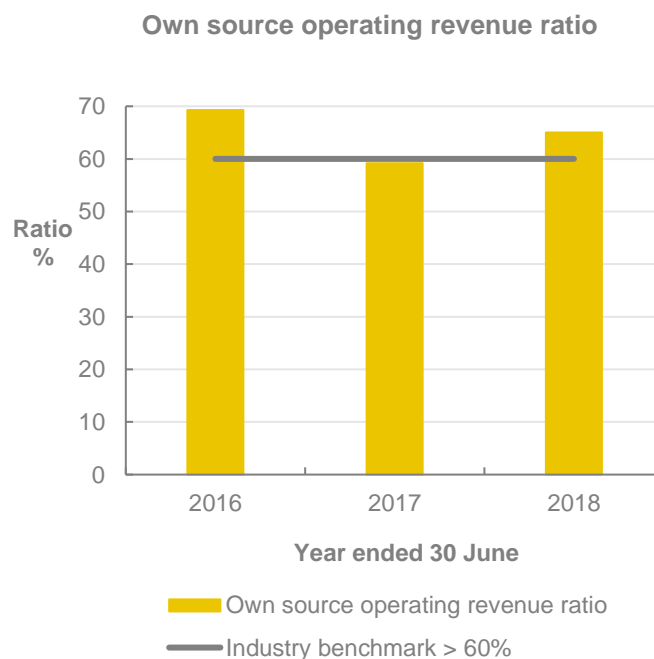
### Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than 0 per cent.
- Council's operating performance ratio of -8.11 per cent is below the industry benchmark of greater than 0 per cent.
- The operating performance ratio decreased to -8.11 per cent (2017: -6.38 per cent) due to an increase in materials and contracts expenses and a decrease in grants and contributions provided for operating purposes.



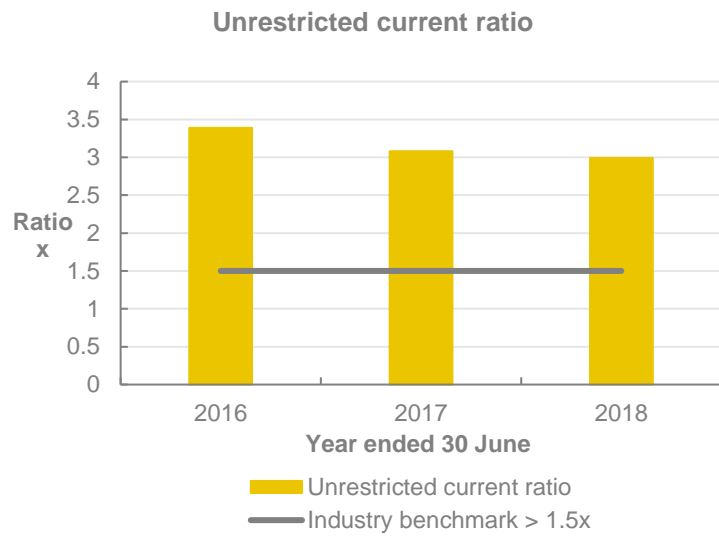
### Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- Council's own source operating revenue ratio of 65 per cent is above the industry benchmark of 60 per cent. Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.
- The own source operating revenue ratio increased to 65 per cent (2017: 59 per cent) due to the relative decrease in grants and contributions received during 2017-18.



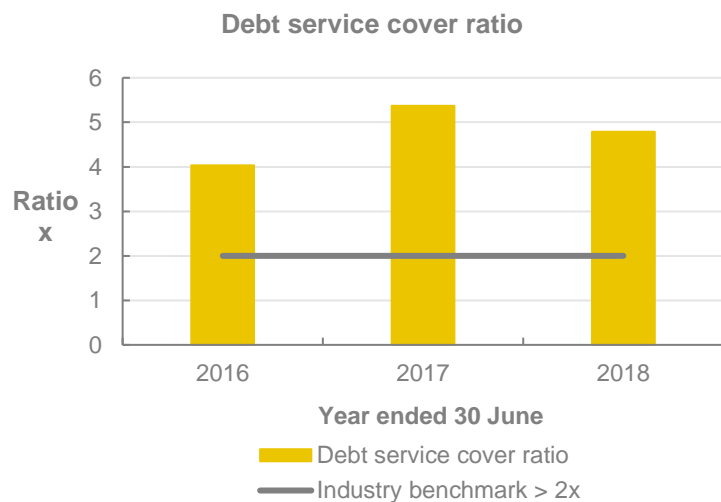
## Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- Council's liquidity ratio of 2.9 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The ratio has remained steady compared with prior years.



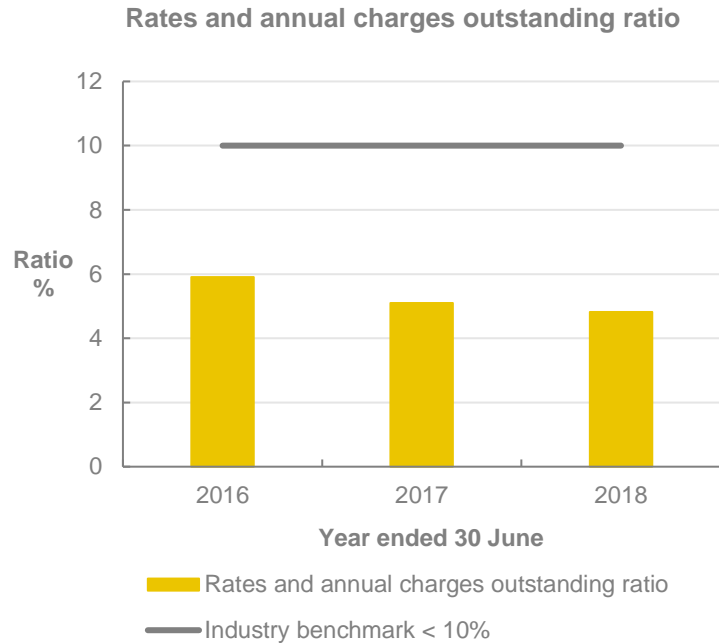
## Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- Council's debt service cover ratio of 4.8 times is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- Council continues to meet this benchmark but has seen a decrease in the ratio compared with prior year. This is due to the increase in operating expenses.



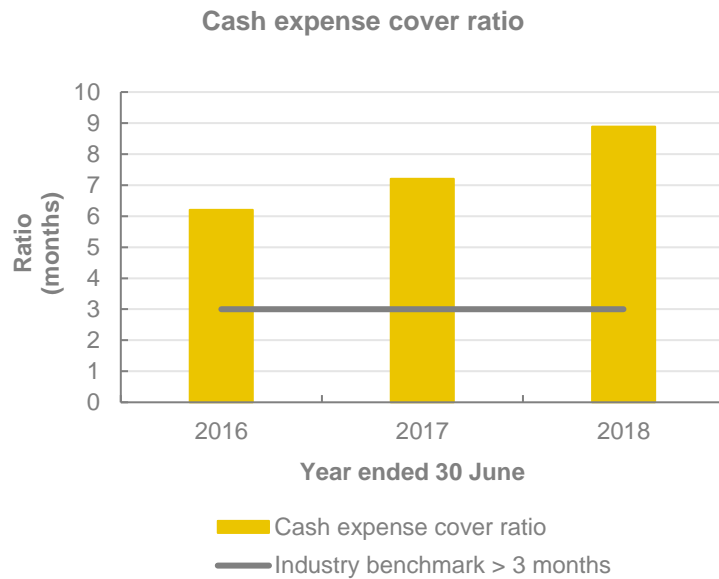
## Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- Council's rates and annual charges outstanding ratio of 4.8 per cent is inside the industry benchmark of less than 10 per cent for regional and rural councils.
- The steady decline in the outstanding rates and annual charges ratio over the past three years indicates that Council's debt recovery processes are sound.



## Cash expense cover ratio

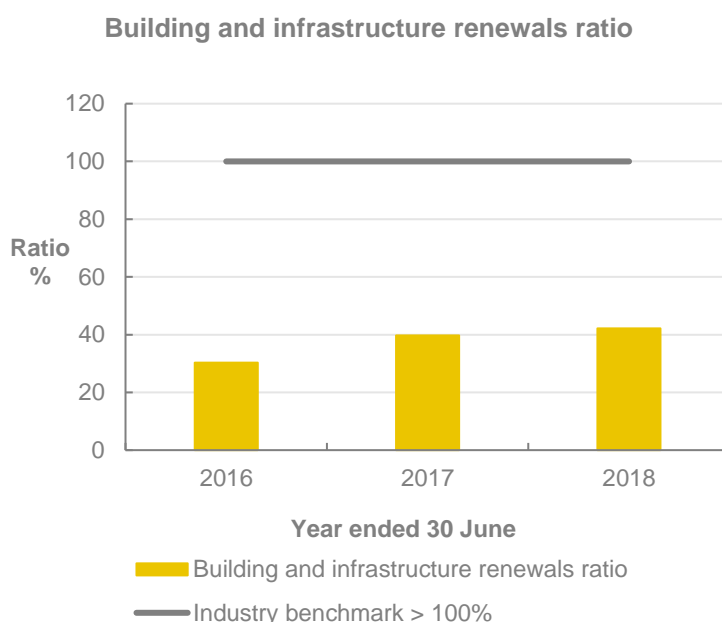
- The 'cash expense cover ratio' indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- Council's cash expense cover ratio was 8.9 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 8.9 months of cash expenditure without additional cash inflows at 30 June 2018.
- The increase in the cash expense cover ratio is due to the increase in cash holdings.





## Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent. This ratio is sourced from council's Special Schedule 7 which has not been audited.
- Council's building and infrastructure renewals ratio was 42.15 per cent, which is below the industry benchmark of greater than 100 per cent.
- Council need to be aware of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.



## OTHER MATTERS

### New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11(c).

#### AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 116 & 136

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating specialised assets, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

## Legislative compliance

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

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



Lawrissa Chan  
Director, Financial Audit Services

cc: Peter Thompson, General Manager  
Bryce McNair, Chair of Audit, Risk and Improvement Committee  
Tim Hurst, Chief Executive of the Office of Local Government

# Wagga Wagga City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

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*"A thriving, innovative, connected community on the  
Murrumbidgee, rich in opportunity, choice, learning and  
environment, where paths cross, where people meet"*



# Wagga Wagga City Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

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<b>2. Special Purpose Financial Statements:</b>	
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Income Statement – Other Business Activities	4
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Statement of Financial Position – Other Business Activities	6
<b>3. Notes to the Special Purpose Financial Statements</b>	7
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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Wagga Wagga City Council

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

### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

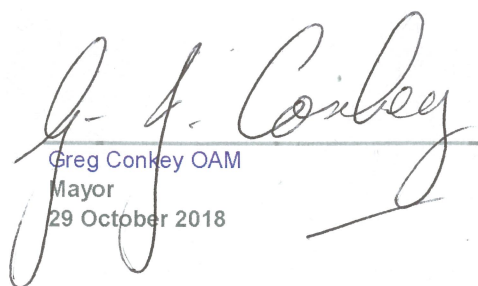
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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


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

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

Signed in accordance with a resolution of Council made on 29 October 2018.



Greg Conkey OAM  
Mayor  
29 October 2018



Dallas Tout  
Councillor  
29 October 2018



Peter Thompson  
General Manager  
29 October 2018



Carolyn Rodney  
Responsible Accounting Officer  
29 October 2018

## Wagga Wagga City Council

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

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	12,876	12,017
User charges	4,789	4,465
Interest	369	394
Grants and contributions provided for non-capital purposes	217	268
Other income	27	380
<b>Total income from continuing operations</b>	<b>18,278</b>	<b>17,524</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,728	1,939
Borrowing costs	2,324	2,375
Materials and contracts	6,832	6,640
Depreciation, amortisation and impairment	5,115	4,955
Loss on disposal of assets	633	–
Calculated taxation equivalents	41	41
Other expenses	3,377	2,715
<b>Total expenses from continuing operations</b>	<b>20,049</b>	<b>18,665</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,771)</b>	<b>(1,141)</b>
Grants and contributions provided for capital purposes	5,075	2,155
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,303</b>	<b>1,014</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,303</b>	<b>1,014</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,303</b>	<b>1,014</b>
Plus opening retained profits	66,654	65,640
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	41	41
Less:		
– Tax equivalent dividend paid	(41)	(41)
<b>Closing retained profits</b>	<b>69,957</b>	<b>66,654</b>
<b>Return on capital %</b>	<b>0.2%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>6,757</b>	<b>4,079</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	3,303	1,014
Less: capital grants and contributions (excluding developer contributions)	(1,761)	(1,535)
<b>Surplus for dividend calculation purposes</b>	<b>1,543</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>771</b>	<b>–</b>

## Wagga Wagga City Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Livestock Marketing Category 1		Airport Category 1	
\$ '000	2018	2017	2018	2017
<b>Income from continuing operations</b>				
Fees	5,534	5,012	4,010	3,541
Other income	46	36	196	226
<b>Total income from continuing operations</b>	<b>5,580</b>	<b>5,049</b>	<b>4,206</b>	<b>3,767</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	698	768	547	448
Borrowing costs	3	2	463	501
Materials and contracts	1,746	1,674	2,036	1,808
Depreciation, amortisation and impairment	606	615	2,261	2,784
Loss on disposal of assets	–	–	270	–
Calculated taxation equivalents	22	23	76	79
Other expenses	984	835	402	222
<b>Total expenses from continuing operations</b>	<b>4,059</b>	<b>3,917</b>	<b>6,054</b>	<b>5,841</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,521</b>	<b>1,132</b>	<b>(1,848)</b>	<b>(2,074)</b>
Grants and contributions provided for capital purposes	–	–	(60)	192
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,521</b>	<b>1,132</b>	<b>(1,908)</b>	<b>(1,882)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,521</b>	<b>1,132</b>	<b>(1,908)</b>	<b>(1,882)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(456)	(340)	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,065</b>	<b>792</b>	<b>(1,908)</b>	<b>(1,882)</b>
<b>Plus opening retained profits</b>	10,169	9,191	7,856	9,666
<b>Plus/less: other adjustments</b>	(796)	226	(265)	(7)
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	22	23	76	79
– Corporate taxation equivalent	456	340	–	–
<b>Less:</b>				
– Dividend paid	(486)	(402)	–	–
<b>Closing retained profits</b>	<b>10,430</b>	<b>10,169</b>	<b>5,759</b>	<b>7,856</b>
<b>Return on capital %</b>	<b>5.9%</b>	<b>4.9%</b>	<b>-3.8%</b>	<b>-4.6%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>2,341</b>	<b>2,432</b>

## Wagga Wagga City Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	9,597	10,045
Receivables	2,176	2,050
Inventories	293	451
Other	–	6
<b>Total current Assets</b>	<b>12,066</b>	<b>12,552</b>
<b>Non-current assets</b>		
Investments	16,154	13,551
Infrastructure, property, plant and equipment	277,931	272,152
<b>Total non-current assets</b>	<b>294,085</b>	<b>285,703</b>
<b>TOTAL ASSETS</b>	<b>306,150</b>	<b>298,255</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	835	1,114
Borrowings	714	665
Provisions	730	720
<b>Total current liabilities</b>	<b>2,279</b>	<b>2,499</b>
<b>Non-current liabilities</b>		
Borrowings	30,813	31,527
Provisions	4	9
<b>Total non-current liabilities</b>	<b>30,817</b>	<b>31,536</b>
<b>TOTAL LIABILITIES</b>	<b>33,095</b>	<b>34,035</b>
<b>NET ASSETS</b>	<b>273,055</b>	<b>264,220</b>
<b>EQUITY</b>		
Accumulated surplus	69,957	66,654
Revaluation reserves	203,098	197,566
<b>TOTAL EQUITY</b>	<b>273,055</b>	<b>264,220</b>



## Wagga Wagga City Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Livestock Marketing Category 1		Airport Category 1	
	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5,904	7,207	–	–
Receivables	363	353	730	714
<b>Total Current Assets</b>	<b>6,267</b>	<b>7,560</b>	<b>730</b>	<b>714</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	25,865	23,131	36,337	34,576
<b>Total non-current assets</b>	<b>25,865</b>	<b>23,131</b>	<b>36,337</b>	<b>34,576</b>
<b>TOTAL ASSETS</b>	<b>32,132</b>	<b>30,691</b>	<b>37,067</b>	<b>35,290</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	4,324	4,053
Payables	374	965	424	328
Borrowings	–	–	819	622
Provisions	198	226	150	74
<b>Total current liabilities</b>	<b>572</b>	<b>1,191</b>	<b>5,716</b>	<b>5,077</b>
<b>Non-current liabilities</b>				
Borrowings	–	–	7,765	8,549
Provisions	6	6	4	2
<b>Total non-current liabilities</b>	<b>6</b>	<b>6</b>	<b>7,770</b>	<b>8,551</b>
<b>TOTAL LIABILITIES</b>	<b>578</b>	<b>1,197</b>	<b>13,486</b>	<b>13,628</b>
<b>NET ASSETS</b>	<b>31,554</b>	<b>29,494</b>	<b>23,581</b>	<b>21,661</b>
<b>EQUITY</b>				
Accumulated surplus	10,430	10,169	5,760	7,857
Revaluation reserves	21,123	19,325	17,821	13,805
<b>TOTAL EQUITY</b>	<b>31,554</b>	<b>29,494</b>	<b>23,581</b>	<b>21,661</b>

# Wagga Wagga City Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	12

## Wagga Wagga City Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

#### Note 1. Significant accounting policies

---

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

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

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

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared business activities

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

##### Category 1

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

##### a. Sewerage Operations

*Sewerage reticulation and treatment systems servicing the City of Wagga Wagga.*

##### b. Livestock Marketing Centre

*Council's Livestock Marketing Centre.*

## Wagga Wagga City Council

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

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

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##### **c. Airport**

Wagga Wagga City Airport Facility.

##### **Monetary amounts**

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

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

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

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

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

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

##### **Notional rate applied (%)**

Corporate income tax rate – **30%**

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

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

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

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

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

##### **Income tax**

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

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

## Wagga Wagga City Council

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

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

## Wagga Wagga City Council

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

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

---

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/06/18.

#### **(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 sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

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

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Wagga Wagga City Council

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

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

2018

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

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

(i)	Calculated tax equivalents	41,000
(ii)	Number of assessments multiplied by \$3/assessment	81,741
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	41,000
(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]	771,448
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	776,410
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(325,142)

2018 Surplus	1,542,896	2017 Surplus	(521,062)	2016 Surplus	(1,346,976)
		2017 Dividend	–	2016 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? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

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

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Wagga Wagga City Council

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

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


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

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	22,984
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	277,931
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	11,937
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	5,272
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.13%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	22,351
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.69%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	5,272
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	2.13%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



## Wagga Wagga City Council

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

#### Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

2018

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	2.12%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		3
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	3,303
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	154

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial report**  
**Wagga Wagga City Council**

To the Councillors of the Wagga Wagga City Council

### **Opinion**

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

The Declared Business Activities of the Council are:

- Sewerage
- Livestock Marketing
- Airport

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

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

My opinion does not provide assurance:

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



Lawrissa Chan  
Director

29 October 2018  
SYDNEY

# Wagga Wagga City Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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*"A thriving, innovative, connected community on the  
Murrumbidgee, rich in opportunity, choice, learning and  
environment, where paths cross, where people meet"*



# Wagga Wagga City Council

## Special Schedules

for the year ended 30 June 2018

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

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#### Background

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

## Wagga Wagga City Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,882</b>	<b>26</b>	<b>–</b>	<b>(1,855)</b>
<b>Administration</b>	<b>17,661</b>	<b>1,007</b>	<b>1,225</b>	<b>(15,429)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,180	74	277	(829)
Beach control	1	–	–	(1)
Enforcement of local government regulations	696	374	–	(322)
Animal control	579	263	–	(316)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>2,456</b>	<b>711</b>	<b>277</b>	<b>(1,468)</b>
<b>Health</b>	<b>917</b>	<b>183</b>	<b>–</b>	<b>(735)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	364	113	–	(251)
Other environmental protection	3,189	1,967	1,933	712
Solid waste management	8,455	14,006	–	5,551
Street cleaning	58	–	–	(58)
Drainage	1,053	691	–	(362)
Stormwater management	171	–	–	(171)
<b>Total environment</b>	<b>13,289</b>	<b>16,778</b>	<b>1,933</b>	<b>5,421</b>
<b>Community services and education</b>				
Administration and education	3	19	–	16
Social protection (welfare)	1,861	161	–	(1,700)
Aged persons and disabled	188	161	–	(27)
Children's services	514	1,799	–	1,285
<b>Total community services and education</b>	<b>2,566</b>	<b>2,140</b>	<b>–</b>	<b>(426)</b>
<b>Housing and community amenities</b>				
Public cemeteries	916	1,191	–	275
Public conveniences	237	–	83	(155)
Street lighting	1,492	–	–	(1,492)
Town planning	2,839	1,099	6,337	4,598
Other community amenities	0	–	–	(0)
<b>Total housing and community amenities</b>	<b>5,484</b>	<b>2,290</b>	<b>6,420</b>	<b>3,226</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>16,715</b>	<b>18,081</b>	<b>5,076</b>	<b>6,442</b>

## Wagga Wagga City Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	2,313	352	–	(1,961)
Museums	972	99	1,275	402
Art galleries	935	171	75	(689)
Community centres and halls	90	7	–	(83)
Performing arts venues	1,536	901	–	(635)
Other performing arts	–	–	–	–
Other cultural services	787	46	–	(741)
Sporting grounds and venues	1,340	326	–	(1,014)
Swimming pools	3,926	1,640	–	(2,286)
Parks and gardens (lakes)	1,817	421	50	(1,346)
Other sport and recreation	5,329	230	2,229	(2,869)
<b>Total recreation and culture</b>	<b>19,044</b>	<b>4,192</b>	<b>3,630</b>	<b>(11,222)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	1,102	1,322	367	587
Other mining, manufacturing and construction	(181)	–	–	181
<b>Total mining, manufacturing and const.</b>	<b>921</b>	<b>1,322</b>	<b>367</b>	<b>768</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	4,499	14	8,065	3,579
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	710	–	–	(710)
Sealed rural roads (SRR) – regional	407	419	4,025	4,037
Unsealed rural roads (URR) – local	2,032	83	–	(1,949)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	41	174	–	134
Bridges on SRR – local	358	–	–	(358)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	32	–	–	(32)
Footpaths	435	18	273	(144)
Aerodromes	5,667	4,206	(60)	(1,521)
Other transport and communication	21,400	–	2,528	(18,871)
<b>Total transport and communication</b>	<b>35,580</b>	<b>4,913</b>	<b>14,831</b>	<b>(15,836)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	8,189	7,275	790	(124)
<b>Total economic affairs</b>	<b>8,189</b>	<b>7,275</b>	<b>790</b>	<b>(124)</b>
<b>Totals – functions</b>	<b>124,705</b>	<b>58,918</b>	<b>34,550</b>	<b>(31,237)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>53,253</b>		<b>53,253</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>103</b>		<b>103</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>124,705</b>	<b>112,274</b>	<b>34,550</b>	<b>22,118</b>

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



## Wagga Wagga City Council

Special Schedule 2 – Permissible income for general rates  
for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	42,283	41,246
Plus or minus adjustments <sup>(2)</sup>	b	338	406
<b>Notional general income</b>	c = (a + b)	<b>42,621</b>	<b>41,652</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	980	625
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>43,601</b>	<b>42,277</b>
Plus (or minus) last year's carry forward total	l	27	33
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>27</b>	<b>33</b>
<b>Total permissible income</b>	o = k + n	<b>43,629</b>	<b>42,310</b>
Less notional general income yield	p	43,595	42,283
<b>Catch-up or (excess) result</b>	q = o – p	<b>34</b>	<b>27</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	(27)	–
<b>Carry forward to next year</b>	t = q + r – s	<b>7</b>	<b>27</b>

**Notes**

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



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Wagga Wagga City Council**

To the Councillors of Wagga Wagga City Council

### **Opinion**

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

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan  
Director

29 October 2018  
SYDNEY

## Wagga Wagga City Council

### Special Schedule 5 – Sewerage Service Income Statement

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

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,937	1,826
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	1,164	1,130
b. Maintenance expenses	711	565
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	475	561
d. Energy costs	193	153
e. Maintenance expenses	194	136
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	6,712	6,125
g. Chemical costs	–	–
h. Energy costs	57	45
i. Effluent management	194	315
j. Biosolids management	–	–
k. Maintenance expenses	–	–
<b>– Other</b>		
l. Operation expenses	301	446
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	5,115	4,955
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	2,316	2,367
b. Revaluation decrements	–	–
c. Other expenses	8	1
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	41	41
<b>5. Total expenses</b>	<b>19,416</b>	<b>18,666</b>

## Wagga Wagga City Council

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

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

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	12,272	11,442
<b>7. Non-residential charges</b>		
a. Access (including rates)	604	575
b. Usage charges	4,789	4,465
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	369	394
<b>11. Other income</b>	27	381
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	154	158
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	1,761	1,536
b. Developer provided assets	3,314	620
c. Other contributions	63	110
<b>14. Total income</b>	<b>23,353</b>	<b>19,681</b>
<b>15. Gain (or loss) on disposal of assets</b>	(633)	–
<b>16. Operating result</b>	<b>3,303</b>	<b>1,015</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	3,303	1,015

## Wagga Wagga City Council

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

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

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	3,314	620
c. Renewals	1,958	1,949
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	665	619
<b>19. Totals</b>	<u><b>5,937</b></u>	<u><b>3,188</b></u>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<u><b>–</b></u>	<u><b>–</b></u>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	24,514	23,956
b. Residential (unoccupied, ie. vacant lot)	933	1,141
c. Non-residential (occupied)	1,716	1,625
d. Non-residential (unoccupied, ie. vacant lot)	84	87
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 283,039	\$ 291,005

## Wagga Wagga City Council

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

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

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	453	–	453
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	9,144	16,154	25,297
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	778	–	778
c. User charges	–	–	–
d. Other	1,398	–	1,398
<b>28. Inventories</b>	293	–	293
<b>29. Property, plant and equipment</b>			
a. System assets	–	277,931	277,931
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>12,066</u>	<u>294,085</u>	<u>306,150</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	835	–	835
<b>34. Borrowings</b>	714	30,813	31,527
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	730	4	733
<b>36. Total liabilities</b>	<u>2,279</u>	<u>30,817</u>	<u>33,095</u>
<b>37. NET ASSETS COMMITTED</b>	<u>9,787</u>	<u>263,268</u>	<u>273,055</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			69,957
<b>39. Asset revaluation reserve</b>			203,098
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<u>273,055</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			365,116
<b>43. Accumulated current cost</b> depreciation of system assets			(87,185)
<b>44. Written down current cost</b> of system assets			<u>277,931</u>



# Wagga Wagga City Council

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

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

(item 1a of Special Schedule 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedule 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedule 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedule 5) includes all expenses not recorded elsewhere.

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

**Impairment losses** (item 4d and 4e of Special Schedule 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedule 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedule 5) include all income from residential charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedule 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges 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 Schedule 5) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedule 5) including capital contributions sewerage services received by Council under Section 565 of the *Local Government Act*.

### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (item 17 for sewerage, and not in items 1a and 1b)

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Wagga Wagga City Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard <sup>a</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>	2017/18 Required maintenance <sup>c</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	2,117	5,177	2,176	2,148	119,959	156,438	39%	25%	31%	4%	1%
	<b>Sub-total</b>	<b>2,117</b>	<b>5,177</b>	<b>2,176</b>	<b>2,148</b>	<b>119,959</b>	<b>156,438</b>	<b>38.8%</b>	<b>25.5%</b>	<b>31.2%</b>	<b>4.0%</b>	<b>0.5%</b>
<b>Other structures</b>	Fences	2,855	674	–	–	10,259	15,575	8%	74%	13%	5%	0%
	Shelters & Other structures	939	2,128	930	–	12,365	18,408	2%	82%	11%	5%	0%
	<b>Sub-total</b>	<b>3,794</b>	<b>2,802</b>	<b>930</b>	<b>–</b>	<b>22,624</b>	<b>33,983</b>	<b>5.0%</b>	<b>78.1%</b>	<b>11.9%</b>	<b>5.0%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	89,455	105,130	5,995	5,099	357,636	563,298	36%	16%	17%	17%	14%
	Unsealed roads	31,859	18,112	2,809	1,869	36,943	60,180	30%	17%	23%	15%	15%
	Bridges	38,173	9,396	695	168	49,219	79,951	7%	45%	29%	18%	1%
	Footpaths, Shared Paths & Cycleways	25,310	1,171	333	217	28,024	48,278	28%	13%	29%	22%	8%
	Kerb & Gutter	34,633	5,366	–	113	29,767	43,294	22%	45%	28%	5%	0%
	Carparks	2,534	1,268	107	58	9,095	11,276	56%	21%	11%	9%	3%
	Culverts	17,320	6,603	4,155	412	28,986	43,040	11%	48%	29%	9%	3%
	Bus & Taxi Shelters	126	–	–	90	611	646	57%	23%	17%	3%	0%
	<b>Sub-total</b>	<b>239,410</b>	<b>147,046</b>	<b>14,094</b>	<b>8,026</b>	<b>540,282</b>	<b>849,962</b>	<b>30.7%</b>	<b>21.8%</b>	<b>20.3%</b>	<b>16.1%</b>	<b>11.1%</b>
<b>Sewerage network</b>	Sewer Mains	–	13,703	2,134	1,885	153,088	182,223	54%	45%	1%	0%	0%
	Sewer Nodes	–	–	–	–	37,179	45,892	10%	90%	0%	0%	0%
	Pumping Stations	7,363	8,320	1,321	853	19,594	32,313	37%	19%	22%	15%	7%
	Treatment Plants	4,340	756	783	1,066	63,176	99,598	7%	56%	33%	0%	4%
	<b>Sub-total</b>	<b>11,703</b>	<b>22,779</b>	<b>4,237</b>	<b>3,803</b>	<b>273,037</b>	<b>360,026</b>	<b>33.9%</b>	<b>51.4%</b>	<b>11.6%</b>	<b>1.3%</b>	<b>1.7%</b>

## Wagga Wagga City Council

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

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard <sup>a</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>	2017/18 Required maintenance <sup>c</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater Pits & Pipes	5,560	2,177	1,493	941	138,012	190,197	38%	34%	17%	8%	2%
	Levee Banks <sup>d</sup>	550	14,598	140	19	28,757	29,181	98%	0%	0%	2%	0%
	Open Drains, Channels & Gross Pollutant Trap's	189	–	20	–	42,411	43,054	95%	5%	0%	0%	0%
	<b>Sub-total</b>	<b>6,298</b>	<b>16,775</b>	<b>1,653</b>	<b>960</b>	<b>209,181</b>	<b>262,432</b>	<b>54.1%</b>	<b>25.6%</b>	<b>12.6%</b>	<b>5.9%</b>	<b>1.8%</b>
Open space/recreational assets	Swimming pools	–	–	–	102	2,960	4,000	0%	100%	0%	0%	0%
	Playgrounds	1,456	1,385	105	36	3,370	5,170	17%	54%	24%	4%	1%
	Irrigation	3,307	2,183	846	14	1,538	4,735	10%	20%	22%	25%	23%
	Park Accessories	881	1,239	229	172	1,763	2,853	21%	48%	25%	5%	1%
	Sporting Equipment	1,480	2,041	51	18	6,195	9,159	13%	71%	12%	3%	1%
	Other	3,388	–	–	70	1,700	3,967	0%	15%	84%	2%	0%
	<b>Sub-total</b>	<b>10,513</b>	<b>6,848</b>	<b>1,231</b>	<b>412</b>	<b>17,526</b>	<b>29,884</b>	<b>10.4%</b>	<b>54.2%</b>	<b>24.9%</b>	<b>6.3%</b>	<b>4.1%</b>
<b>TOTAL – ALL ASSETS</b>	<b>273,836</b>	<b>201,427</b>	<b>24,321</b>	<b>15,350</b>	<b>1,182,608</b>	<b>1,692,725</b>	<b>34.9%</b>	<b>30.7%</b>	<b>18.2%</b>	<b>9.9%</b>	<b>6.3%</b>	

## Notes:

- a Estimated cost to bring assets to satisfactory standard is determined by considering both the condition and risk factors for each asset category.
- b Estimated cost to bring to the agreed level of service set by Council is the amount identified in Council's asset management plans.
- c Estimated cost to bring to the agreed level of service set by Council for Levee Banks is the estimated cost of the Main City Levee system upgrade only.
- d Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent/very good</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Satisfactory</b>	Maintenance work required

4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Wagga Wagga City Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>12,366</u>	<b>42.15%</b>	39.74%	30.28%	>= 100%
Depreciation, amortisation and impairment	<u>29,340</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>273,836</u>	<b>23.16%</b>	28.42%	30.62%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,182,608</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>15,350</u>	<b>63.11%</b>	55.80%	147.07%	> 100%
Required asset maintenance	<u>24,321</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>201,427</u>	<b>11.90%</b>	11.87%	4.01%	
Gross replacement cost	<u>1,692,725</u>				

## Notes

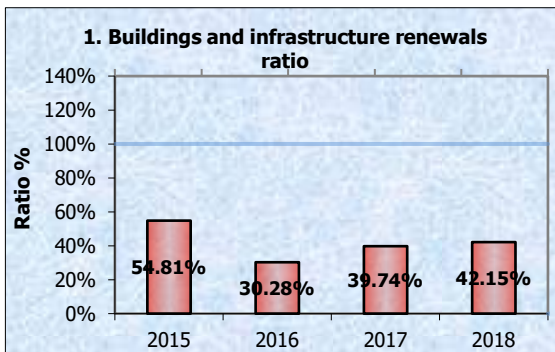
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

# Wagga Wagga City Council

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



### 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.

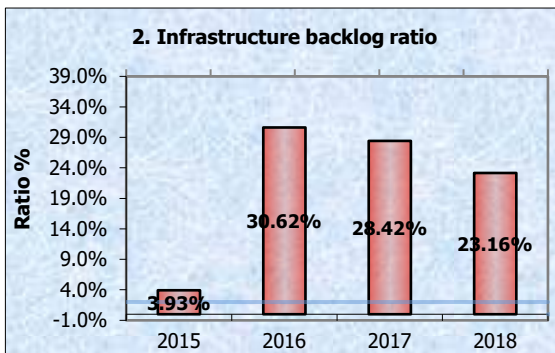
### Commentary on 2017/18 result

**2017/18 Ratio 42.15%**

This ratio has increased to 42% for 2017/18, up from 40% in 2016/17. This increase reflects Council's long term asset renewal strategy.

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

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

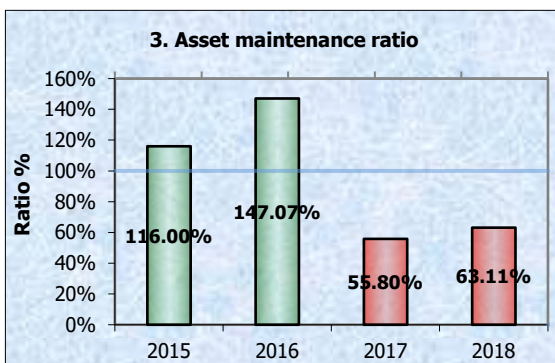
### Commentary on 2017/18 result

**2017/18 Ratio 23.16%**

Council's infrastructure backlog ratio has decreased from 28% in 2016/17 to 23% for 2017/18. This is a result of Council having a substantial portion of its roads network in below satisfactory condition. Local Government continues to face an issue in funding these backlogs due to its constrained revenue environment.

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of asset maintenance ratio

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

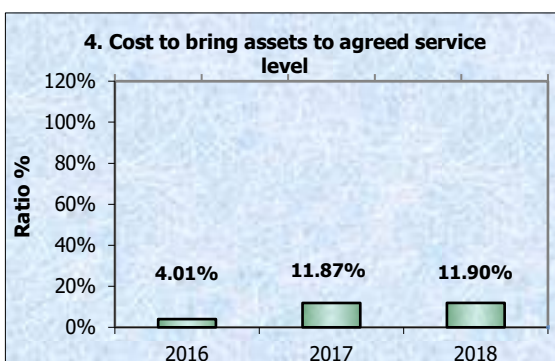
### Commentary on 2017/18 result

**2017/18 Ratio 63.11%**

Council's asset maintenance ratio has increased to 63% for 2017/18, up from 56% in 2016/17. This increase reflects Council's focus on increasing funding for asset maintenance.

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

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of agreed service level ratio

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

### Commentary on 2017/18 result

**2017/18 Ratio 11.90%**

Council's cost to bring assets to an agreed service level has increased slightly to 11.90% for 2017/18, up from 11.87% in 2016/17.

## Wagga Wagga City Council

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

	General indicators <sup>(1)</sup>		Sewer indicators		Benchmark
	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>					
Asset renewals <sup>(3)</sup>	<b>46.68%</b>	41.72%	<b>20.66%</b>	29.52%	>= 100%
Depreciation, amortisation and impairment					
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>28.82%</b>	36.79%	<b>4.29%</b>	1.75%	< 2.00%
Net carrying amount of infrastructure assets					
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<b>57.49%</b>	51.54%	<b>89.76%</b>	75.96%	> 100%
Required asset maintenance					
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>13.41%</b>	13.22%	<b>6.33%</b>	6.59%	
Gross replacement cost					

**Notes**

- (1) General fund refers to all of Council's activities except for its sewer activity which is listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.