

Wagga Wagga City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2016

*"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 2016

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 10 October 2016. Council has the power to amend and reissue these financial statements.
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Wagga Wagga City Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

This 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

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

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

Wagga Wagga City Council

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

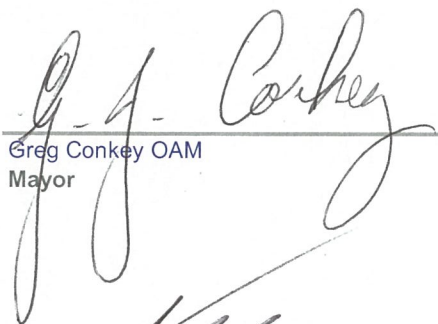
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the 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 10 October 2016.



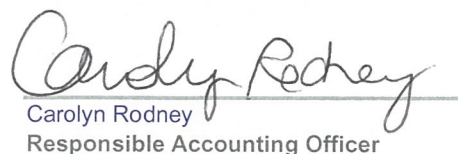
Greg Conkey OAM
Mayor



Alan Eldridge
General Manager



Dallas Tout
Councillor



Carolyn Rodney
Responsible Accounting Officer

Wagga Wagga City Council

Income Statement

for the year ended 30 June 2016

Budget ¹ 2016 \$ '000		Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
56,802	Rates and annual charges	3a	56,831	54,287
21,872	User charges and fees	3b	24,195	23,432
3,358	Interest and investment revenue	3c	3,413	3,628
3,102	Other revenues	3d	3,741	7,340
14,296	Grants and contributions provided for operating purposes	3e,f	14,743	15,626
15,906	Grants and contributions provided for capital purposes	3e,f	24,351	29,232
Other income:				
–	Net gains from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	244
115,335	Total income from continuing operations		127,274	133,789
Expenses from continuing operations				
41,179	Employee benefits and on-costs	4a	40,127	39,378
4,374	Borrowing costs	4b	3,964	4,150
30,385	Materials and contracts	4c	29,159	29,882
23,811	Depreciation and amortisation	4d	35,428	22,309
–	Impairment	4d	11	–
9,193	Other expenses	4e	10,213	10,932
–	Net losses from the disposal of assets	5	4,066	1,490
–	Net share of interests in joint ventures and associates using the equity method	19	48	–
108,942	Total expenses from continuing operations		123,015	108,141
6,393	Operating result from continuing operations		4,259	25,648
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
6,393	Net operating result for the year		4,259	25,648
6,393	Net operating result attributable to Council		4,259	25,648
–	Net operating result attributable to non-controlling interests		–	–
(9,513)	Net operating result for the year before grants and contributions provided for capital purposes		(20,092)	(3,584)

¹ Original budget as approved by Council – refer Note 16

Wagga Wagga City Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		4,259	25,648
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	22,429	34,643
Impairment reversal relating to I,PP&E	20b (ii)	(28)	807
Other comprehensive income – joint ventures and associates	19b	6	–
Total items which will not be reclassified subsequently to the operating result		22,407	35,451
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Riverina Regional Library service	20a	57	(23)
Total items which will be reclassified subsequently to the operating result when specific conditions are met		57	(23)
Total other comprehensive income for the year		22,464	35,427
Total comprehensive income for the year		26,722	61,075
Total comprehensive income attributable to Council		26,722	61,075
Total comprehensive income attributable to non-controlling interests		–	–

Wagga Wagga City Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	9,785	7,930
Investments	6b	30,047	34,131
Receivables	7	10,734	11,465
Inventories	8	2,617	2,488
Other	8	531	436
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		53,714	56,450
Non-current assets			
Investments	6b	53,737	40,013
Receivables	7	173	359
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	1,350,786	1,338,995
Investments accounted for using the equity method	19	1,865	1,907
Investment property	14	3,330	3,450
Intangible assets	25	—	—
Total non-current assets		1,409,891	1,384,725
TOTAL ASSETS		1,463,605	1,441,175
LIABILITIES			
Current liabilities			
Payables	10	10,480	12,377
Borrowings	10	2,352	2,263
Provisions	10	12,614	12,288
Total current liabilities		25,446	26,928
Non-current liabilities			
Payables	10	—	—
Borrowings	10	51,556	53,908
Provisions	10	1,579	2,039
Total non-current liabilities		53,135	55,946
TOTAL LIABILITIES		78,581	82,874
Net assets		1,385,024	1,358,301
EQUITY			
Retained earnings	20	811,451	807,130
Revaluation reserves	20	573,572	551,172
Council equity interest		1,385,024	1,358,301
Non-controlling equity interests		—	—
Total equity		1,385,024	1,358,301

Wagga Wagga City Council

Statement of Changes in Equity for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		807,902	529,494	1,337,396	–	1,337,396
a. Correction of prior period errors	20 (c)	(773)	21,678	20,905	–	20,905
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		807,130	551,172	1,358,301	–	1,358,301
c. Net operating result for the year		4,259	–	4,259	–	4,259
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	22,429	22,429	–	22,429
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(28)	(28)	–	(28)
– Joint ventures and associates	19b	6	–	6	–	6
– Other reserves movements	20a	57	–	57	–	57
Other comprehensive income		63	22,401	22,464	–	22,464
Total comprehensive income (c&d)		4,322	22,401	26,722	–	26,722
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		811,451	573,572	1,385,024	–	1,385,024

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		782,282	494,041	1,276,323	–	1,276,323
a. Correction of prior period errors	20 (c)	(4)	2	(2)	–	(2)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/14)		782,278	494,043	1,276,321	–	1,276,321
c. Net operating result for the year		25,648	–	25,648	–	25,648
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	34,643	34,643	–	34,643
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	807	807	–	807
– Joint ventures and associates	19b	(81)	–	(81)	–	(81)
– Other reserves movements	20b (ii)	58	–	58	–	58
Other comprehensive income		(23)	35,451	35,427	–	35,427
Total comprehensive income (c&d)		25,624	35,451	61,075	–	61,075
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		807,902	529,494	1,337,396	–	1,337,396

Wagga Wagga City Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
56,690	Rates and annual charges		56,898	54,330
21,695	User charges and fees		25,443	24,074
2,826	Investment and interest revenue received		3,631	3,705
29,822	Grants and contributions		30,119	33,248
–	Bonds, deposits and retention amounts received		46	232
2,269	Other		9,626	17,129
Payments:				
(41,206)	Employee benefits and on-costs		(40,309)	(38,567)
(33,781)	Materials and contracts		(29,867)	(33,216)
(6,763)	Borrowing costs		(3,981)	(4,074)
(4,872)	Other		(14,767)	(21,099)
26,681	Net cash provided (or used in) operating activities	11b	36,837	35,763
Cash flows from investing activities				
Receipts:				
31,337	Sale of investment securities		34,138	24,659
–	Sale of investment property		220	434
4,394	Sale of infrastructure, property, plant and equipment		1,511	2,035
–	Deferred debtors receipts		184	156
Payments:				
(22,960)	Purchase of investment securities		(43,812)	(38,848)
(48,211)	Purchase of infrastructure, property, plant and equipment		(24,960)	(30,873)
(1,152)	Contributions - joint ventures and associates		–	–
(36,591)	Net cash provided (or used in) investing activities		(32,719)	(42,437)
Cash flows from financing activities				
Receipts:				
15,754	Proceeds from borrowings and advances		–	1,015
Payments:				
(3,083)	Repayment of borrowings and advances		(2,263)	(2,232)
12,672	Net cash flow provided (used in) financing activities		(2,263)	(1,218)
2,762	Net increase/(decrease) in cash and cash equivalents		1,855	(7,891)
17,278	Plus: cash and cash equivalents – beginning of year	11a	7,930	15,821
20,040	Cash and cash equivalents – end of the year	11a	9,785	7,930
Additional Information:				
	plus: Investments on hand – end of year	6b	83,784	74,145
	Total cash, cash equivalents and investments		93,569	82,075

Please refer to Note 11 for additional cash flow information

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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n/a – not applicable

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

(v) Basis of accounting

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

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, Property, Plant & Equipment that are accounted for at fair valuation.

(iv) Investment properties

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

(vi) Changes in accounting policies

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

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

Council bases any estimates on historical results, taking into consideration the type of customer, the

type of transaction and the specifics of each arrangement.

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the *EPA Act 1979*.

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

User charges, fees and other income

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

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Dividend income

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

Other Income

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

(c) Principles of consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2016) and **(ii)** all the related operating results (for the financial year ended the 30th June 2016).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

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

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

The following entities have been included as part of the Consolidated Fund:

- General Purpose Operations
- Sewerage Service

Due to their immaterial value and nature, the Management Committees for various Rural Reserves and Halls have been excluded from consolidation.

(ii) The trust fund

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

(iii) Joint Ventures

Riverina Regional Library Service

Council participates in cooperative arrangements with nine other Councils for the provision of services and facilities through the Riverina Regional Library Service. No one Council exercise control, nor can anyone Council unilaterally dominate decision making.

The carrying amount of Council's interest in the joint venture is shown as a non-current asset "Investments Account for Using the Equity Method" in the balance sheet. The details of Council's interest in the joint venture are shown in Note 19b.

Associates

Council has no interest in any Associates.

(iv) 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 Shires of Greater Hume, Lockhart and Urana and the City of 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 Reports.

(v) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Council currently does not hold any leases that are classified as Finance leases.

Operating Leases

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

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

Council has entered into a number of leases for the provision of office and computer equipment. Council has classified all of these as Operating leases.

(e) Cash and Cash Equivalents

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

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

General accounting and measurement of financial instruments:

(i) Initial recognition

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

(ii) Subsequent measurement

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

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

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

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

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. As at 30 June 2016, there is no evidence of impairment in any group of financial assets.

(iii) Types of investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its

representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(g) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

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

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

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

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

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

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Sewerage Networks**
(External Valuation - Depreciated Replacement Cost)
- **Operational and Community Land**
(External Valuation – Operational Land @ Market Value;
Community Land @ Market Value)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(As approximated by depreciated replacement cost)

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- **Roads Assets incl. Roads, Bridges & Footpaths**
(Internal Valuation – Depreciated Replacement Cost)
- **Stormwater Drainage Assets**
(Internal Valuation – Depreciated Replacement Cost)
- **Other Structures and Other Assets**
(Internal Valuation – Depreciated Replacement Cost)

Initial recognition

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

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

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

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

Sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

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

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

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

Capitalisation Thresholds

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

Land	
- Council land	100% Capitalised
- Open space	100% Capitalised
- Land under Roads	100% Capitalised

Plant & Equipment	
Furniture & Fittings	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

Other Assets	
Artworks	100% Capitalised

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Buildings & Land Improvements

Park Furniture & Equipment > \$2,000

Building
- Construction/extensions 100% Capitalised
- Renovations > \$5,000
Other Structures > \$2,000

Sewer Assets

Sewer Network > \$5,000

Stormwater Assets

Stormwater Drainage > \$3,000

Transport Assets

Road Works > \$1,000
Footpath construction & reconstruction > \$5,000
Bridge construction & reconstruction > \$5,000

Other Infrastructure Assets

Other Open Space/Recreational Assets > \$2,000

- Electrical/Mechanical/Fire/Security 20 years

Stormwater Drainage

- Open Drains & Detention Basins 80 to 100 years
- Culverts 60 years
- Levee Banks 60 to 100 years
- Stormwater Pipes 70 to 100 years
- Stormwater Pits 100 years

Transportation Assets

- Sealed Roads: Surface 15 to 25 years
- Sealed Roads: Structure 5 to 100 years
- Unsealed roads 5 to 100 years
- Bridges 50 to 100 years
- Footbridges 30 to 80 years
- Kerb, Gutter & Paths 15 to 70 years
- Bus & Taxi Shelters 20 to 50 years

Sewer Assets

- Sewer Mains 40 to 113 years
- Pump Stations 9 to 102 years
- Treatment Works 15 to 112 years
- Ancillary 10 to 100 years

Other Infrastructure Assets

- Open Space/Recreational Assets 1 to 100 years

Other Structures

- Other Improvements 1 to 100 years

Depreciation

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

Land and artworks are not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

- Office Equipment 3 to 100 years
- Furniture & Fittings 1 to 100 years
- Computer Equipment 3 to 10 years
- Vehicles 2 to 5 years
- Heavy Plant/Road Making equip. 5 to 12 years
- Other plant and equipment 5 to 20 years

Other Equipment

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

Buildings

- Whole Building 20 to 80 years
- Structure 40 to 80 years
- Roof 40 to 50 years
- Internal Finishes 20 years

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

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

Disposal and derecognition

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

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

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

(l) Land under roads

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

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*.

(m) Intangible assets

Council has not classified any assets as Intangible.

(n) Crown reserves

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

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

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

Representations are currently being sought across state and local government to develop a consistent

accounting treatment for Crown Reserves across both tiers of government.

(o) Rural fire service assets

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

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the assets, their values and depreciation charges from these financial statements.

(p) Investment property

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

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every year.

The last full revaluation for Council's Investment Properties was dated 30/06/2016.

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

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

These costs are charged to the Income Statement.

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

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

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

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

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

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

(r) Impairment of assets

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

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

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

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(s) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

(v) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

(w) Employee benefits

(i) Short-term obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

employee benefit obligations disclosed under payables.

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

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

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

The last valuation of the Scheme was performed by Mr Richard Boyfield (FiAA) on 24/02/2016.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

Accordingly, Council's contributions to the scheme are recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$577,904 as at 30 June 2016.

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

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

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

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

(iv) Employee benefit on-costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/16.

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

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

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

Exceptions

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

(y) Taxes

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

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

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

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

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

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

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

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

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

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

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

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

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

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

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

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

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

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

(aa) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars. Subtotal and total amounts throughout the financial statements may be out of balance by one on-thousandth due to rounding included within these statements.

(ab) Comparative figures

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

(ac) Disclaimer

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	30	14	105	1,094	1,831	1,735	(1,064)	(1,817)	(1,630)	–	–	575	21,254
Administration	1,125	1,530	2,592	11,377	18,534	19,472	(10,252)	(17,004)	(16,880)	–	547	67,488	68,834
Public order and safety	1,709	1,324	1,772	2,368	2,363	2,192	(659)	(1,039)	(421)	2,276	91	5,785	3,674
Health	205	135	116	1,236	1,200	2,716	(1,031)	(1,065)	(2,600)	–	–	133	131
Environment	11,284	14,395	16,020	14,398	10,688	9,013	(3,114)	3,707	7,007	283	1,719	229,902	226,625
Community services and education	2,237	2,065	2,222	3,107	2,645	3,311	(869)	(580)	(1,090)	1,754	1,806	5,960	5,709
Housing and community amenities	5,175	6,422	8,275	5,677	5,345	4,836	(502)	1,077	3,438	72	–	19,967	19,464
Sewerage services	16,857	18,783	19,800	20,986	16,500	16,496	(4,129)	2,283	3,303	159	159	285,860	282,269
Recreation and culture	3,759	4,862	4,125	18,960	18,400	17,436	(15,201)	(13,538)	(13,311)	931	611	208,851	199,681
Mining, manufacturing and construction	1,298	1,524	1,305	1,201	1,122	1,579	97	402	(274)	–	–	3,201	3,044
Transport and communication	15,600	18,980	19,185	21,974	38,867	22,337	(6,374)	(19,887)	(3,152)	5,873	2,556	591,985	570,621
Economic affairs	4,673	6,318	8,156	6,564	5,472	7,017	(1,891)	846	1,139	69	1,990	42,035	37,962
Total functions and activities	63,952	76,352	83,670	108,942	122,967	108,141	(44,990)	(46,615)	(24,472)	11,417	9,480	1,461,740	1,439,268
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	244	–	48	–	–	(48)	244	–	–	1,865	1,907
General purpose income ¹	51,383	50,922	49,875	–	–	–	51,383	50,922	49,875	10,337	10,475	–	–
Operating result from continuing operations	115,335	127,274	133,789	108,942	123,015	108,141	6,393	4,259	25,648	21,754	19,955	1,463,605	1,441,175

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER AND SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES AND EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING AND COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

SEWERAGE SERVICES

RECREATION AND CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING AND CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT AND COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		23,212	22,158
Farmland		4,631	4,528
Business		9,845	9,545
Total ordinary rates		37,688	36,231
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,769	6,440
Stormwater management services		677	666
Sewerage services		11,167	10,445
Waste management services (non-domestic)		530	505
Total annual charges		19,143	18,056
<u>TOTAL RATES AND ANNUAL CHARGES</u>		<u>56,831</u>	<u>54,287</u>

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		715	720
Sewerage services		4,367	4,218
Waste management services (non-domestic)		3,014	2,758
Total user charges		8,096	7,696
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67		258	36
Regulatory/ statutory fees		576	598
Total fees and charges – statutory/regulatory		834	634
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		3,391	3,273
Cemeteries		1,206	1,085
Corporate services		36	37
Development services		2,356	2,097
Family day care		313	362
Leaseback fees – Council vehicles		204	232
Library and art gallery		34	37
Livestock marketing centre		5,040	5,269
Oasis swimming complex		1,516	1,466
Park and sportsgrounds		379	382
Regional civic centre		675	710
Tourist information centre		8	11
Other		107	141
Total fees and charges – other		15,265	15,102
TOTAL USER CHARGES AND FEES		24,195	23,432

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		341	309
– Interest earned on investments (interest and coupon payment income)		3,100	2,992
– Interest on deferred debtors		7	110
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		(35)	217
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>3,413</u>	<u>3,628</u>

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	341	309
General Council cash and investments	2,264	2,518

Restricted investments/funds – external:

Development contributions		
– Section 94	91	68
– Section 64	19	14
Sewerage fund operations	356	343
Other externally restricted assets	85	68

Restricted investments/funds – internal:

Internally restricted assets	256	307
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Total interest and investment revenue recognised	3,413	3,628
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(d) Other revenues

Fair value increments – investment properties	14	100	–
Rental income – investment properties	14	342	298
Rental income – other council properties		944	729
Ex gratia rates		35	35
Fines		844	1,223
Diesel rebate		224	296
Insurance claim recoveries		152	357
Sales – miscellaneous		383	383
Sales – Oasis swimming complex		147	118
Other theatre		5	7
Provision for remediation		433	3,760
Other		132	134
<u>TOTAL OTHER REVENUE</u>		<u>3,741</u>	<u>7,340</u>

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	9,973	10,109	–	–
Pensioners' rates subsidies – general component	364	366	–	–
Total general purpose	10,337	10,475	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Sewerage	159	159	–	–
– Domestic waste management	112	112	–	–
Airport	–	–	3	–
Bushfire and emergency services	50	31	–	58
Community care	165	120	–	–
Drainage	–	–	–	631
Environmental protection	91	410	2,193	844
Evocities	69	115	–	–
Family and childrens services – other	97	154	–	–
Family day care	1,436	1,499	–	–
Heritage and cultural	385	519	–	–
Noxious weeds	96	91	–	–
Recreation and culture	34	20	575	105
Street lighting	81	79	–	–
Transport (other roads and bridges funding)	134	602	5,716	3,428
Other	21	3	–	500
Total specific purpose	2,930	3,914	8,487	5,566
Total grants	13,267	14,389	8,487	5,566
Grant revenue is attributable to:				
– Commonwealth funding	11,652	11,882	4,333	1,937
– State funding	1,601	2,467	4,050	3,608
– Other funding	14	40	104	22
	13,267	14,389	8,487	5,566

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	3,737	5,561
S 94A – fixed development consent levies	–	–	368	686
S 64 – sewerage service contributions	–	–	1,421	2,007
S 64 – stormwater contributions	–	–	720	1,014
Total developer contributions	17	–	6,246	9,268
Other contributions:				
Artworks donated	–	–	154	3
Bushfire services	128	94	–	–
Dedications (other than by S94)	–	–	9,037	12,691
Drainage	–	5	–	–
Recreation and culture	174	115	184	120
Roads and bridges	36	–	14	–
RMS contributions (regional roads, block grant)	913	753	199	1,489
Sewerage (excl. section 64 contributions)	42	25	–	13
Other	183	245	30	82
Total other contributions	1,476	1,237	9,618	14,398
Total contributions	1,476	1,237	15,864	23,666
TOTAL GRANTS AND CONTRIBUTIONS	14,743	15,626	24,351	29,232

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	18,723	14,727
Add: grants and contributions recognised in the current period but not yet spent:	7,621	8,760
Less: grants and contributions recognised in a previous reporting period now spent:	(2,495)	(4,764)
Net increase (decrease) in restricted assets during the period	5,126	3,996
Unexpended and held as restricted assets	23,849	18,723
Comprising:		
– Specific purpose unexpended grants	3,567	1,800
– Developer contributions	19,569	16,161
– Other contributions	713	762
	23,849	18,723

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		29,722	29,858
Travel expenses		508	619
Employee leave entitlements (ELE)		4,961	4,928
Superannuation		3,511	3,498
Workers' compensation insurance		1,285	1,247
Fringe benefit tax (FBT)		94	146
Payroll tax		107	106
Training costs (other than salaries and wages)		323	447
Other		574	452
Total employee costs		41,086	41,302
Less: capitalised costs		(959)	(1,924)
TOTAL EMPLOYEE COSTS EXPENSED		40,127	39,378
Number of 'full-time equivalent' employees (FTE) at year end		456	451
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,759	3,868
Total interest bearing liability costs expensed		3,759	3,868
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	43	90
– Other liabilities		162	192
Total other borrowing costs		205	282
TOTAL BORROWING COSTS EXPENSED		3,964	4,150
(c) Materials and contracts			
Raw materials and consumables		21,322	19,797
Contractor and consultancy costs		6,980	9,317
Auditors remuneration ⁽¹⁾		86	79
Legal expenses:			
– Legal expenses: planning and development		75	106
– Legal expenses: debt recovery		122	73
– Legal expenses: other		430	291
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		142	218
TOTAL MATERIALS AND CONTRACTS		29,159	29,882

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
Audit and review of financial statements and compliance audits - Crowe Horwath		86	79
Remuneration for audit and other assurance services		86	79
Total Auditor remuneration		86	79
2. Operating lease payments are attributable to:			
Computers		142	218
		142	218

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015

(d) Depreciation, amortisation and impairment

Plant and equipment		—	—	1,347	1,498
Office equipment		—	—	422	313
Furniture and fittings		—	—	65	65
Infrastructure:					
– Buildings – non-specialised		—	—	2,091	2,078
– Buildings – specialised		39	—	1,444	1,376
– Other structures		—	—	1,045	1,036
– Roads		—	(796)	18,180	5,837
– Bridges		—	—	489	101
– Footpaths		—	—	744	2,181
– Stormwater drainage		—	(11)	1,845	787
– Sewerage network		—	—	5,212	4,947
– Swimming pools		—	—	17	17
– Other open space/recreational assets		—	—	522	566
Other assets					
– Other		—	—	2,174	1,810
Asset reinstatement costs	9 & 26	—	—	60	37
Total depreciation and impairment costs		39	(807)	35,657	22,651
Less: capitalised costs		—	—	(229)	(341)
Less: IPP&E impairments (to)/from equity	9a	(28)	807	—	—
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		11	—	35,428	22,309

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Bad and doubtful debts		104	(7)
Contributions/levies to other levels of government			
– Bushfire Fighting Fund		359	335
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		108	92
– NSW Fire Brigade levy		437	421
– REROC		47	47
– Riverina Regional Library		1,153	1,167
– Valuation fees		176	173
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		201	197
Deferred debtor impairment expense		–	2,153
Donations, contributions and assistance to other organisations (Section 356)		203	150
Election expenses		1	–
Electricity and heating		1,647	1,689
Fair value decrements – I,PP&E	9(a)	1,746	–
Fair value decrements – investment properties	14	–	50
Insurance		1,291	1,533
Postage		131	119
Reinstatement of infrastructure assets		371	722
Street lighting		889	847
Subscriptions and publications		41	49
Telephone and communications		402	272
Water		864	882
<u>TOTAL OTHER EXPENSES</u>		<u>10,213</u>	<u>10,932</u>

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		579	783
Less: carrying amount of property assets sold/written off		(622)	(2,102)
Net gain/(loss) on disposal		(43)	(1,319)
Plant and equipment			
Proceeds from disposal – plant and equipment		932	1,253
Less: carrying amount of plant and equipment assets sold/written off		(947)	(1,308)
Net gain/(loss) on disposal		(15)	(55)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(4,008)	(94)
Net gain/(loss) on disposal		(4,008)	(94)
Investment properties			
Proceeds from disposal – investment properties		220	434
Less: carrying amount of investment properties sold/written off		(220)	(455)
Net gain/(loss) on disposal		–	(21)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		34,138	24,659
Less: carrying amount of financial assets sold/redeemed/matured		(34,138)	(24,659)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(4,066)	(1,490)

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

		2016	2016	2015	2015
\$ '000	Notes	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		9,515	–	6,876	–
Cash-equivalent assets ¹					
– Deposits at call		270	–	53	–
– Short-term deposits		–	–	1,000	–
Total cash and cash equivalents		9,785	–	7,930	–
Investments (Note 6b)					
– Managed funds		–	1,158	–	1,151
– Long term deposits		26,000	10,989	33,101	19,989
– Floating rate notes		4,047	41,590	1,030	18,873
Total investments		30,047	53,737	34,131	40,013
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS					
		39,832	53,737	42,061	40,013

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	9,785	–	7,930	–
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Investments

a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition' 6(b-i)	4,047	42,747	1,030	20,024
b. 'Held to maturity' 6(b-ii)	26,000	10,990	33,101	19,989
Investments	30,047	53,737	34,131	40,013

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 6b. investments (continued)

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	1,030	20,024	–	17,614
Revaluations (through the Income Statement)	(60)	25	12	205
Additions	0	27,811	–	14,758
Disposals (sales and redemptions)	(1,030)	(1,007)	(3,071)	(8,464)
Transfers between current/non-current	4,106	(4,106)	4,089	(4,089)
Balance at end of year	4,047	42,747	1,030	20,024
Comprising:				
– Managed funds	–	1,158	–	1,151
– Floating rate notes	4,047	41,590	1,030	18,873
Total	4,047	42,747	1,030	20,024
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at the beginning of the year	33,101	19,989	16,125	26,000
Additions	15,000	1,000	13,101	10,989
Disposals (sales and redemptions)	(32,101)	–	(13,125)	–
Transfers between current/non-current	10,000	(10,000)	17,000	(17,000)
Balance at end of year	26,000	10,989	33,101	19,989
Comprising:				
– Long term deposits	26,000	10,989	33,101	19,989
Total	26,000	10,989	33,101	19,989

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	39,832	53,737	42,061	40,013
attributable to:				
External restrictions (refer below)	5,752	53,737	11,614	40,013
Internal restrictions (refer below)	31,049	–	26,726	–
Unrestricted	3,031	–	3,720	–
	39,832	53,737	42,061	40,013

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Employee leave – sewer and waste (C)	732	81	(35)	778
External restrictions – included in liabilities	732	81	(35)	778

External restrictions – other

Developer contributions – general (D)	15,891	6,354	(2,856)	19,389
Specific purpose unexpended grants (F)	1,800	1,566	–	3,366
Sewerage services (G)	19,824	440	–	20,265
Sewerage services – unexpended contributions (G)	597	13	(9)	601
Domestic waste management (G)	10,646	3,031	(1,231)	12,446
Stormwater management (G)	1,973	573	(8)	2,537
Other unexpended contributions	165	–	(58)	107
External restrictions – other	50,896	11,977	(4,162)	58,712
Total external restrictions	51,628	12,059	(4,197)	59,489

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

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

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	3,901	2,271	(1,027)	5,146
Employees leave entitlement	3,302	199	(148)	3,353
Airport	48	154	–	203
Bridge replacement	227	420	–	647
CBD carparking facilities	947	–	(10)	936
CCTV	44	10	–	54
Cemetery perpetual	67	57	–	124
Civic theatre operating	42	–	(42)	–
Civil projects	906	–	(750)	156
Community Amenities	–	6	–	6
Council election	328	100	(10)	418
Estella community centre	231	–	–	231
Family day care	140	–	(4)	136
Fit for the Future	100	852	–	952
Gravel pit restoration	707	35	(4)	738
Gurwood st property	50	–	–	50
Industrial land development	339	–	(11)	329
Information services E / business	364	40	(26)	379
Infrastructure improvements / replacement	109	101	(133)	77
Insurance Premium Savings	–	40	(11)	29
Internal loans	707	2,422	(1,840)	1,290
Kerb and gutter	123	–	(123)	–
Lake Albert improvements	225	–	(111)	114
LEP preparation	56	25	(42)	39
Livestock marketing centre	6,629	1,633	(166)	8,096
Lloyd environmental projects	101	–	–	101
Oasis building renewal	72	50	–	122
Oasis plant	908	110	(13)	1,005
Other building improvements	139	56	(109)	86
Other cemetery	108	227	(27)	309
Other operational	1,436	324	(450)	1,309
Parks and recreation reserve	162	50	(121)	91
Project carryovers	1,338	1,842	(1,338)	1,842
Public art reserve	288	119	(238)	169
Rates advance reserve	777	306	–	1,084
Robertson oval	87	–	–	87
Silverlite reserve	83	–	(53)	30
Stormwater drainage	591	–	(117)	474
Strategic real property	248	–	(243)	5
Street lighting replacement	15	30	–	45
Subdivision tree planting	122	89	(15)	196
Sustainable energy	90	340	–	430
Tarcutta street gasworks remediation reserve	18	–	(18)	–
Unexpended external loans	548	–	(385)	163
Total internal restrictions	26,726	11,909	(7,586)	31,049
TOTAL RESTRICTIONS	78,354	23,968	(11,784)	90,538

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		3,209	—	3,218	—
Interest and extra charges		384	—	398	—
User charges and fees		3,528	—	3,698	—
Accrued revenues					
– Interest on investments		786	—	955	—
– Other income accruals		51	—	267	—
Deferred debtors		248	2,285	245	2,472
Government grants and subsidies		1,279	—	1,496	—
Net GST receivable		667	—	771	—
Storm damage claim – RMS grant		—	—	168	—
Other debtors		666	—	312	—
Total		10,818	2,285	11,528	2,472
Less: provision for impairment					
User charges and fees		(43)	—	(23)	—
Other debtors		(41)	(2,112)	(41)	(2,112)
Total provision for impairment – receivables		(84)	(2,112)	(63)	(2,112)
<u>TOTAL NET RECEIVABLES</u>		<u>10,734</u>	<u>173</u>	<u>11,465</u>	<u>359</u>
Externally restricted receivables					
Sewerage services					
– Rates and availability charges		785	—	753	—
– Other		1,325	—	1,539	—
Domestic waste management		991	—	889	—
Stormwater management		44	—	46	—
– Unexpended grants		201	—	—	—
– Unexpended contributions		0	—	—	—
– Other restricted receivables developer contributions		90	90	90	180
Total external restrictions		3,436	90	3,316	180
Internally restricted receivables					
– Livestock marketing centre		343	—	224	—
– Airport		678	—	663	—
Internally restricted receivables		1,020	—	887	—
Unrestricted receivables		6,277	83	7,262	179
TOTAL NET RECEIVABLES		10,734	173	11,465	359

Notes on debtors above:

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	282	—	282	—
Stores and materials	2,238	—	2,099	—
Trading stock	97	—	107	—
Total inventories at cost	2,617	—	2,488	—

(ii) Inventories at net realisable value (NRV)

Nil

TOTAL INVENTORIES	2,617	—	2,488	—
--------------------------	--------------	----------	--------------	----------

(b) Other assets

Prepayments	531	—	436	—
TOTAL OTHER ASSETS	531	—	436	—

Externally restricted assets

Water

Nil

Sewerage

Stores and materials	486	—	502	—
Prepayments	1	—	—	—
Total sewerage	487	—	502	—

Domestic waste management

Nil

Other

Nil

Total externally restricted assets	487	—	502	—
Total internally restricted assets	—	—	—	—
Total unrestricted assets	2,661	—	2,422	—
TOTAL INVENTORIES AND OTHER ASSETS	3,148	—	2,924	—

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	23	—	23	—
Industrial/commercial	259	—	259	—
Total real estate for resale	282	—	282	—
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	136	—	136	—
Development costs	15	—	15	—
Borrowing costs	131	—	131	—
Total costs	282	—	282	—
Total real estate for resale	282	—	282	—
Movements:				
Real estate assets at beginning of the year	282	—	282	—
– Purchases and other costs	—	—	—	—
Total real estate for resale	282	—	282	—

(b) Inventory write downs

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

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

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period										as at 30/6/2016					
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Impairment loss (recognised in equity)	Adjustments and transfers	Revaluation decrements to P&L	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value	
			depreciation	impairment														depreciation	impairment		
Capital work in progress	–	–	–	–	–	2,545	4,291	–	–	–	–	–	–	–	–	6,837	–	–	–	6,837	
Plant and equipment	–	25,746	12,798	–	12,948	–	1,979	(947)	(1,347)	–	–	–	–	–	–	–	25,633	13,000	–	12,633	
Office equipment	–	3,992	2,842	–	1,150	–	378	–	(422)	–	–	–	–	–	–	–	4,353	3,246	–	1,107	
Furniture and fittings	–	2,795	2,395	–	400	–	13	–	(65)	–	–	–	–	–	–	–	2,808	2,460	–	348	
Land:																					
– Operational land	–	53,452	–	–	53,452	–	587	(622)	–	–	–	–	–	–	–	–	53,417	–	–	53,417	
– Community land	–	115,467	–	–	115,467	–	280	–	–	–	–	–	–	–	–	–	115,747	–	–	115,747	
– Land under roads	–	7,703	–	–	7,703	–	–	–	–	–	–	–	–	–	–	–	7,703	–	–	7,703	
Infrastructure:																					
– Buildings – non-specialised	–	81,334	33,944	–	47,390	–	126	–	(2,091)	–	–	–	–	–	–	–	81,460	36,034	–	45,426	
– Buildings – specialised	–	54,661	17,805	–	36,856	49	157	(121)	(1,444)	(11)	(28)	(916)	–	–	–	–	53,032	18,451	39	34,542	
– Other structures	–	39,244	8,631	–	30,613	102	42	(21)	(1,045)	–	–	(5,173)	(1,746)	–	1,396	–	33,872	9,704	–	24,168	
– Roads	–	815,502	335,705	239	479,558	8,083	6,729	(3,840)	(18,180)	–	–	298	–	–	–	–	819,779	346,892	239	472,648	
– Bridges	–	44,379	13,192	233	30,954	–	–	(25)	(489)	–	–	–	–	–	–	–	44,285	13,611	233	30,441	
– Footpaths	–	29,542	13,609	–	15,933	9	–	(1)	(744)	–	–	–	–	–	–	–	29,550	14,353	–	15,197	
– Stormwater drainage	–	250,201	46,688	914	202,599	–	2,498	–	(1,845)	–	–	103	–	–	–	–	252,802	48,533	914	203,355	
– Sewerage network	–	346,300	95,032	–	251,268	1,108	898	–	(5,212)	–	–	–	–	–	3,769	–	353,500	101,670	–	251,830	
– Swimming pools	–	1,684	137	–	1,547	–	–	–	(17)	–	–	–	–	–	–	–	1,684	154	–	1,530	
– Other open space/recreational assets	–	10,801	5,187	–	5,613	226	–	–	(522)	–	–	3,441	–	–	7,551	–	25,658	9,348	–	16,310	
Other assets:																					
– Artworks	–	6,169	–	–	6,169	–	181	–	–	–	–	–	–	(1,262)	–	–	5,088	–	–	5,088	
– Other	–	46,028	7,791	–	38,237	246	1,813	–	(2,174)	–	–	2,247	–	–	10,975	–	64,768	13,426	–	51,342	
Reinstatement, rehabilitation and restoration assets (refer Note 26):																					
– Tip assets	–	428	428	–	–	–	–	–	–	–	–	–	–	–	–	–	–	428	428	–	–
– Quarry assets	–	1,290	154	–	1,136	–	–	–	(60)	–	–	41	–	–	–	–	–	1,331	214	–	1,117
– Sewer Remediation Asset	–	1,362	1,362	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,362	1,362	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	–	1,938,079	597,699	1,386	1,338,995	12,369	19,971	(5,577)	(35,657)	(11)	(28)	41	(1,746)	(1,262)	23,691	6,837	1,978,260	632,886	1,425	1,350,786	

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

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

\$ '000	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
Sewerage services								
WIP	2,013	—	—	2,013	—	—	—	—
Plant and equipment	—	177	154	23	—	177	154	24
Office equipment	—	9	9	—	—	9	9	(0)
Furniture and fittings	—	12	11	0	—	12	11	0
Land								
– Operational land	—	3,703	—	3,703	—	3,668	—	3,668
Other structures	—	61	15	46	—	—	—	—
Infrastructure	—	354,862	103,031	251,831	—	347,662	96,393	251,268
Other assets	—	—	—	—	—	46	5	41
Total sewerage services	2,013	358,824	103,221	257,617	—	351,573	96,572	255,000
Domestic waste management								
WIP	38	—	—	38	—	—	—	—
Plant and equipment	—	298	294	4	—	298	290	8
Office equipment	—	82	82	—	—	82	82	—
Furniture and fittings	—	3	3	—	—	3	3	—
Land								
– Operational land	—	1,495	—	1,495	—	1,495	—	1,495
Buildings	—	2,579	530	2,049	—	2,648	474	2,174
Other structures	—	690	295	395	—	—	—	—
Other assets	—	5,512	1,075	4,438	—	4,139	1,340	2,799
Total DWM	38	10,660	2,279	8,419	—	8,665	2,190	6,476
TOTAL RESTRICTED I,PP&E	2,051	369,484	105,499	266,036	—	360,238	98,762	261,476

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

\$ '000	Notes	Actual 2016	Actual 2015
(i) Impairment losses recognised in the Income Statement:			
Aircraft Painting & Refurbishment Hangar Impairment		(11)	—
Total impairment losses		(11)	—
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(11)	—
(ii) Impairment losses recognised direct to equity (ARR):			
Buildings Amenities Impairment - Webb Pk & Henwood Pk		(28)	—
Total impairment losses		(28)	—
(iii) Reversals of impairment losses previously recognised direct to equity (ARR):			
Roads and bridges repaired/reassessed		—	796
North Wagga levee repaired		—	11
Total impairment reversals		—	807
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	(28)	807

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,043	–	4,623	–
Goods and services – capital expenditure		1,739	–	3,737	–
Payments received In advance		1,345	–	287	–
Accrued expenses:					
– Borrowings		224	–	285	–
– Salaries and wages		32	–	429	–
– Other expenditure accruals		48	–	36	–
Security bonds, deposits and retentions		2,840	–	2,794	–
Other		209	–	187	–
Total payables		10,480	–	12,377	–
Borrowings					
Loans – secured ¹		2,352	51,556	2,263	53,908
Total borrowings		2,352	51,556	2,263	53,908
Provisions					
Employee benefits:					
Annual leave		4,197	–	4,338	–
Long service leave		7,761	196	7,360	210
Other leave – TOIL		91	–	105	–
Other leave – RDO		80	–	96	–
Sub-total – aggregate employee benefits		12,129	196	11,900	210
Asset remediation/restoration (future works)	26	485	1,383	387	1,828
Total provisions		12,614	1,579	12,288	2,039
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>					
		25,446	53,135	26,928	55,946
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Sewer		2,494	32,301	2,576	33,204
Domestic waste management		1,525	2	898	3
Stormwater management		–	–	10	–
Liabilities relating to externally restricted assets		4,019	32,303	3,484	33,207
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		4,019	32,303	3,484	33,207
Total liabilities relating to unrestricted assets		21,427	20,832	23,444	22,739
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		25,446	53,135	26,928	55,946

¹. Loans are secured over the income of Council

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

	Actual 2016	Actual 2015
\$ '000		

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

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

Provisions – employees benefits	8,437	8,155
	8,437	8,155

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	4,338	1,950	(2,048)	(43)	–	4,197
Long service leave	7,571	830	(324)	(119)	–	7,957
Other leave	202	–	–	–	(31)	171
Asset remediation	2,216	42	(432)	43	–	1,868
TOTAL	14,326	2,822	(2,805)	(119)	(31)	14,193

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	9,785	7,930
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		9,785	7,930
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,259	25,648
Adjust for non-cash items:			
Depreciation and amortisation		35,428	22,309
Net losses/(gains) on disposal of assets		4,066	1,490
Non-cash capital grants and contributions		(9,191)	(12,694)
Impairment losses recognition – I,PP&E		11	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		35	(217)
– Investment properties		(100)	50
– Write offs relating to the fair valuation of I,PP&E		1,746	–
– Other		58	58
Unwinding of discount rates on reinstatement provisions		43	90
Share of net (profits) or losses of associates/joint ventures		48	(244)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		713	3,559
Increase/(decrease) in provision for doubtful debts		21	2,146
Decrease/(increase) in inventories		(129)	245
Decrease/(increase) in other assets		(95)	(50)
Increase/(decrease) in payables		(580)	(3,579)
Increase/(decrease) in accrued interest payable		(61)	(13)
Increase/(decrease) in other accrued expenses payable		(384)	122
Increase/(decrease) in other liabilities		1,126	(337)
Increase/(decrease) in employee leave entitlements		214	682
Increase/(decrease) in other provisions		(391)	(3,501)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		36,837	35,763

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		9,037	12,691
Art gallery donated		154	3
Total non-cash investing and financing activities		9,191	12,694
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		400	399
Total financing arrangements		900	899
Amounts utilised as at balance date:			
– Credit cards/purchase cards		0	1
Total financing arrangements utilised		0	1

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

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

(ii) Secured loan liabilities

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		160	99
Plant and equipment		28	397
Parks and sportsgrounds		684	55
Sewerage infrastructure		292	1,226
Waste management services		87	802
Infrastructure		493	1,130
Other		86	398
Total commitments		1,831	4,108
These expenditures are payable as follows:			
Within the next year		1,831	4,108
Total payable		1,831	4,108
Sources for funding of capital commitments:			
Unrestricted general funds		191	127
Future grants and contributions		289	689
Unexpended grants		1	146
Externally restricted reserves		444	2,129
Internally restricted reserves		579	430
New loans (to be raised)		194	189
Other funding sale of assets		132	397
Total sources of funding		1,831	4,108

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

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

Within the next year	18	95
Later than one year and not later than 5 years	2	14
Total non-cancellable operating lease commitments	20	109

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

Office – computer leases

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

Conditions relating to operating leases:

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(14,297)	-13.90%	-2.41%	-11.63%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	102,858			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	88,115	69.27%	66.36%	67.96%
Total continuing operating revenue ⁽¹⁾	127,209			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	44,038	3.39x	2.68x	2.46x
Current liabilities less specific purpose liabilities ^(3, 4)	12,990			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	25,106	4.03x	3.75x	2.41x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,226			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	3,593	5.91%	6.21%	6.43%
Rates, annual and extra charges collectible	60,788			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	46,774	6.16 mths	7.4 mths	6.8 mths
Payments from cash flow of operating and financing activities	7,599			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

<p>1. Operating performance ratio</p> <p>Ratio %</p> <p>2013: -8% 2014: -12% 2015: -2% 2016: -14%</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio -13.90%</p> <p>Council's Operating Performance ratio has decreased in 2015/16 to -13.90% from -2.41% in 2014/15. This is mainly due to increased depreciation expense realised for the first time following the Roads revaluation undertaken in 2014/15. Council's overall depreciation expense has increased from \$22.3M to \$35.7M.</p>
<p>Benchmark: — Minimum $\geq 0.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Ratio achieves benchmark</p> <p>Ratio is outside benchmark</p>	
<p>2. Own source operating revenue ratio</p> <p>Ratio %</p> <p>2013: 67.76% 2014: 67.96% 2015: 66.36% 2016: 69.27%</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 69.27%</p> <p>With a ratio of 69.27%, Council's ability to generate its own sources of funding from rates and user fees is sound and in excess of the NSW Treasury Corporations benchmark of 60%. This ratio has remained consistent throughout the comparative years.</p>
<p>Benchmark: — Minimum $\geq 60.00\%$</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Ratio achieves benchmark</p> <p>Ratio is outside benchmark</p>	
<p>3. Unrestricted current ratio</p> <p>Ratio (x)</p> <p>2013: 2.2 2014: 2.5 2015: 2.7 2016: 3.4</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.39x</p> <p>This ratio indicates that Council currently has \$3.39 of unrestricted assets available to service every \$1.00 of debt as it falls due. A ratio of 3.39 is considered sound and clearly demonstrates Council's ability to satisfy short term obligations. This ratio has been consistently above the minimum requirements of 1.50.</p>
<p>Benchmark: — Minimum ≥ 1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p>Ratio achieves benchmark</p> <p>Ratio is outside benchmark</p>	

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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



Benchmark: — Minimum ≥ 2.00

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

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 2015/16 result

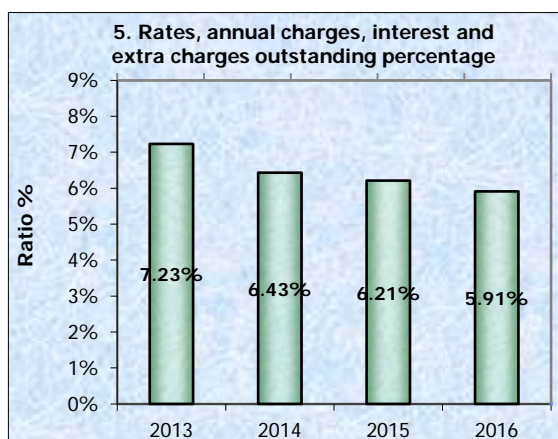
2015/16 ratio 4.03x

With a ratio of 4.03x, Council's ability to generate sufficient cash to cover its debt payments is sound and is above the NSW Treasury Corporations benchmark of 2.00x.



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 2015/16 result

2015/16 ratio 5.91%

This ratio indicates the percentage of outstanding Rates & Annual Charges at the end of the financial year. This ratio has continued to decrease from 7.23% in 2012/13 to 5.91% in 2015/16. This reflects Council's strategy for debt recovery resulting in continued reductions in such debts.



Benchmark: — Minimum ≥ 3.00

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

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 2015/16 result

2015/16 ratio 6.16 mths

As indicated with the ratio of 6.16 months, Council's ability to continue paying for its immediate expenses without additional cash inflow is sound and is in excess of the NSW Treasury Corporations benchmark of 3.00 months.



Ratio achieves benchmark

Ratio is outside benchmark

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000		Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses		-12.69%	-14.14%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period:	-16.19%	0.13%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions		87.34%	66.10%
Total continuing operating revenue ⁽¹⁾	prior period:	80.29%	63.91%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾		4.60x	3.39x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period:	3.84x	2.68x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation		1.84x	6.04x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period:	1.60x	5.64x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding		7.04%	5.66%
Rates, annual and extra charges collectible	prior period:	7.22%	5.99%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	x12	7.47 mths	5.91 mths
Payments from cash flow of operating and financing activities	prior period:	5.90 mths	7.63 mths

Notes

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

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>3,330</u>	<u>3,450</u>
Reconciliation of annual movement:			
Opening balance		3,450	3,955
– Disposals during year		(220)	(455)
– Net gain/(loss) from fair value adjustments		100	(50)
CLOSING BALANCE – INVESTMENT PROPERTIES		3,330	3,450

(b) Valuation basis

The basis of valuation of investment properties 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.

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Investment property income and expenditure – summary

Rental income from investment properties:			
– Minimum lease payments		342	298
Direct operating expenses on investment properties:			
– that generated rental income		(39)	(50)
Net revenue contribution from investment properties		303	248
plus:			
Fair value movement for year		100	(50)
Total income attributable to investment properties		403	198

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. 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	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	9,785	7,930	9,785	7,929
Investments				
– 'Designated at fair value on initial recognition'	46,794	21,054	46,794	21,054
– 'Held to maturity'	36,990	53,090	36,990	53,090
Receivables	10,907	11,825	10,907	11,824
Total financial assets	104,476	93,899	104,476	93,897
Financial liabilities				
Payables	9,135	12,090	9,135	12,091
Loans/advances	53,908	56,171	53,908	56,171
Total financial liabilities	63,043	68,261	63,043	68,262

Fair value is determined as follows:

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

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to 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
2016				
Possible impact of a 10% movement in market values	116	116	(116)	(116)
Possible impact of a 1% movement in interest rates	554	554	(554)	(554)
2015				
Possible impact of a 10% movement in market values	115	115	(115)	(115)
Possible impact of a 1% movement in interest rates	268	268	(268)	(268)

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	27%	78%	27%	74%
Overdue	73%	22%	73%	26%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	853	7,694
< 1 year overdue	0 – 30 days overdue	1,211	1,197
1 – 2 years overdue	30 – 60 days overdue	339	412
2 – 5 years overdue	60 – 90 days overdue	521	151
> 5 years overdue	> 90 days overdue	284	440
		3,209	9,894
		3,218	10,782

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	2,175	29
+ new provisions recognised during the year	43	2,153
– amounts already provided for and written off this year	(23)	–
– previous impairment losses reversed	–	(7)
Balance at the end of the year	2,195	2,175

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	2,840	6,295	–	–	–	–	–	9,135	9,135
Loans and advances	–	5,970	5,929	5,909	5,590	5,591	64,222	93,211	53,908
Total financial liabilities	2,840	12,265	5,929	5,909	5,590	5,591	64,222	102,346	63,043
2015									
Trade/other payables	2,794	9,296	–	–	–	–	–	12,090	12,090
Loans and advances	–	6,027	5,970	5,929	5,909	5,590	69,813	99,238	56,171
Total financial liabilities	2,794	15,323	5,970	5,929	5,909	5,590	69,813	111,328	68,261

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	9,135	0.00%	12,090	0.00%
Loans and advances – fixed interest rate	53,908	6.81%	56,171	6.79%
	63,043		68,261	

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 29 June 2015.

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	2016 Budget	2016 Actual	2016 Variance*	
REVENUES				
Rates and annual charges	56,802	56,831	29	0% F
User charges and fees	21,872	24,195	2,323	11% F
<u>Domestic Waste Management - (\$426K) unfavourable</u> In 2015/16 there was a decrease in income at Gregadoo Waste Management Centre (GWMC) for Rubble Unseparated \$150K and Non Sorted Waste \$242K. <u>Other Waste Management - \$1,402K favourable</u> There was a significant increase in income received by GWMC for Commercial Garbage Charges of \$1,322K and Commercial Green Waste Charges of \$57K. <u>Saleyards - \$1,409K favourable</u> In 2015/16, the Livestock Marketing Centre exceeded income targets by the following amounts: - Cattle Income (\$818K) - Sheep Income (\$446K) - Livestock Receivals & Movement Income (\$158K)				
Interest and investment revenue	3,358	3,413	55	2% F

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES (continued)				
Other revenues	3,102	3,741	639	21% F
<u>Lease of Council Property - \$129K favourable</u>				
Council received \$120K in rental income for the Douglas Aerospace Hangar for a six month period during the 2015/16 year. The income from the Hangar was not budgeted for.				
<u>Fines - (\$391K) unfavourable</u>				
The Regulatory Services division experienced some staffing shortages during 2015/16 which resulted in Traffic Parking Fines failing to meet their budgeted income target.				
<u>Fair Value Adjustment Investment Properties - \$100K favourable</u>				
Following the annual valuation of Council's Investment properties by Opteon Property group, it was assessed that these properties had increased in value during the financial year.				
<u>Diesel Fuel Rebate - \$139K favourable</u>				
A comprehensive Diesel Fuel Tax Credit review was completed in 2015/16 resulting in increased income received by Council for the financial year.				
<u>Other Revenue - \$132K favourable</u>				
Council received income during 2015/16 for Centrelink Paid Parental leave income and Long Service leave income. These income types are not budgeted for.				
<u>Insurance Claims - \$78K favourable</u>				
Council made a number of insurance claims during the 2015/16 year which included vandalism at the Parks Depot and a lightning strike at the Oasis. The income from insurance claims is not budgeted for.				
<u>Provision for Remediation - \$432K favourable</u>				
The methodology for calculating remediation liability provisions for Quarries was reviewed in 2015/16. It was determined that Council had over provided in prior years for future remediation works and that a significant adjustment to the provision resulted in this favourable adjustment.				
Operating grants and contributions	14,296	14,743	447	3% F
Capital grants and contributions	15,906	24,351	8,445	53% F
<u>Subdivider Dedications & Contributions - \$9,036K favourable</u>				
Recognition of developer dedications and contributions to roads and traffic, stormwater drainage and sewerage assets as part of subdivision development. These types of dedicated assets are not budgeted for.				
<u>Infrastructure Grant Projects - \$7,846K favourable</u>				
Council received grant funding towards repair and improvements on roads and infrastructure that were not included in the original budget due to the projects being carried over from the previous financial year or new funding received during the year:				
- Roads to Recovery & Regional Roads Block Grants - (\$5,666K)				
- Upgrade Main City Levee Bank Flood Protection - (\$2,180K)				
<u>Section 94 and 94A Income - \$1,104K favourable</u>				
Additional Section 94 and 94A income was received during the year that was higher than forecasted. This is due to developer subdivision activity continuing to be strong with contributions received for subdivisions in areas including Forest Hill, Bourkelands, Gobbagombalin, Estella and Boorooma.				
<u>Bomen Riverina Intermodal & Freight Logistics (RIFL) Hub - (\$7,250K) unfavourable</u>				
<u>Indoor Multi Purpose Stadium - (\$2,285K) unfavourable</u>				
As construction did not commence in 2015/16 for these major projects, the budgeted grant funds of \$9,535K were not received. These two project budgets and income sources have been deferred to future years.				

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	41,179	40,127	1,052	3%	F
Borrowing costs	4,374	3,964	410	9%	F
Materials and contracts	30,385	29,159	1,227	4%	F
Depreciation and amortisation	23,811	35,428	(11,618)	(49%)	U
<u>Roads & Associated Assets Depreciation - \$15M unfavourable</u>					
This variation is mainly due to the increased depreciation expense as a result of the Roads & Associated assets revaluation undertaken during the 2014/15 financial year. This significant increase in depreciation expense is a result of the AASB's decision to change the way in which residual values can be applied to assets.					
Impairment expenses	–	11	(11)	0%	U
<u>Aircraft Painting & Refurbishment Hangar Impairment - \$11K unfavourable</u>					
This variation is a result of the upcoming sale of this Hangar. The value of the Hangar was impaired down to the recoverable amount to be received when the sale is finalised.					
Other expenses	9,193	10,213	(1,020)	(11%)	U
<u>Asset Revaluation Decrement to Profit & Loss - \$1.746K unfavourable</u>					
As part of the 2015/16 Other Structures asset revaluation, the Stormwater Levy fund posted a revaluation decrement to the income statement due to there being no revaluation reserve for the fund.					
Net losses from disposal of assets	–	4,066	(4,066)	0%	U
Joint ventures and associates – net losses	–	48	(48)	0%	U

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

Cash flows from operating activities	26,681	36,837	10,156	38.1%	F
The principle increase in Cash Flows from Operating activities was due to additional income received for Developer Contributions as well as some late grant funds received towards the end of the financial year.					
Cash flows from investing activities	(36,591)	(32,719)	3,872	(10.6%)	F
This variation is a result of the additional cash received during the year for Developer Contributions and Grants for projects about to commence being invested to mature when this income is required by Council.					
Cash flows from financing activities	12,672	(2,263)	(14,935)	(117.9%)	U
This variation is due to Council not being required to undertake its budgeted borrowings program for 2015/16. This was due to a number of major budgeted capital works not requiring the funding during the financial year.					

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the 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	3,543	1,307	–	–	(69)	–	4,781	–
Cycleways and footpaths	13	–	–	–	–	–	13	–
Parking	(139)	–	–	–	–	–	(139)	–
Open space – local	9	–	–	–	–	–	9	–
Open space – city wide	1	–	–	–	–	–	1	–
Open Space – future	4,220	1,373	–	–	(359)	–	5,234	–
Open space recoupment – Oasis regional aquatic centre	1,234	228	–	–	–	–	1,462	–
Open space recoupment – netball complex equex	129	23	–	–	–	–	152	–
Open space recoupemnt – skate park central	(58)	3	–	–	–	–	(55)	–
Community facilities	134	–	–	–	–	–	134	–
Community facilities – future – major community facility	461	113	–	–	(101)	–	473	–
Community facilities – future – Lloyd community centre	88	8	–	–	(41)	–	55	–
Community facilities – future – Estella community centre	134	42	–	–	–	–	176	–

(continued on the next page...)

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

SUMMARY OF CONTRIBUTIONS AND LEVIES (continued)

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					
Civic, community and cultural recoupment – main street upgrade	(44)	146	–	–	(150)	–	(48)	–
Civic, community and cultural recoupment – civic centre	1,888	342	–	–	(26)	–	2,204	–
Civic, community and cultural recoupment – civic theatre	238	64	–	–	–	–	302	–
Other	101	87	–	80	(303)	–	(35)	–
S94 contributions – under a plan	12,053	3,736	–	80	(1,049)	–	14,820	–
S94A levies – under a plan	1,162	367	–	11	(454)	–	1,086	–
Total S94 revenue under plans	13,215	4,103	–	91	(1,503)	–	15,906	–
S64 contributions	2,946	2,141	–	19	(1,443)	–	3,663	–
Total contributions	16,161	6,244	–	110	(2,946)	–	19,569	–

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 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	–
Other	(33)	–	–	2	–	–	(31)	–
Total	241	–	–	2	–	–	243	–

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 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	3,535	1,307	–	–	(69)	–	4,773	–
Parking	(147)	–	–	–	–	–	(147)	–
Open space – future	4,220	1,373	–	–	(359)	–	5,234	–
Open space recoupment – Oasis Regional Aquatic Centre	1,234	228	–	–	–	–	1,462	–
Open space recoupment – netball complex equex	129	23	–	–	–	–	152	–
Open space recoupemnt – skate park central	(58)	3	–	–	–	–	(55)	–
Community facilities – future – major community facility	461	113	–	–	(101)	–	473	–
Community facilities – future – Lloyd community centre	88	8	–	–	(41)	–	55	–
Community facilities – future – Estella community centre	134	42	–	–	–	–	176	–
Civic, community and cultural recoupment – main street upgrade	(44)	146	–	–	(150)	–	(48)	–
Civic, community and cultural recoupment – civic centre	1,888	342	–	–	(26)	–	2,204	–
Civic, community and cultural recoupment – civic theatre	238	64	–	–	–	–	302	–
Other	134	87	–	78	(303)	–	(4)	–
Total	11,812	3,736	–	78	(1,049)	–	14,577	–

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94A 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	1,162	367	–	11	(454)	–	1,086	–
Total	1,162	367	–	11	(454)	–	1,086	–

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					
Other	2,946	720	–	19	(22)	–	3,663	–
Total	2,946	720	–	19	(22)	–	3,663	–

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					
Other	–	1,421	–	–	(1,421)	–	–	–
Total	–	1,421	–	–	(1,421)	–	–	–

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years. The share of this deficit that can be broadly attributed to Council is estimated to be \$577,905.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies Section 94/94A Contributions upon various developments across the Council area through the required contributions plans.

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

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

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

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

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

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

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

(iv) Tarcutta Street Gasworks Site Rehabilitation

Council completed the works for this remediation project in 2014/15.

Due to the intrinsic high risk involved in these type of 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 once the remediation action plan in its current form is complete. Further provision for these costs will be made if necessary.

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

ASSETS NOT RECOGNISED:

(i) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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 2016

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

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

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

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

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

	Council's share of net income		Council's share of net assets	
	Actual	Actual	Actual	Actual
	2016	2015	2016	2015
Joint ventures	(48)	244	1,865	1,907
Associates	—	—	—	—
Total	(48)	244	1,865	1,907

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

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

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

(b) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Riverina regional library service	Joint venture	Equity method	1,865	1,907
Total carrying amounts – material joint ventures and associates			1,865	1,907

(b) Details

Name of entity	Principal activity
Riverina regional library service	Public library service

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Riverina regional library service	N/A	N/A	45%	45%	45%	45%	45%	45%

(d) Summarised financial information for joint ventures and associates

	Riverina regional library service	
	2016	2015
Statement of financial position		
Current assets		
Cash and cash equivalents	2,258	2,013
Other current assets	22	20
Total current assets	2,279	2,033
Non-current assets	2,840	2,946
Current liabilities		
Other current liabilities	1,018	771
Total current liabilities	1,018	771
Non-current liabilities	1	1
Net assets	4,101	4,206
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,206	3,667
Profit/(loss) for the period	(105)	538
Closing net assets	4,101	4,206
Council's share of net assets (%)	45.5%	45.4%
Council's share of net assets (\$)	1,865	1,907

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

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

	Riverina regional library service	
	2016	2015
Statement of comprehensive income		
Income	2,836	3,215
Interest income	20	20
Depreciation and amortisation	(766)	(710)
Other expenses	(2,196)	(1,986)
Profit/(loss) for period	(105)	538
Total comprehensive income	(105)	538
Share of income – Council (%)	45.5%	45.4%
Profit/(loss) – Council (\$)	(48)	244
Total comprehensive income – Council (\$)	(48)	244

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

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

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		807,902	782,282
a. Correction of prior period errors	20 (c)	(773)	(4)
b. Other comprehensive income (excl. direct to reserves transactions)		63	(23)
c. Net operating result for the year		4,259	25,648
Balance at end of the reporting period		811,451	807,902

(b) Revaluation reserves**(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve	573,571	529,493
Total	573,571	529,493

(ii) Reconciliation of movements in reserves:**Infrastructure, property, plant and equipment revaluation reserve**

– Opening balance	529,493	494,040
– Revaluations for the year	9(a) 22,429	34,643
– (Impairment of revalued assets)/impairment reversals	9(a),(c) (28)	807
– Correction of prior period errors	20(c) 21,678	2
– Balance at end of year	573,571	529,493

TOTAL VALUE OF RESERVES

573,571	529,493
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(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
1. Recognition of previously unrecognised Stormwater Contributed assets		2,791	—
2. Correction of accumulated impairment for Bridge Assets		(233)	—
3. Recognition of additional Footpath assets found		3	—
4. Recognition of additional Carpark assets found		29	—
5. Recognition for change in Culverts measurement		1	—
6. Recognition of additional Kerb & Gutter assets found		9	—
7. Recognition of Traffic Control Device assets		1,590	—
8. Correction of opening accumulated depreciation for Road Formation		13,998	—
9. Correction for Roads assets not recognised in 2014/15 revaluation		2,717	—
Correction of errors as disclosed in last year's financial statements:			
Rounding adjustment for Opening Balances		—	(2)
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		—	(2)
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		20,904	—
Total prior period adjustments – prior period errors		20,904	(2)

(d) Voluntary changes in accounting policies

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016
Continuing operations	Sewer	General¹
Income from continuing operations		
Rates and annual charges	11,153	45,678
User charges and fees	4,564	19,631
Interest and investment revenue	356	3,057
Other revenues	501	3,240
Grants and contributions provided for operating purposes	201	14,542
Grants and contributions provided for capital purposes	2,202	22,149
Total income from continuing operations	18,977	108,297
Expenses from continuing operations		
Employee benefits and on-costs	2,039	38,088
Borrowing costs	2,413	1,551
Materials and contracts	6,712	22,447
Depreciation and amortisation	5,215	30,213
Impairment		11
Other expenses	2,468	7,745
Net losses from the disposal of assets	–	4,066
Share of interests in joint ventures and associates using the equity method	–	48
Total expenses from continuing operations	18,847	104,168
Operating result from continuing operations	130	4,129
Discontinued operations		
Net profit/(loss) from discontinued operations	–	–
Net operating result for the year	130	4,129
Net operating result attributable to each council fund	130	4,129
Net operating result attributable to non-controlling interests	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(2,072)	(18,020)

¹ 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 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016
ASSETS	Sewer	General¹
Current assets		
Cash and cash equivalents	8,883	902
Investments	–	30,047
Receivables	2,109	8,625
Inventories	486	2,131
Other	1	530
Non-current assets classified as 'held for sale'	–	–
Total current assets	11,479	42,235
Non-current assets		
Investments	11,983	41,754
Receivables	–	173
Inventories	–	–
Infrastructure, property, plant and equipment	257,761	1,093,025
Investments accounted for using the equity method	–	1,865
Investment property	–	3,330
Intangible assets	–	–
Total non-current assets	269,744	1,140,147
TOTAL ASSETS	281,223	1,182,382
LIABILITIES		
Current liabilities		
Payables	929	9,551
Borrowings	619	1,733
Provisions	946	11,668
Total current liabilities	2,494	22,952
Non-current liabilities		
Payables	–	–
Borrowings	32,192	19,364
Provisions	109	1,470
Total non-current liabilities	32,301	20,834
TOTAL LIABILITIES	34,795	43,786
Net assets	246,428	1,138,596
EQUITY		
Retained earnings	65,784	745,667
Revaluation reserves	180,644	392,928
Total equity	246,428	1,138,596

¹ 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 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 10/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Council adopted a new organisational structure on 25 July 2016, which is to come into effect during the second quarter of 2016/17. The changes to the structure will involve some redundancies, with the total maximum amount planned to be paid out during the 2016/17 financial year estimated to be in the vicinity of \$1.1M.

At its 11 July 2016 meeting, Council resolved to enter into a contract for the construction of Bomen Enabling Roads (Stage One) of the Riverina Intermodal Freight & Logistics (RiFL) Hub. The estimated Stage One project cost totals \$35.1M. This has not been included as a Commitment for expenditure in the 2015/16 financial year.

The 2015/16 financial statements have not been adjusted for these events.

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Quarries	2035	1,516	1,447
Sewerage treatment works	2019	352	769
Balance at end of the reporting period	10(a)	<u>1,868</u>	<u>2,216</u>

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	2,216	5,627
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	(170)	(1,004)
Amortisation of discount (expensed to borrowing costs)	43	90
Expenditure incurred attributable to provisions	(221)	(2,497)
Total – reinstatement, rehabilitation and restoration provision	<u>1,868</u>	<u>2,216</u>

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/16	–	46,794	–	46,794
– ‘Held to maturity’	30/06/16	–	36,989	–	36,989
Total financial assets		–	83,783	–	83,783
Investment properties					
Commercial and residential properties	30/06/16	–	3,330	–	3,330
Total investment properties		–	3,330	–	3,330
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	–	12,633	–	12,633
Office equipment	30/06/16	–	–	1,106	1,106
Furniture and fittings	30/06/16	–	–	348	348
Operational land	30/06/13	–	53,417	–	53,417
Community land	30/06/08	–	–	115,747	115,747
Buildings non-specialised	30/06/13	–	–	45,425	45,425
Buildings specialised	30/06/13	–	–	34,542	34,542
Other structures	30/06/16	–	–	24,169	24,169
Roads	30/06/15	–	–	472,648	472,648
Bridges	30/06/15	–	–	30,441	30,441
Footpaths	30/06/15	–	–	15,196	15,196
Stormwater drainage	30/06/15	–	–	203,355	203,355
Sewerage network	30/06/12	–	–	251,831	251,831
Swimming pools	30/06/08	–	–	1,530	1,530
Other open space/recreational assets	30/06/16	–	–	16,310	16,310
Artworks	30/06/16	–	5,088	–	5,088
Other assets	30/06/16	–	–	51,343	51,343
Quarry assets	30/06/16	–	–	1,117	1,117
Land under roads	30/06/15	–	–	7,703	7,703
Total infrastructure, property, plant and equipment		–	71,138	1,272,811	1,343,949

Wagga Wagga City Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/15	1,030	20,024	–	21,054
– ‘Held to maturity’	30/06/15	–	53,090	–	53,090
Total financial assets		1,030	73,115	–	74,145
Investment properties					
Commercial and residential properties	30/06/15	–	3,450	–	3,450
Total investment properties		–	3,450	–	3,450
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/15	–	12,948	–	12,948
Office equipment	30/06/15	–	–	1,150	1,150
Furniture and fittings	30/06/15	–	–	400	400
Operational land	30/06/13	–	53,452	–	53,452
Community land	30/06/08	–	–	115,467	115,467
Buildings non-specialised	30/06/13	–	–	47,390	47,390
Buildings specialised	30/06/13	–	–	36,856	36,856
Other structures	30/06/08	–	–	30,613	30,613
Roads	30/06/15	–	–	479,558	479,558
Bridges	30/06/15	–	–	30,954	30,954
Footpaths	30/06/15	–	–	15,933	15,933
Stormwater drainage	30/06/15	–	–	202,599	202,599
Sewerage network	30/06/12	–	–	251,268	251,268
Swimming pools	30/06/08	–	–	1,547	1,547
Other open space/recreational assets	30/06/08	–	–	5,613	5,613
Artworks	30/06/08	–	5,941	228	6,169
Other assets	30/06/08	–	–	38,237	38,237
Quarry assets	30/06/15	–	–	1,136	1,136
Land under roads	30/06/15	–	–	7,703	7,703
Total infrastructure, property, plant and equipment		–	72,342	1,266,653	1,338,995

(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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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 changes in Valuation Techniques from prior years.

Financial liabilities

Wagga Wagga City Council holds loans with Dexia, Commonwealth Bank, National Australia Bank and Clean Energy Finance Corporation. Council receives annual bank statements outlining the outstanding balances on these loan accounts.

There have been no changes in Valuation Techniques from prior years.

Investment properties

Council currently holds 3 investment properties:

- 36-40 Gurwood Street, Wagga Wagga
- 20 Wiradjuri Crescent, Wagga Wagga
- 26 Wiradjuri Crescent, 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.

All properties have been valued using a direct market comparison and are therefore valued using the Market Approach. The properties were valued on 30/06/2016 by Opteon (Southern Inland NSW), AAPI Certified Practising Valuers.

There have been no changes in Valuation Techniques from prior years.

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment

Property, Plant & Equipment

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

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

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

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

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

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

Roads

This asset class includes Roads, Carparks, Culverts, Kerb and Gutter, Bus and Taxi Shelters, Roundabouts and Medians. Council uses the Depreciated Replacement Cost to value the roads and associated assets, and has componentised the roads into Formation, Pavement and Surface.

This asset class was revalued as part of the Roads and Associated Asset revaluation, undertaken internally in the 2014/15 financial year.

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

- | | |
|--------------------------|--------------------------------------|
| • Gross Replacement Cost | • Estimated useful life of the Asset |
| • Asset Condition | • 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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

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 Asset revaluation, undertaken internally in the 2014/15 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 and vehicle access 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 in the 2014/15 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.

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Operational Land

Council's Operational Land was valued externally by Opteon in 2013 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 inputs. The unobservable Level 2 input used is the unit rate per square metre or hectare.

Land under Roads

Land Under Roads has been valued internally 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.

The 2014/15 financial year was the first year that Council has recognised it's Land Under Roads as an asset.

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

Community Land

Council's Community Land was valued externally by Australian Pacific Valuers (APV) in 2008 using the Market value. The valuation took into account the available market evidence, and each of the assets listed was physically inspected during the valuation.

Community Land has been valued using Level 3 inputs. The unobservable Level 3 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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Buildings Non-Specialised

The Non-Specialised Buildings are valued using the Market Approach and were last revalued in 2013 by Scott Fullarton Valuations Pty Ltd. The valuation took into account the components of the buildings such as:

- Whole Building
- Structure
- Internal Finishes
- Electrical
- Mechanical
- Fire/Security
- Transportation
- Roof

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

- | | |
|--------------------------------------|------------------|
| • Gross Replacement Cost | • Residual Value |
| • Asset Condition | • Components |
| • Remaining useful life of the Asset | |

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

Buildings Specialised

The Specialised Buildings are valued using a Depreciated Replacement Cost and were last revalued in 2013 by Scott Fullarton Valuations Pty Ltd. The valuation took into account the components of the buildings such as:

- Whole Building
- Structure

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Buildings Specialised (continued)

- Internal Finishes
- Electrical
- Mechanical
- Fire/Security
- Transportation
- Roof

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

- | | |
|--------------------------------------|------------------|
| • Gross Replacement Cost | • Residual Value |
| • Asset Condition | • Components |
| • Remaining useful life of the Asset | |

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 | • Estimated useful life of the Asset |
| • Asset Condition | • 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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Other Assets

Council's Other Assets include fountains, memorials, monuments, lighting, Public Art as well as 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
- Estimated useful life of the Asset
- Asset Condition
- Residual Value

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

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
- Estimated useful life of the Asset
- Asset Condition
- Residual Value

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

Sewerage Network

The Sewerage Network asset class includes Ancillary, Sewerage Treatment Works, Sewerage Pump Stations, Sewer Mains, Water Mains, Water Pumping Stations and Water Reservoirs.

An external valuation of the Sewerage Network was undertaken in 2012 by CPE Associates Pty Ltd, and has been valued using a Depreciated Replacement cost and Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Remaining life estimate
- Asset Condition
- 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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Swimming Pools

The swimming pool 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 last revalued in 2008 as part of the Other Structures revaluation undertaken by APV. In 2013/14 the two outdoor pools were split out into their own class as part of the year end process.

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.

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.

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.

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

Infrastructure, property, plant and equipment (continued)

Artworks

Council's artworks have been 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.

Quarry Assets

Council utilised an internal consultant to produce the Remediation Cost Estimates for the Quarry Assets for 2015/16. The majority of Council operated quarries are situated on private land. Council only owns and operates one quarry site, with another site recently purchased under development.

The remediation cost estimates include:

- Mobilisation Costs
- Project Management Costs
- Monitoring Costs
- Contingency
- Indexation for Inflation

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

Tip Remediation Asset

Council engaged an external consultant (Alf Grigg) to produce the Remediation Cost Estimates for the Tip Assets in 2014/15. The remediation cost estimate takes into account village landfill sites, as well as the Gregadoo Waste Management Centre.

The remediation estimate includes costs such as:

- Design
- Survey
- Construction of site specific trenches, pipelines and pumping systems etc.
- Project Supervision

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 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Community land	Buildings non- specialised	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Stormwater drainage	Total
Opening balance – 1/7/14	115,515	48,859	34,603	30,914	414,223	29,911	18,655	204,919	897,598
Purchases (GBV)	959	610	3,628	735	19,242	–	734	5,431	31,339
Disposals (WDV)	(1,006)	–	–	–	(94)	–	–	–	(1,101)
Depreciation and impairment	–	(2,078)	(1,376)	(1,036)	(5,837)	(101)	(2,181)	(787)	(13,397)
Impairment reversal (via equity)	–	–	–	–	796	–	–	11	807
Other movement (revaluation)	–	–	–	–	51,229	1,145	(1,276)	(6,974)	44,123
Closing balance – 30/6/15	115,467	47,390	36,856	30,613	479,558	30,954	15,933	202,599	959,371
Purchases (GBV)	280	126	206	145	14,812	–	9	2,498	18,075
Disposals (WDV)	–	–	(121)	(21)	(3,840)	(25)	(1)	–	(4,008)
Depreciation and impairment	–	(2,091)	(1,454)	(1,045)	(18,180)	(489)	(744)	(1,845)	(25,848)
Impairment loss (recognised in equity)	–	–	(28)	–	–	–	–	–	(28)
Adjustments and transfers	–	–	(916)	(5,173)	298	–	–	103	(5,688)
Other movement (revaluation)	–	–	–	(350)	–	–	–	–	(350)
Closing balance – 30/6/16	115,747	45,425	34,542	24,169	472,648	30,441	15,196	203,355	941,524

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewerage network	Swimming pools	Other open space/rec assets	Artworks	Other assets	Tip assets	Quarry assets	Furniture and fittings and office equip	Total
Opening balance – 1/7/14	248,113	1,564	5,443	557	34,927	168	746	1,212	292,730
Purchases (GBV)	4,380	–	737	35	5,120	–	–	717	10,989
Depreciation and impairment	(4,947)	(17)	(566)	–	(1,810)	–	(37)	(379)	(7,756)
Adjustments and transfers	–	–	–	(364)	–	(168)	427	–	(105)
Revaluation increments to Equity (ARR)	3,722	–	–	–	–	–	–	–	3,722
Closing balance – 30/6/15	251,268	1,547	5,613	228	38,237	–	1,136	1,550	299,579
Purchases (GBV)	2,006	–	226	181	2,059	–	–	390	4,863
Depreciation and impairment	(5,212)	(17)	(522)	–	(2,174)	–	(60)	(487)	(8,472)
Adjustments and transfers	–	–	3,441	(409)	2,247	–	41	–	5,320
Other movement (revaluation)	3,769	–	7,551	–	10,975	–	–	–	22,295
Closing balance – 30/6/16	251,831	1,530	16,310	–	51,343	–	1,117	1,454	323,585

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Land under roads	Total
Opening balance – 1/7/14	–	–
Revaluation increments to Equity (ARR)	7,703	7,703
Closing balance – 30/6/15	7,703	7,703
Purchases (GBV)	–	–
Closing balance – 30/6/16	7,703	7,703

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. 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 (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I, PP&E			
Buildings non-specialised	45,425	Market Value	Unit Rate Cost Asset Condition Useful life Residual Value Components
Buildings specialised	34,542	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of Asset Residual Value Components
Other structures	24,169	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Roads	472,648	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 2016

Note 27. 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. (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E (cont'd)			
Bridges	30,441	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Footpaths	15,196	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset Residual Value
Stormwater drainage	203,355	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Sewerage network	251,831	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Swimming pools	1,530	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 2016

Note 27. 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. (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I, PP&E (cont'd)			
Furniture and fittings, office equip	1,454	Depreciated Historical Cost	Unit Rate Cost Estimated useful life of the Asset Residual Value
Other open space/recreational assets	16,310	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset
Other assets	51,343	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset Residual Value
Community Land	115,747	Market Value	Unit Rates per square metre or hectare
Quarry assets	1,117	Discounted Net Present Value	Value of future expenditure for remediation

Wagga Wagga City Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. 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. (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
I, PP&E (cont'd)			
Tip Remediation Assets	–	Discounted Net Present Value	Value of future expenditure for remediation
Land under Roads	7,703	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 2016

Note 28. Financial review

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
TCorp performance measures – consolidated				
a. Operating performance				
Operating revenue ¹ (excl. capital grants and contributions)				
– operating expenses	(18,411)	-17.90%	-3.60%	-13.45%
Operating revenue ¹ (excl. capital grants and contributions)	102,858			
b. Own source operating revenue				
Rates and annual charges + user charges and fees	81,026	63.70%	58.19%	62.11%
Total operating revenue ¹ (incl. capital grants and contributions)	127,209			
c. Unrestricted current ratio				
Current assets less all external restrictions	44,038	3.39	2.68	2.46
Current liabilities less specific purpose liabilities	12,990			
d. Debt service cover ratio				
Operating result ¹ before interest and depreciation (EBITDA)	20,981	3.37	3.56	2.09
Principal repayments (from the Statement of Cash Flows)	6,226			
+ borrowing interest costs (from the Income Statement)				
e. Capital expenditure ratio				
Annual capital expenditure	26,763	0.76	1.85	1.15
Annual depreciation	35,428			
f. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory condition	335,627	0.31	0.04	0.08
Total value of infrastructure, building, other structures and depreciable land improvement assets	1,095,447			
g. Asset maintenance ratio				
Actual asset maintenance	15,539	1.47	1.16	0.59
Required asset maintenance	10,566			
h. Building and infrastructure renewals ratio				
Asset renewals	9,577	0.31	0.58	0.94
Depreciation of building and infrastructure assets	30,583			
i. Cash expense cover ratio				
Current year's cash and cash equivalents x12	9,785	1.40	1.16	2.09
(Total expenses – depreciation – interest costs)	6,969			
j. Interest cover ratio				
Operating results before interest and depreciation (EBITDA)	20,981	5.29	5.47	2.99
Borrowing interest costs (from the Income Statement)	3,964			

¹ Excludes fair value adjustments and reversal of revaluation decrements

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Financial review (continued)

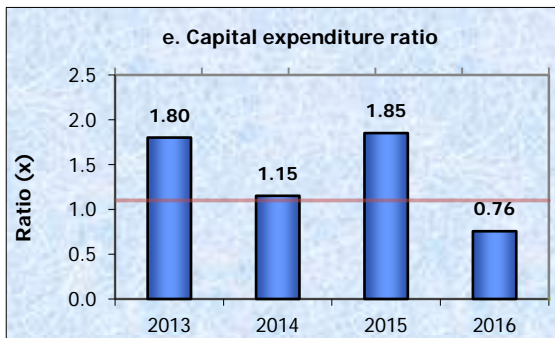
<p>a. Operating performance</p> <p>Ratio %</p> <p>2013: -9.25%</p> <p>2014: -13.45%</p> <p>2015: -3.60%</p> <p>2016: -17.90%</p> <p>— Minimum 4.00%</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio -17.90%</p> <p>This ratio illustrates Council's continued heavy reliance on Capital Grants & Contributions to fund the organisations Capital Works program.</p>
<p>b. Own source operating revenue</p> <p>Ratio %</p> <p>2013: 61.22%</p> <p>2014: 62.11%</p> <p>2015: 58.19%</p> <p>2016: 63.70%</p> <p>— Minimum 60.00%</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 63.70%</p> <p>This ratio illustrates Council's reliance on rates revenue to fund much of the organisations operations for the year.</p>
<p>c. Unrestricted current ratio</p> <p>Ratio (x)</p> <p>2013: 2.22</p> <p>2014: 2.46</p> <p>2015: 2.68</p> <p>2016: 3.39</p> <p>— Minimum 1.50</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of unrestricted working capital and Council's ability to meet short term obligations as they fall due.</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.39</p> <p>Council's unrestricted Current Ratio for 2015/16 represents the organisations strong liquidity position.</p>
<p>d. Debt service cover ratio</p> <p>Ratio (x)</p> <p>2013: 2.53</p> <p>2014: 2.09</p> <p>2015: 3.56</p> <p>2016: 3.37</p> <p>— Minimum 2.00</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2015/16 result</p> <p>2015/16 ratio 3.37 x</p> <p>This graph outlines Council's continued ability to meet its debt servicing obligations as they come due.</p>

Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Financial review (continued)



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

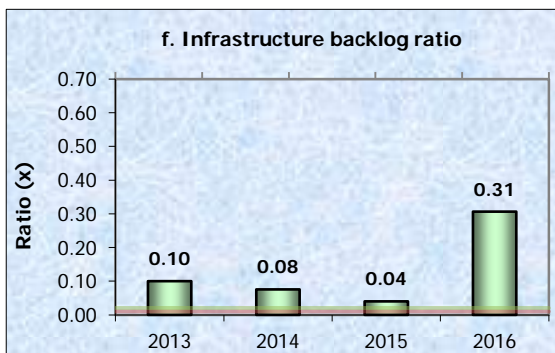
Purpose of capital expenditure ratio

This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement & renewal of existing assets).

Commentary on 2015/16 result

2015/16 ratio 0.76 x

This ratio has decreased for 2015/16 due to Council's increased depreciation for the financial year. Council had a number of major projects that commenced during the year but were not completed.



Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

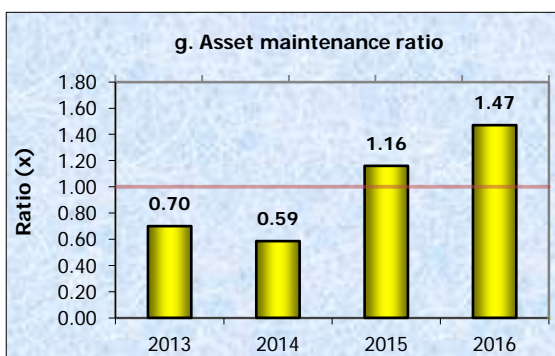
Purpose of infrastructure backlog ratio

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

Commentary on 2015/16 result

2015/16 ratio 0.31 x

Council's infrastructure backlog ratio has increased to 31% for 2015/16. This is as a result of Council having a substantial portion of its road network in below satisfactory condition. Local Government continues to face an issue in funding these backlogs due to its constrained revenue environment.



Minimum 1.00

Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

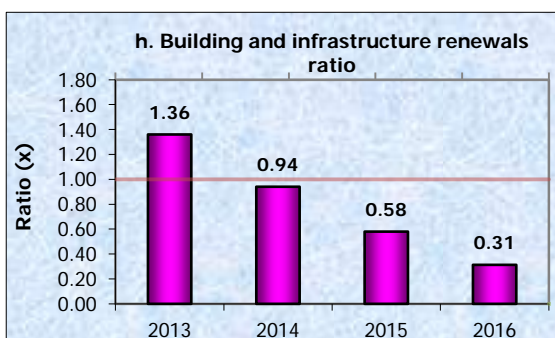
Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the infrastructure backlog from growing.

Commentary on 2015/16 result

2015/16 ratio 1.47 x

The Asset Maintenance ratio for 2015/16 outlines Council's continued focus on maintaining its current asset base.



Minimum 1.00

Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

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 2015/16 result

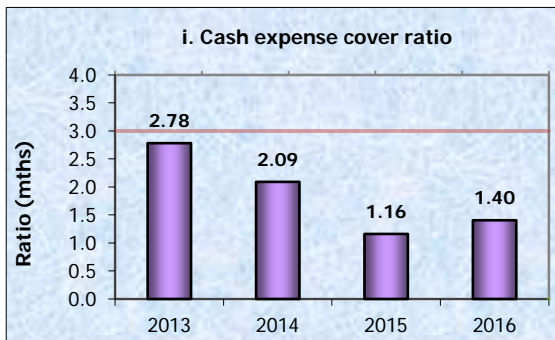
2015/16 ratio 0.31 x

This ratio has decreased for 2015/16 due to Council's increased depreciation for the financial year. Council has continued to focus on maintenance of its current asset base.

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Financial review (continued)



— Minimum 3.00

Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

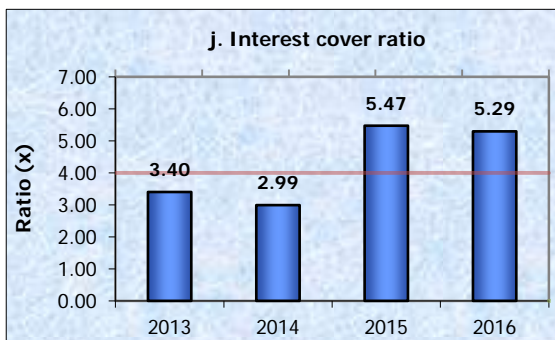
Purpose of cash expense cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 1.40 mths

This ratio illustrates Council's move from Short-term investment into medium and longer term deposits and floating rate notes (FRNs). Due to the strong liquid nature of Council's FRNs, if the Council requires immediate cash flows these can be sold with relative ease.



— Minimum 4.00

Source for benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Purpose of interest cover ratio

This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt and take on additional borrowings.

Commentary on 2015/16 result

2015/16 ratio 5.29 x

The Interest Cover ratio reflects Council's ability to fund projects from debt.

Wagga Wagga City Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 28. Financial review (continued)

\$ '000	Sewer 2016	General ¹ 2016
TCorp performance measures – by fund		
a. Operating performance		
Operating revenue (excl. capital grants and contributions) – operating expenses		
Operating revenue (excl. capital grants and contributions)	-12.69%	-18.92%
prior period:	-16.19%	-1.28%
b. Own source operating revenue		
Rates and annual charges + user charges and fees		
Total operating revenue (incl. capital grants and contributions)	82.82%	60.34%
prior period:	74.21%	55.37%
c. Unrestricted current ratio		
Current assets less all external restrictions		
Current liabilities less specific purpose liabilities	4.60	2.51
prior period:	3.84	2.04
d. Debt service cover ratio		
Operating result before interest and depreciation (EBITDA)		
Principal repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	8.18	-1.05
prior period:	7.91	-0.26
e. Capital expenditure ratio		
Annual capital expenditure		
Annual depreciation	0.78	0.75
prior period:	0.89	2.12
f. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory condition (from Special Schedule 7)		
Total value of infrastructure, building, other structures and depreciable land improvement assets	0.01	0.39
prior period:	0.03	0.04
g. Asset maintenance ratio		
Actual asset maintenance		
Required asset maintenance	0.00	1.13
prior period:	0.00	0.93
h. Building and infrastructure renewals ratio		
Asset renewals		
Depreciation of building and infrastructure assets	0.21	0.33
prior period:	0.13	0.76
i. Cash expense cover ratio		
Current year's cash and cash equivalents		
(Total expenses – depreciation – interest costs) x12	9.45	0.15
prior period:	7.44	0.14
j. Interest cover ratio		
Operating results before interest and depreciation (EBITDA)		
Borrowing interest costs (from the Income Statement)	2.28	9.94
prior period:	1.95	10.52

Notes

¹ 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 2016

Note 29. Council information and contact details

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

Officers
GENERAL MANAGER

Alan Eldridge

RESPONSIBLE ACCOUNTING OFFICER

Carolyn Rodney

PUBLIC OFFICER

Craig Richardson

AUDITORS

Crowe Horwath Auswild
491 Smollett Street
Albury NSW 2640

Elected members
MAYOR

Greg Conkey OAM

COUNCILLORS

Yvonne Braid
Greg Conkey OAM
Paul Funnell
Dan Hayes
Vanessa Keenan
Rod Kendall
Tim Koschel
Kerry Pascoe
Dallas Tout

Other information

ABN: 56 044 159 537

INDEPENDENT AUDIT REPORT TO WAGGA WAGGA CITY COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

SCOPE

We have audited the accompanying financial statements of Wagga Wagga City Council ('the Council'), which comprises the statement of financial position as at 30 June 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 29 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2) (a) and (c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

We performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, statement of cash flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. Our audit opinion does not extend to cover the TCorp ratios in note 28 and accordingly, we express no opinion on them.

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

The audit opinion expressed in this report has been formed on the above basis.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

AUDITOR'S OPINION

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;
- b) the Council's financial statements:
 - have been properly prepared in accordance with the requirements of this Division;
 - are consistent with the Council's accounting records;
 - present fairly the Council's financial position and result of its operations; and
 - are in accordance with applicable Accounting Standards.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.



CROWE HORWATH AUSWILD



BRADLEY D BOHUN

Partner

Dated at Albury this 10th day of October 2016.

Report on the Conduct of the Audit

Wagga Wagga City Council

Year Ended 30 June 2016

Contents

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2	Operating Result	4
3	Financial Position	6
4	Performance Indicators	7
5	Specific Balance Sheet Items.....	9
6	Other Matters	12

1 Report on the Conduct of Audit

We have completed our audit of the financial statements for City of Wagga Wagga Council (Council) for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act, 1993. Our audit opinion under Section 417(2) has been issued to Council and this report on the conduct of the audit should be read in conjunction with the audit opinion.

The Council is responsible for the preparation and presentation of the financial statements and the information they contain. The financial statements consist of the general purpose financial statements and Council's statement in the approved form required by Section 413 (2) and (3) respectively of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosure in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Our engagement is summarised as:

Nature of Engagement	Opinion	Basis of Preparation
General purpose financial statements	Unqualified	Going concern Not for Profit entity
Special purpose financial statements	Emphasis of matter regarding basis of preparation	National Competition Policy requirements by area of business activity
Special Schedule 8	Emphasis of matter regarding basis of preparation	OLG requirements
Riverina Regional Library	Unqualified	Going concern Not for Profit entity

Following from our audit there are a number of comments we wish to raise concerning Council's financial statements. These comments are set out in this report below.

2 Operating Result

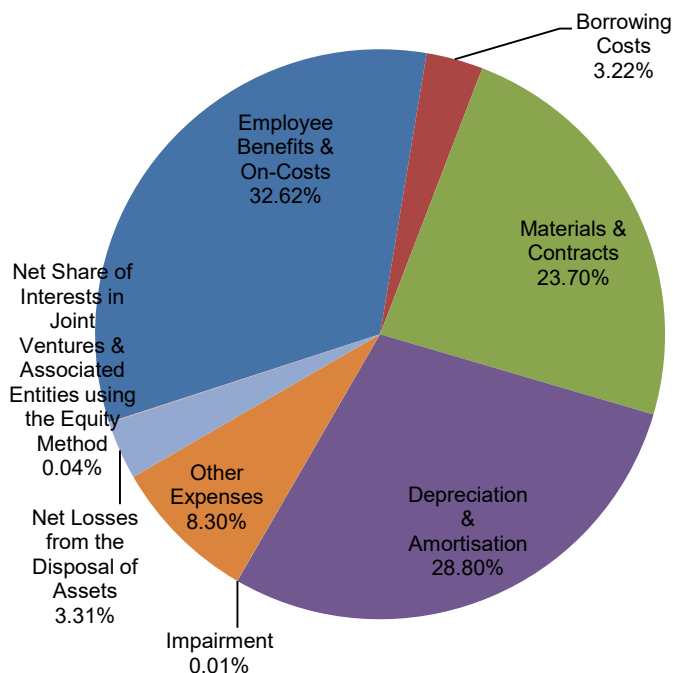
Wagga Wagga City Council (the 'Council') is a regional City Council in Southern New South Wales, whose affairs are governed by:

- Local Government Act 1993;
- Local Government Regulations;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Local Government Asset Accounting Manual Regulations.

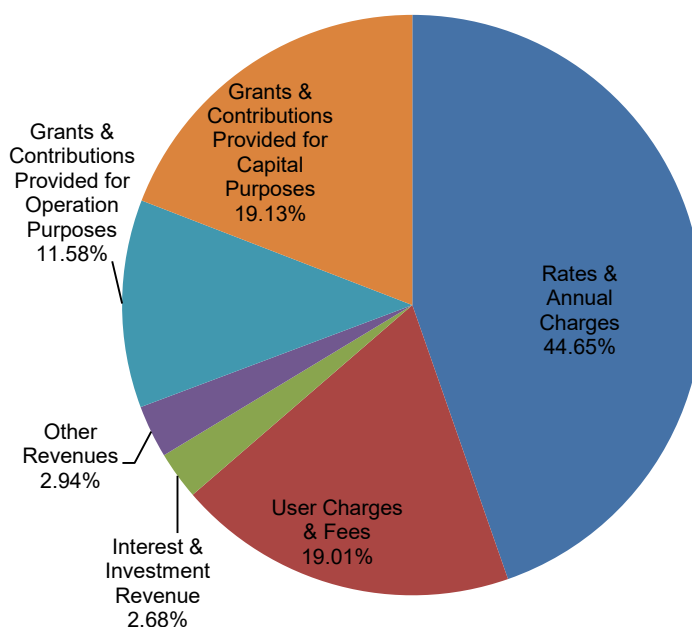
The Council is responsible for the administration and implementation of the strategic policies voted on in Council.

The Council achieved a surplus in net operating result from continuing operations (including capital contributions) of \$4,259k (2015: \$25,648k) for the year ended 30 June 2016. The net operating deficit for the year before grants and contributions provided for capital purposes is \$20,092k (2015: \$3,584k). A breakdown of Council's revenues and expenses for the year are as follows:

2016 Financial Year Expenses



2016 Financial Year Revenue



Significant income and expense items in the current year were:

	2016 \$'000	2015 \$'000	2014 \$'000
Rates and annual charges	56,831	54,287	52,450
User charges and fees	24,195	23,432	21,114
Grants and contributions - operating	14,743	15,626	22,312
Grants and contributions - capital	24,351	29,232	15,677
Employee costs	40,127	39,378	40,296
Materials and contracts	29,159	29,882	27,748
Depreciation and amortisation	35,428	22,309	22,013

The size of Council's operations has remained relatively consistent over the past three years with increases in rates and annual charges being attributable to the annual permissible increase (2.4% in 2015/2016). Grants and contributions for capital purposes decreased during the period due to S94 developer contributions towards amenities and other dedications decreasing, these fluctuate year on year. The decrease in operating grants was due to a reduction of state funding for the period.

Employee costs have increased due to the increase in fulltime equivalent employees, and an award increase of 2.70%.

Depreciation has increased as a result of the prior year revaluation to Council's road network.

The above significant items are based on the operational results from Council as disclosed in the income statement and accompanying notes.

3 Financial Position

A measure of the Council's financial position is its unrestricted working capital. The following table sets out the unrestricted working capital position of Council as at the end of the financial year.

	2016 \$'000	2015 \$'000	2014 \$'000
Cash and Liquid Investments	39,832	42,061	31,946
External Restrictions - included in liabilities	(778)	(732)	-
- not included in liabilities	(4,974)	(10,882)	(87)
Internal Restrictions - included in liabilities	(3,353)	(3,302)	(3,141)
- not included in liabilities	(27,696)	(23,424)	(25,147)
Unrestricted Cash and Investments	3,031	3,721	3,571
Other Net Current Assets / (Liabilities) excluding anticipated LSL Provision & restrictions included in liabilities	(4,727)	(6,401)	(6,657)
Unrestricted Working Capital	(1,696)	(2,680)	(3,086)

The above represents the amount of working capital Council has available to meet its future spending requirements after making allowance for any restrictions in place over the use of such working capital.

Council has used internal restrictions extensively and these are a discretionary item specific to each individual Council. It should be noted that the level of internal restrictions can be adjusted via Council.

We recommend that Council continue to monitor its unrestricted working capital position when reviewing its financial position. It is also recommended that Council continue to be mindful of its unrestricted working capital position when considering its future spending requirements.

4 Performance Indicators

Refer to Note 13 of the financial statements. Sections 4.1 to 4.6 contemplate Councils performance on a consolidated basis. Section 4.7 shows Councils performance against the same ratios on a fund basis.

4.1 Operating Performance Ratio

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

Council's Operating Performance ratio has decreased in 2015/16 from a deficit of 2.41% to a deficit of 13.90%. This is due to increased depreciation expense realised for the first time following the roads revaluation undertaken in 2014/15. Council's overall depreciation expense has increased from \$22.3m to \$35.7m in the 2016 financial year.

Council's historical performance has been consistently below the OLG benchmark.

4.2 Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility and shows the degree of reliance on external funding sources such as operating grants and contributions. A Council has improved financial flexibility with a higher level of own source revenue.

With a ratio of 69.27%, Council's ability to generate its own sources of funding from rates and user fees is in excess of NSW Treasury Corporation benchmark of 60%. The ratio pattern remains consistent through the comparative years.

4.3 Liquidity (Unrestricted Current) Ratio

This ratio is used to assess the adequacy of working capital and Council's ability to satisfy its obligations in the short term for the unrestricted activities of Council. Unrestricted current ratio is calculated by current assets less all external restrictions divided by current liabilities less specific purpose liabilities.

This ratio indicates that Council currently anticipates having \$3.39 (excluding externally restricted funds such as Section 94 and grant funds) available to service every \$1.00 of debt as it falls due at the end of the year which clearly demonstrates Council's ability to satisfy short term obligations.

4.4 Debt Service Ratio

This ratio demonstrates the percentage of Council revenue required to service the debts carried by Council.

The ratio indicates 4.03 times Council's operating cash is available to service Council debts and is above the NSW Treasury Corporation benchmark of 2.00.

4.5 Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

The outstanding percentage assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts.

This ratio indicates the percentage of Rates and Annual Charges outstanding at the end of the financial year. This ratio has decreased from 6.21% in 2014/15 to 5.91% in 2015/16. This reflects Council's strategy for debt recovery resulting in the steady reduction in such debts. This ratio is a commendable outcome when compared to peer Councils.

4.6 Cash Expense Cover Ratio

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

As indicated with the ratio of 6.16 months, Council's ability to continue paying for its immediate expenses without additional cash inflow is sufficient and exceeds the NSW Treasury Corporation benchmark of 3.00.

4.7 Performance Indicators by Fund

The following performance indicators are shown on a fund basis as at 30 June 2016. The below allows analysis of how Council performs at a final level and would indicate the result of Council's general operations excluding its water and sewer operations.

Indicators	Sewer	General
Operating performance ratio	(12.69)%	(14.14)%
Own source operating revenue	87.34%	66.10%
Unrestricted current ratio	4.60x	3.39x
Debt service cover ratio	1.84x	6.04x
Rates, Annual Charges, Interest and extra charges outstanding %	7.04%	5.66%
Cash expense cover ratio	7.47mths	5.91mths

5 Specific Balance Sheet Items

5.1 Receivables

The total current receivables at 30 June 2016, net of allowance for impairment was \$10,734k (2015: \$11,465k).

This balance consists of user charges and fees of \$3,528k (2015: \$3,698k) and rates and annual charges of \$3,209k (2015: \$3,218k). The percentage of rates and annual charges outstanding is referred to at Section 4.5 of this report.

The allowance for impairment at 30 June 2016 was \$2,196k (2015: \$2,175k). The allowance is specifically matched against rates and annual charges and user charges and fees outstanding together with deferred debtors. An assessment of the collectability of the receivables balance indicated that the allowance for impairment was sufficient. The majority of the allowance for impairment relates to one specific debtor of \$2.1m which is fully impaired to nil.

5.2 Capital Expenditure

During the reporting period Council spent \$32,340k (2015: \$44,703k) on items of an infrastructure, property, plant or equipment nature. The primary areas of capital expenditure were as follows:

	2016 \$'000	2015 \$'000	2014 \$'000
Capital works in progress	6,836	-	-
Land & improvements	867	1,143	651
Buildings & other structures	476	4,973	1,953
Plant and equipment	1,979	2,191	3,593
Office equipment and furnishings	391	717	316
Roads, bridges and footpaths	14,821	19,976	11,759
Stormwater drainage	2,498	5,431	2,457
Sewerage network	2,006	4,380	4,716
Other	2,466	5,892	3,225
	<u>32,340</u>	<u>44,703</u>	<u>28,670</u>

Consistent with the Asset Management Plan, significant roads, bridges and footpath work was conducted during 2016.

5.3 Fair Value of Infrastructure, Property, Plant and Equipment

In 2011 the Council should have completed the progressive revaluation of all property, plant and equipment to fair value where all assets are revalued on a 5 year cycle. The Office of Local Government minimum requirements timetable is as follows:

2012: Water and sewer networks;

2013: Operational land and buildings;

2014: Land under roads (if applicable); and

2015: Roads, bridges, footpaths, drainage and bulk earthworks.

2016: Community land, land improvements, other structures and other assets.

The revaluations in 2016 resulted in the following adjustments to Council's assets:

Asset Category	Revaluation Amount Increase/(Decrease) \$
Other Structures	350k
Other open space	7,551k
Other Assets	10,975k
Artworks	(1,262k)

Further, we report that in accordance with the requirements of the Code of Accounting Practice, Council's sewage assets were indexed upward in accordance with the latest indices provided by the NSW Office of Water.

We note that Council has not revalued community land or swimming pools in accordance with the 5 year revaluation cycle.

Council made \$21m correction of prior period errors relating to infrastructure assets via opening retained earnings. \$14m related to the write back of accumulated depreciation on the road formation as Council determined this to have an infinite useful life. \$7m relates to found asset not previously recorded.

As at June 2016 all Council's infrastructure, property, plant and equipment is held at fair value with the exception of capital works in progress.

5.4 Borrowings

Borrowings have decreased due to repayments of \$2,263k throughout the period.

5.5 New Standards and Interpretations Not Yet Adopted

Certain new accounting standards have been published that are not mandatory for the 30 June 2016 reporting period as follows:

- AASB 9 *Financial Instruments* and associated amending standards, effective 1 January 2018.
- AASB 15 *Revenue from Contracts with Customers*, effective 1 January 2018.
- AASB 2015-6 (amendments to AASB 10, AASB 124 and AASB 1049), extends scope of AASB 124 *Related Party Disclosures*, effective from 1 July 2016.
- AASB 2014-3 Amendments to Australian Accounting Standards – *Accounting for Acquisitions of Interests in Joint Operations (AASB1 and AASB11) and AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, effective 1 January 2018.
- AASB 2015-2 *Presentation of Financial Statements* (amendments to AASB101), effective 1 January 2016.
- AASB 16 *Leases*, effective 1 January 2019.

Council is of the view that these standards not yet effective will not significantly affect any of the amounts recognised in the financial statements, however they may impact certain information otherwise disclosed, or the format in which information is disclosed.

6 Other Matters

Several performance improvement observations were noted during our audit and have been reported to the Audit and Risk Committee. There were no major control deficiencies noted in Council's systems from our post balance date testing performed.

6.1 Management Letter

A separate report is issued to Council's management which covers in further detail the audit and accounting issues identified during our audit process.

6.2 Independence

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

6.3 Assistance Provided

We recognise and appreciate the Senior Financial Accountant and staff of Council for their cooperation and courtesy extended to us during the course of the audit.

6.4 Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

Contact Us

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Wagga Wagga City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2016

*"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 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	3
Income Statement – Other Business Activities	4
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	5
Statement of Financial Position – Other Business Activities	6
3. Notes to the Special Purpose Financial Statements	7
4. Auditor's Report	14

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 2016

Statement by Councillors and Management

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

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

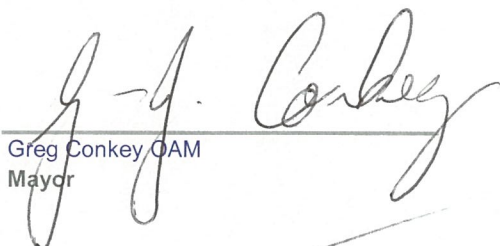
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

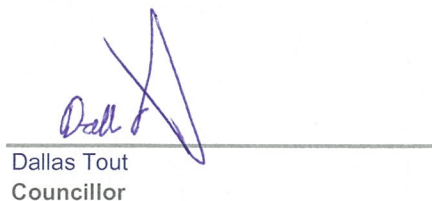
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 10 October 2016.



Greg Conkey OAM
Mayor



Dallas Tout
Councillor



Alan Eldridge
General manager



Carolyn Rodney
Responsible accounting officer

Wagga Wagga City Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	11,153	10,429
User charges	4,564	4,361
Liquid trade waste charges	—	—
Fees	—	—
Interest	356	343
Grants and contributions provided for non-capital purposes	201	197
Profit from the sale of assets	—	—
Other income	501	868
Total income from continuing operations	16,775	16,198
Expenses from continuing operations		
Employee benefits and on-costs	2,039	2,278
Borrowing costs	2,413	2,455
Materials and contracts	6,712	6,753
Depreciation and impairment	5,215	4,950
Loss on sale of assets	—	—
Calculated taxation equivalents	56	56
Debt guarantee fee (if applicable)	—	—
Other expenses	2,468	2,329
Total expenses from continuing operations	18,903	18,821
Surplus (deficit) from continuing operations before capital amounts	(2,128)	(2,623)
Grants and contributions provided for capital purposes	2,202	3,731
Surplus (deficit) from continuing operations after capital amounts	74	1,108
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	74	1,108
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	74	1,108
Plus opening retained profits	65,711	64,603
Plus/less: prior period adjustments	—	—
Plus/less: other adjustments	(1)	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	56	56
– Debt guarantee fees	—	—
– Corporate taxation equivalent	—	—
Less:		
– Tax equivalent dividend paid	(56)	(56)
– Surplus dividend paid	—	—
Closing retained profits	65,784	65,711
Return on capital %	0.1%	-0.1%
Subsidy from Council	4,844	7,873
Calculation of dividend payable:		
Surplus (deficit) after tax	74	1,108
Less: capital grants and contributions (excluding developer contributions)	(1,421)	(2,007)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Wagga Wagga City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Livestock Marketing Category 1		Airport Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	—	—	—	—
Fees	5,071	5,290	3,576	3,427
Interest	—	—	—	—
Grants and contributions provided for non-capital purposes	—	—	—	—
Profit from the sale of assets	—	—	—	—
Other income	7	6	—	—
Total income from continuing operations	5,078	5,296	3,576	3,427
Expenses from continuing operations				
Employee benefits and on-costs	679	802	353	499
Borrowing costs	3	4	539	593
Materials and contracts	460	432	92	119
Depreciation and impairment	612	608	891	812
Loss on sale of assets	21	—	—	—
Calculated taxation equivalents	23	24	—	—
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	1,829	1,973	1,910	1,809
Total expenses from continuing operations	3,628	3,842	3,785	3,832
Surplus (deficit) from continuing operations before capital amounts	1,449	1,454	(209)	(405)
Grants and contributions provided for capital purposes	—	—	3	2,766
Surplus (deficit) from continuing operations after capital amounts	1,449	1,454	(206)	2,361
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	1,449	1,454	(206)	2,361
Less: corporate taxation equivalent (30%) [based on result before capital]	(435)	(436)	—	—
SURPLUS (DEFICIT) AFTER TAX	1,015	1,018	(206)	2,361
Plus opening retained profits	8,640	7,512	10,045	7,685
Plus/less: prior period adjustments	—	—	—	—
Plus/less: other adjustments	32	—	106	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	23	24	—	—
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	435	436	—	—
Add:				
– Subsidy paid/contribution to operations	—	—	—	—
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	(475)	(350)	—	—
Closing retained profits	9,669	8,640	9,946	10,045
Return on capital %	6.8%	8.3%	0.8%	0.6%
Subsidy from Council	—	—	453	781

Wagga Wagga City Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	8,883	7,086
Investments	–	–
Receivables	2,109	2,291
Inventories	486	502
Other	1	–
Non-current assets classified as held for sale	–	–
Total Current Assets	11,479	9,879
Non-current assets		
Investments	11,983	13,335
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	257,761	255,145
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	269,744	268,480
TOTAL ASSETS	281,223	278,360
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	929	1,005
Borrowings	619	576
Provisions	946	995
Total current liabilities	2,494	2,575
Non-current liabilities		
Payables	–	–
Borrowings	32,192	32,810
Provisions	109	394
Total non-current liabilities	32,301	33,205
TOTAL LIABILITIES	34,795	35,780
NET ASSETS	246,428	242,580
EQUITY		
Retained earnings	65,784	65,712
Revaluation reserves	180,644	176,868
Council equity interest	246,428	242,580
Non-controlling equity interest	–	–
TOTAL EQUITY	246,428	242,580

Wagga Wagga City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Livestock Marketing Category 1		Airport Category 1	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	7,719	6,417	–	–
Investments	–	–	–	–
Receivables	343	224	678	663
Inventories	–	–	–	–
Other	–	1	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	8,061	6,642	678	663
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	21,215	17,602	39,323	32,085
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	21,215	17,602	39,323	32,085
TOTAL ASSETS	29,277	24,244	40,001	32,748
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	5,847	6,266
Payables	160	224	394	760
Borrowings	–	–	565	527
Provisions	201	232	85	185
Total current liabilities	362	455	6,890	7,738
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	9,580	9,968
Provisions	12	9	–	1
Other Liabilities	–	–	–	–
Total non-current liabilities	12	9	9,580	9,969
TOTAL LIABILITIES	374	465	16,470	17,707
NET ASSETS	28,903	23,779	23,531	15,042
EQUITY				
Retained earnings	9,669	8,640	9,945	10,045
Revaluation reserves	19,234	15,140	13,586	4,996
Council equity interest	28,903	23,779	23,531	15,042
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	28,903	23,779	23,531	15,042

Wagga Wagga City Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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	11

Wagga Wagga City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant Accounting Policies

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

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

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

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared Business Activities

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

Category 1

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

a. Sewerage Operations

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

b. Livestock Marketing Centre

Council's Livestock Marketing Centre.

c. Airport

Wagga Wagga City Airport Facility

Category 2

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

Monetary Amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 3 are disclosed in whole dollars.

(i) Taxation-Equivalent Charges

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

Wagga Wagga City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

Notional Rate Applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be

taken into account in terms of assessing the rate of return required on capital invested.

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

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

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

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

Wagga Wagga City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

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

(iv) Dividends

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

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

The dividend, calculated and approved in accordance with the Best-Practice Management of

Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Wagga Wagga City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements

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

2016

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	56,000
(ii)	Number of assessments multiplied by \$3/assessment	79,941
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	56,000
(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]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	743,410
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(4,226,725)

2016 Surplus	(1,346,976)	2015 Surplus	(898,656)	2014 Surplus	(1,981,094)
		2015 Dividend	–	2014 Dividend	–

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

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Wagga Wagga City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	18,621
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	257,761
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	11,214
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	4,055
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.85%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	18,621
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.85%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	4,055
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.85%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Wagga Wagga City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

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

2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	4.85%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	73
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	159

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

INDEPENDENT AUDIT REPORT TO WAGGA WAGGA CITY COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of Wagga Wagga City Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2016, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Office of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The NSW Office of Water Guidelines and are appropriate to meet the needs of the Council and the Office of Local Government.

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion the financial statements of Wagga Wagga City Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) presenting fairly a view of the Council's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial 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 Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Office of Local Government, or for any purpose other than that for which it was prepared.



CROWE HORWATH AUSWILD



BRADLEY D BOHUN

Partner

Dated at Albury this 10th day of October 2016.

Wagga Wagga City Council

SPECIAL SCHEDULES

for the year ended 30 June 2016

*"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 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Wagga Wagga City Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,831	14	–	(1,817)
Administration	18,534	810	720	(17,004)
Public order and safety				
Fire service levy, fire protection, emergency services	1,109	178	–	(931)
Beach control	–	–	–	–
Enforcement of local government regulations	822	853	–	31
Animal control	432	293	–	(139)
Other	–	–	–	–
Total public order and safety	2,363	1,324	–	(1,039)
Health	1,200	135	–	(1,065)
Environment				
Noxious plants and insect/vermin control	361	96	–	(265)
Other environmental protection	2,441	117	2,223	(101)
Solid waste management	6,771	11,282	–	4,511
Street cleaning	133	–	–	(133)
Drainage	817	677	–	(140)
Stormwater management	165	–	–	(165)
Total environment	10,688	12,172	2,223	3,707
Community services and education				
Administration and education	2	17	–	15
Social protection (welfare)	1,899	105	–	(1,794)
Aged persons and disabled	212	173	–	(39)
Children's services	532	1,770	–	1,238
Total community services and education	2,645	2,065	–	(580)
Housing and community amenities				
Public cemeteries	886	1,206	–	320
Public conveniences	247	–	–	(247)
Street lighting	889	–	–	(889)
Town planning	3,322	1,112	4,104	1,894
Other community amenities	1	–	–	(1)
Total housing and community amenities	5,345	2,318	4,104	1,077
Water supplies	–	–	–	–
Sewerage services	16,500	16,581	2,202	2,283

Wagga Wagga City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,255	337	—	(1,918)
Museums	968	101	—	(867)
Art galleries	910	177	157	(576)
Community centres and halls	93	9	—	(84)
Performing arts venues	1,360	723	—	(637)
Other performing arts	—	—	—	—
Other cultural services	825	95	—	(730)
Sporting grounds and venues	1,242	365	211	(666)
Swimming pools	3,567	1,808	200	(1,559)
Parks and gardens (lakes)	1,589	107	—	(1,482)
Other sport and recreation	5,591	227	345	(5,019)
Total recreation and culture	18,400	3,949	913	(13,538)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	1,236	1,524	—	288
Other mining, manufacturing and construction	(114)	—	—	114
Total mining, manufacturing and const.	1,122	1,524	—	402
Transport and communication				
Urban roads (UR) – local	5,053	21	12,478	7,446
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	1,209	—	—	(1,209)
Sealed rural roads (SRR) – regional	381	609	870	1,098
Unsealed rural roads (URR) – local	1,606	—	837	(769)
Unsealed rural roads (URR) – regional	5	—	—	(5)
Bridges on UR – local	36	22	—	(14)
Bridges on SRR – local	69	—	—	(69)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	36	—	—	(36)
Footpaths	484	10	—	(474)
Aerodromes	3,490	3,576	3	89
Other transport and communication	26,498	554	—	(25,944)
Total transport and communication	38,867	4,792	14,188	(19,887)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	5,472	6,318	—	846
Total economic affairs	5,472	6,318	—	846
Totals – functions	122,967	52,002	24,350	(46,615)
General purpose revenues ⁽¹⁾		50,922		50,922
Share of interests – joint ventures and associates using the equity method	48	—		(48)
NET OPERATING RESULT ⁽²⁾	123,015	102,924	24,350	4,259

(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(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	2,263	53,908	56,171	–	2,263	–	–	3,759	2,352	51,556	53,908
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	2,263	53,908	56,171	–	2,263	–	–	3,759	2,352	51,556	53,908
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	2,263	53,908	56,171	–	2,263	–	–	3,759	2,352	51,556	53,908

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Wagga Wagga City Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]
for the year ended 30 June 2016

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	14,817	2,343	6,572
Totals	14,817	2,343	6,572

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
Property Management	General Fund	30/06/97	31/12/97	10	30/06/07	8.00%	600	—	—
Capital Works	General Fund	30/06/07	30/06/07	10	30/06/17	6.50%	1,725	237	201
Capital Works	General Fund	30/06/07	30/06/07	10	30/06/17	6.25%	760	104	98
Parks & Recreation	General Fund	30/06/07	30/06/09	10	30/06/19	5.62%	1,430	165	—
Cemetery	General Fund	30/06/11	30/06/11	10	30/06/21	6.50%	204	28	118
Parks & Recreation	General Fund	30/06/11	30/06/11	10	30/06/21	0.00%	149	21	100
Swimming Complex	General Fund	30/06/11	30/06/11	10	30/06/21	6.50%	176	24	101
Property Management	General Fund	30/06/11	30/06/11	15	30/06/26	6.00%	684	70	518
Capital Works	General Fund	30/06/11	30/06/11	10	30/06/21	6.50%	403	55	234
Information Technology	General Fund	30/06/12	30/06/12	5	30/06/17	0.00%	32	10	10
Information Technology	General Fund	30/06/12	30/06/12	5	30/06/17	0.00%	75	18	17
Parks & Recreation	General Fund	30/06/13	30/06/13	10	30/06/23	2.75%	200	23	156
Information Technology	General Fund	30/06/13	30/06/13	4	30/06/17	2.75%	450	120	231
Buildings	General Fund	30/06/13	30/06/13	2	30/06/15	0.00%	88	—	—
Parks & Recreation	General Fund	30/06/13	30/06/13	1	30/06/14	0.00%	230	—	—

(continued on the next page...)

Wagga Wagga City Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993] (continued)
for the year ended 30 June 2016

\$'000

Details of individual internal loans (continued)

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
Capital Works	General Fund	30/06/13	30/06/13	1	30/06/14	0.00%	38	—	—
Capital Works	General Fund	30/06/13	30/06/13	2	30/06/15	0.00%	200	100	—
Parks & Recreation	General Fund	30/06/13	30/06/13	1	30/06/14	0.00%	15	—	—
Parks & Recreation	General Fund	30/06/13	30/06/13	1	30/06/14	0.00%	172	—	—
Economic Development	General Fund	30/06/14	30/06/14	1	30/06/15	0.00%	51	—	—
Economic Development	General Fund	30/06/14	30/06/14	1	30/06/15	0.00%	58	—	—
Capital Works	General Fund	30/06/14	30/06/14	2	30/06/16	0.00%	1,553	1,000	—
Civic Theatre	General Fund	30/06/14	30/06/14	1	30/06/15	0.00%	50	—	—
Parks & Recreation	General Fund	30/06/14	30/06/14	1	30/06/15	0.00%	90	—	—
Regulatory Services	General Fund	30/06/14	30/06/14	1	30/06/15	0.00%	49	—	—
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.75%	150	17	137
Swimming Complex	General Fund	30/06/15	30/06/15	1	30/06/15	0.00%	20	—	—
Capital Works	General Fund	30/06/15	30/06/15	1	30/06/15	0.00%	200	—	(30)
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	786	87	714
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	294	33	267
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	467	52	424
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	90	10	82
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	1,489	166	1,353
Capital Works	General Fund	30/06/16	30/06/16	1	30/06/17	0.00%	147	—	147
Capital Works	General Fund	30/06/16	30/06/16	1	30/06/17	0.00%	105	—	105
Capital Works	General Fund	30/06/16	30/06/16	1	30/06/17	0.00%	5	—	5
Capital Works	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	1,148	—	1,148
Capital Works	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	320	—	320
Cemetery	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	25	—	25
Capital Works	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	90	—	90
Totals							14,818	2,343	6,572

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 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	1,742	1,732
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	1,210	855
b. Maintenance expenses	622	618
– Pumping stations		
c. Operation expenses (excluding energy costs)	393	608
d. Energy costs	194	184
e. Maintenance expenses	202	173
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	6,003	5,939
g. Chemical costs	–	–
h. Energy costs	40	47
i. Effluent management	225	151
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	583	1,056
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	5,215	4,950
b. Plant and equipment	–	–
4. Miscellaneous expenses		
a. Interest expenses	2,405	2,445
b. Revaluation decrements	–	–
c. Other expenses	14	7
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	56	56
5. Total expenses	18,904	18,821

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 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	10,721	10,093
7. Non-residential charges		
a. Access (including rates)	432	336
b. Usage charges	4,564	4,361
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	356	343
11. Other income	501	865
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	159	159
c. Other grants	—	—
13. Contributions		
a. Developer charges	1,421	2,007
b. Developer provided assets	781	1,724
c. Other contributions	42	38
14. Total income	18,977	19,926
15. Gain (or loss) on disposal of assets	—	3
16. Operating result	73	1,108
16a. Operating result (less grants for acquisition of assets)	73	1,108

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 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	—	—
b. New assets for growth	850	3,479
c. Renewals	3,205	903
d. Plant and equipment	—	—
18. Repayment of debt	576	536
19. Totals	4,631	4,918
Non-operating funds employed		
20. Proceeds from disposal of assets	—	—
21. Borrowing utilised	—	—
22. Totals	—	—
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	23,608	23,176
b. Residential (unoccupied, ie. vacant lot)	1,080	1,044
c. Non-residential (occupied)	1,959	1,946
d. Non-residential (unoccupied, ie. vacant lot)	—	—
24. Number of ETs for which developer charges were received	— ET	— ET
25. Total amount of pensioner rebates (actual dollars)	\$ 292,448	\$ 290,647

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 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	421	—	421
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	8,462	11,983	20,445
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	785	—	785
c. User charges	—	—	—
d. Other	1,325	—	1,325
28. Inventories	486	—	486
29. Property, plant and equipment			
a. System assets	—	257,761	257,761
b. Plant and equipment	—	—	—
30. Other assets	1	—	1
31. Total assets	11,480	269,744	281,224
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	929	—	929
34. Borrowings	619	32,192	32,811
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	946	109	1,055
36. Total liabilities	2,494	32,301	34,795
37. NET ASSETS COMMITTED	8,986	237,443	246,429
EQUITY			
38. Accumulated surplus			65,784
39. Asset revaluation reserve			180,644
40. TOTAL EQUITY			246,428
Note to system assets:			
41. Current replacement cost of system assets			360,982
42. Accumulated current cost depreciation of system assets			(103,221)
43. Written down current cost of system assets			257,761

Wagga Wagga City Council

Notes to Special Schedule 5

for the year ended 30 June 2016

Administration ⁽¹⁾

(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 ⁽¹⁾

(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 sewerage revenue.

Residential charges ⁽²⁾ (item 6 of Special Schedule 5) include all income from residential charges.

Non-residential charges ⁽²⁾ (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 (item 11 of Special Schedule 5) include all income not recorded elsewhere.

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

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 17 for sewerage, and not in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Wagga Wagga City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings – non-specialised	–	–	–	845	45,426	81,460	52%	7%	31%	9%	1%
	Buildings – specialised	11,913	1,978	948	927	34,542	53,032	62%	13%	20%	5%	1%
	Sub-total	11,913	1,978	948	1,772	79,968	134,491	55.7%	9.5%	26.9%	7.3%	0.5%
Other structures												
	Other structures	6,039	–	128	–	24,168	33,872	4%	78%	13%	5%	0%
	Sub-total	6,039	–	128	–	24,168	33,872	4.0%	78.1%	12.5%	5.1%	0.2%
Roads												
	Sealed roads	218,528	19,439	3,054	5,778	375,066	676,738	36%	7%	15%	18%	24%
	Unsealed roads	7,862	4,547	1,924	1,744	36,692	51,222	42%	42%	1%	4%	10%
	Bridges	11,417	480	464	78	30,441	44,285	4%	70%	23%	2%	1%
	Footpaths	20,017	782	182	398	15,196	29,550	14%	19%	35%	29%	4%
	Kerb & Gutter	21,565	1,326	190	236	26,276	41,693	19%	30%	39%	11%	2%
	Carparks	3,158	–	65	49	10,624	13,660	55%	22%	12%	9%	3%
	Culverts	13,693	1,623	1,302	574	21,563	33,079	9%	49%	30%	9%	2%
	Bus & Taxi Shelters	316	20	35	85	886	1,066	28%	42%	16%	10%	4%
	Roundabouts & Medians	780	–	–	12	1,543	2,322	10%	56%	27%	6%	1%
	Sub-total	297,336	28,218	7,216	8,954	518,286	893,614	32.6%	15.7%	16.9%	15.7%	19.1%
Sewerage network												
	Mains	2,291	6,112	–	1,974	159,098	217,112	86%	0%	3%	10%	1%
	Pumping Stations	714	2,757	–	781	17,372	31,523	36%	29%	29%	6%	0%
	Treatworks	–	100	–	811	70,452	95,603	96%	2%	2%	0%	0%
	Ancillary	–	–	–	–	398	722	40%	0%	60%	0%	0%
	Reservoirs	153	–	–	–	4,510	8,541	1%	10%	88%	0%	1%
	Sub-total	3,158	8,969	–	3,566	251,830	353,500	82.1%	3.4%	7.2%	6.7%	0.6%

Wagga Wagga City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	5,629	3,362	1,214	716	174,744	223,785	46%	30%	15%	7%	2%
	Levee Banks	550	23,253	450	43	28,611	29,017	98%	0%	0%	2%	0%
	Sub-total	6,179	26,615	1,664	759	203,355	252,802	52.4%	26.6%	13.1%	6.1%	1.9%
Open space/recreational assets	Swimming pools	–	–	3	121	1,530	1,684	100%	0%	0%	0%	0%
	Playgrounds	1,667	895	118	50	3,448	4,969	11%	56%	29%	5%	0%
	Other	9,335	1,370	489	317	12,862	20,689	9%	46%	31%	7%	7%
	Sub-total	11,002	2,265	610	488	17,840	27,342	15.1%	44.7%	28.4%	6.4%	5.4%
	TOTAL – ALL ASSETS	335,627	68,044	10,566	15,539	1,095,447	1,695,621	46.9%	16.0%	15.2%	11.4%	10.6%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Wagga Wagga City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	9,577	30.28%	54.81%	88.28%
Depreciation, amortisation and impairment	31,628			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	335,627	30.64%	3.93%	7.55%
Carrying value of infrastructure assets	1,095,447			
3. Asset maintenance ratio				
Actual asset maintenance	15,539	1.47	1.16	0.59
Required asset maintenance	10,566			
4. Capital expenditure ratio				
Annual capital expenditure	26,763	0.76	1.85	1.15
Annual depreciation	35,428			

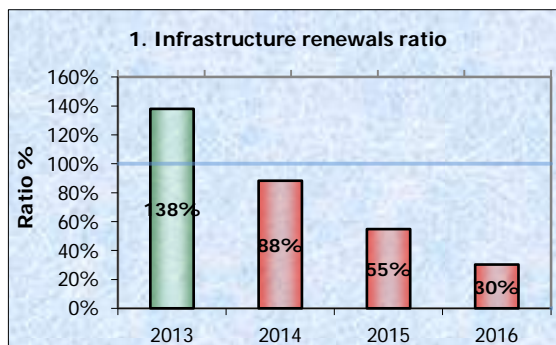
Notes

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

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

Wagga Wagga City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



Benchmark: — Minimum $\geq 100.00\%$

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

Purpose of asset renewals ratio

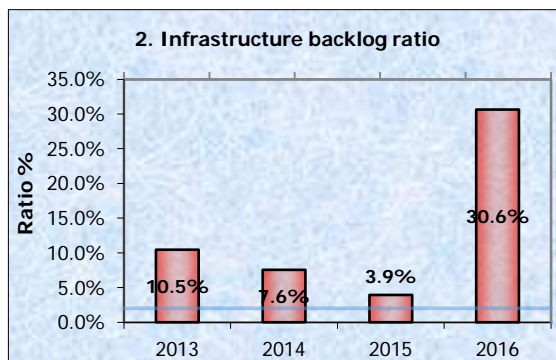
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2015/16 result

2015/16 Ratio 30.28%

This ratio has decreased for 2015/16 due to Council's increased depreciation for the financial year. Council has continued to focus on maintenance of its current asset base.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

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

Purpose of infrastructure backlog ratio

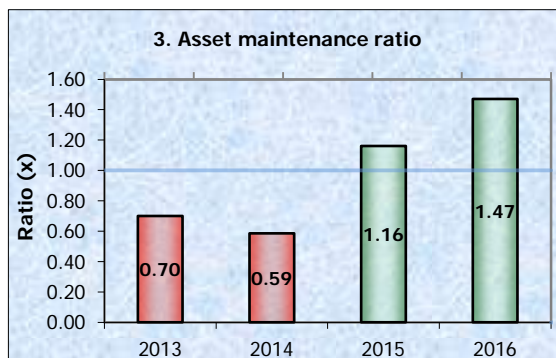
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2015/16 result

2015/16 Ratio 30.64%

Council's infrastructure backlog ratio has increased to 31% for 2015/16. This is as a result of Council having a substantial portion of its road network in below satisfactory condition. Local Government continues to face an issue in funding these backlogs due to its constrained revenue environment.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.00

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

Purpose of asset maintenance ratio

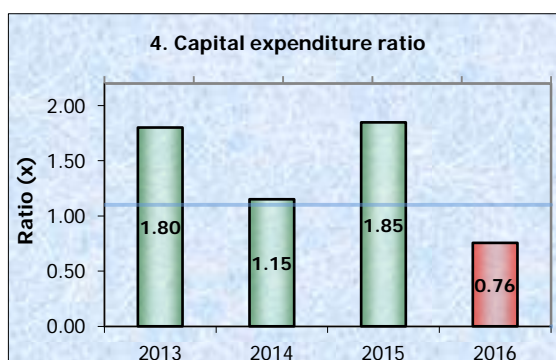
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2015/16 result

2015/16 Ratio 1.47 x

The Asset Maintenance ratio for 2015/16 outlines Council's continued focus on maintaining its current asset base.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum > 1.10

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

Purpose of capital expenditure ratio

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

Commentary on 2015/16 result

2015/16 Ratio 0.76 x

This ratio has decreased for 2015/16 due to Council's increased depreciation for the financial year. Council had a number of major projects that commenced during the year but were not completed.

Ratio achieves benchmark
Ratio is outside benchmark

Wagga Wagga City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2016

\$ '000		Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾		21.26%	32.06%
Depreciation, amortisation and impairment			
	prior period:	13.41%	70.35%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard		1.25%	39.41%
Carrying value of infrastructure assets			
	prior period:	3.30%	4.12%
3. Asset maintenance ratio			
Actual asset maintenance		0.00	1.13
Required asset maintenance			
	prior period:	0.00	0.93
4. Capital expenditure ratio			
Annual capital expenditure		0.78	0.75
Annual depreciation			
	prior period:	0.89	2.12

Notes

- (1) General fund refers to all of Council's activities except for its sewer activity which is listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Wagga Wagga City Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	37,468	38,667
Plus or minus adjustments ⁽²⁾	b	279	412
Notional general income	c = (a + b)	37,747	39,079
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	5.63%
Or rate peg percentage	e	2.40%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	2,200
Or plus rate peg amount	$i = c \times e$	906	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	38,653	41,279
Plus (or minus) last year's carry forward total	l	24	9
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	24	9
Total permissible income	$o = k + n$	38,677	41,289
Less notional general income yield	p	38,667	41,246
Catch-up or (excess) result	$q = o - p$	9	43
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	(9)
Carry forward to next year	$t = q + r - s$	9	34

Notes

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

WAGGA WAGGA CITY COUNCIL - SPECIAL SCHEDULE NO. 8 - INDEPENDENT AUDITORS REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Report on Special Schedule No. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Wagga Wagga City Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

Audit Opinion

In our opinion, Special Schedule No. 8 of Wagga Wagga City Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.



CROWE HORWATH AUSWILD



BRADLEY D BOHUN

Partner

Dated at Albury this 10th day of October 2016.