

# Wagga Wagga City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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



# Wagga Wagga City Council

## General Purpose Financial Statements

for the year ended 30 June 2017

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

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

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

- (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 23 October 2017. 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 2017

### Understanding Council's financial statements

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#### Introduction

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

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

#### About the Councillor/Management Statement

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

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

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

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

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

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

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

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

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

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

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

#### Who uses the financial statements?

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

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

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

## Wagga Wagga City Council

### General Purpose Financial Statements for the year ended 30 June 2017

### 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 23 October 2017.



Greg Conkey OAM  
Mayor



Dallas Tout  
Councillor



James Bolton  
General Manager



Carolyn Rodney  
Responsible Accounting Officer

## Wagga Wagga City Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
60,642	Rates and annual charges	3a	60,035	56,831
23,631	User charges and fees	3b	23,698	24,195
3,407	Interest and investment revenue	3c	4,184	3,413
3,123	Other revenues	3d	3,449	3,741
14,780	Grants and contributions provided for operating purposes	3e,f	20,630	14,743
34,768	Grants and contributions provided for capital purposes	3e,f	41,994	24,351
<b>Other income:</b>				
–	Net share of interests in joint ventures and associates using the equity method	19	69	–
<b>140,351</b>	<b>Total income from continuing operations</b>		<b>154,059</b>	<b>127,274</b>
<b>Expenses from continuing operations</b>				
42,106	Employee benefits and on-costs	4a	40,287	39,989
3,953	Borrowing costs	4b	3,778	3,964
30,818	Materials and contracts	4c	28,837	28,916
32,405	Depreciation and amortisation	4d	36,251	35,428
–	Impairment	4d	–	11
9,398	Other expenses	4e	9,421	10,593
–	Net losses from the disposal of assets	5	2,906	4,066
–	Net share of interests in joint ventures and associates using the equity method	19	–	48
<b>118,680</b>	<b>Total expenses from continuing operations</b>		<b>121,480</b>	<b>123,015</b>
<b>21,671</b>	<b>Operating result from continuing operations</b>		<b>32,579</b>	<b>4,259</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>21,671</b>	<b>Net operating result for the year</b>		<b>32,579</b>	<b>4,259</b>
21,671	Net operating result attributable to Council		32,579	4,259
–	Net operating result attributable to non-controlling interests		–	–
<b>(13,097)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(9,415)</b>	<b>(20,092)</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

<sup>2</sup> Council received 50% of its Financial Assistance Grant for YE 17/18 in advance totalling \$4,956,776

## Wagga Wagga City Council

## Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>32,579</b>	<b>4,259</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(54,694)	22,429
Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(28)
Other comprehensive income – joint ventures and associates	19b	4	6
Other movements in reserves	20b (ii)	(766)	57
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(55,456)</b>	<b>22,464</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>(55,456)</b>	<b>22,464</b>
<b>Total comprehensive income for the year</b>		<b>(22,877)</b>	<b>26,723</b>
<b>Total comprehensive income attributable to Council</b>		<b>(22,877)</b>	<b>26,723</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Wagga Wagga City Council

Statement of Financial Position  
as at 30 June 2017

\$ '000	Notes	Actual 2017	Restated 30 June 2016	Restated 1 July 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	6a	14,633	9,785	7,930
Investments	6b	34,013	30,047	34,131
Receivables	7	20,254	10,734	11,465
Inventories	8	2,160	2,617	2,488
Other	8	510	531	436
Non-current assets classified as 'held for sale'	22	–	–	–
<b>Total current assets</b>		<b>71,570</b>	<b>53,714</b>	<b>56,450</b>
<b>Non-current assets</b>				
Investments	6b	59,686	53,737	40,013
Receivables	7	44	173	359
Inventories	8	–	–	–
Infrastructure, property, plant and equipment	9	1,348,783	1,391,728	1,379,239
Investments accounted for using the equity method	19	1,938	1,865	1,907
Investment property	14	2,800	3,330	3,450
Intangible assets	25	–	–	–
<b>Total non-current assets</b>		<b>1,413,251</b>	<b>1,450,833</b>	<b>1,424,969</b>
<b>TOTAL ASSETS</b>		<b>1,484,821</b>	<b>1,504,547</b>	<b>1,481,419</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	10	14,350	9,135	12,090
Income received in advance	10	2,603	1,345	287
Borrowings	10	2,461	2,352	2,263
Provisions	10	11,605	12,614	12,288
<b>Total current liabilities</b>		<b>31,019</b>	<b>25,446</b>	<b>26,928</b>
<b>Non-current liabilities</b>				
Payables	10	–	–	–
Borrowings	10	49,095	51,556	53,908
Provisions	10	1,618	1,579	2,039
<b>Total non-current liabilities</b>		<b>50,713</b>	<b>53,135</b>	<b>55,946</b>
<b>TOTAL LIABILITIES</b>		<b>81,732</b>	<b>78,581</b>	<b>82,874</b>
<b>Net assets</b>		<b>1,403,089</b>	<b>1,425,966</b>	<b>1,398,545</b>
<b>EQUITY</b>				
Retained earnings	20	883,513	851,695	847,373
Revaluation reserves	20	519,576	574,271	551,172
Other reserves	20	–	–	–
<b>Council equity interest</b>		<b>1,403,089</b>	<b>1,425,966</b>	<b>1,398,545</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>1,403,089</b>	<b>1,425,966</b>	<b>1,398,545</b>

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

## Wagga Wagga City Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					Restated 30 June 2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		851,695	573,573	–	<b>1,425,267</b>	–	<b>1,425,267</b>	807,902	529,494	–	<b>1,337,396</b>	–	<b>1,337,396</b>
a. Correction of prior period errors	20 (c)	–	698	–	<b>698</b>	–	<b>698</b>	39,471	22,376	–	<b>61,847</b>	–	<b>61,847</b>
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>851,695</b>	<b>574,271</b>	<b>–</b>	<b>1,425,966</b>	<b>–</b>	<b>1,425,966</b>	<b>847,373</b>	<b>551,870</b>	<b>–</b>	<b>1,399,243</b>	<b>–</b>	<b>1,399,243</b>
<b>c. Net operating result for the year</b>		<b>32,579</b>	<b>–</b>	<b>–</b>	<b>32,579</b>	<b>–</b>	<b>32,579</b>	4,259	–	–	<b>4,259</b>	–	<b>4,259</b>
<b>d. Other comprehensive income</b>													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(54,694)	–	<b>(54,694)</b>	–	<b>(54,694)</b>	–	22,429	–	<b>22,429</b>	–	<b>22,429</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	(28)	–	<b>(28)</b>	–	<b>(28)</b>
– Joint ventures and associates	19b	4	–	–	<b>4</b>	–	<b>4</b>	6	–	–	<b>6</b>	–	<b>6</b>
– Other movements	20a	(766)	–	–	<b>(766)</b>	–	<b>(766)</b>	57	–	–	<b>57</b>	–	<b>57</b>
<b>Other comprehensive income</b>		<b>(762)</b>	<b>(54,694)</b>	<b>–</b>	<b>(55,456)</b>	<b>–</b>	<b>(55,456)</b>	<b>63</b>	<b>22,401</b>	<b>–</b>	<b>22,464</b>	<b>–</b>	<b>22,464</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>31,818</b>	<b>(54,694)</b>	<b>–</b>	<b>(22,877)</b>	<b>–</b>	<b>(22,877)</b>	<b>4,322</b>	<b>22,401</b>	<b>–</b>	<b>26,723</b>	<b>–</b>	<b>26,723</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>883,513</b>	<b>519,576</b>	<b>–</b>	<b>1,403,089</b>	<b>–</b>	<b>1,403,089</b>	<b>851,695</b>	<b>574,271</b>	<b>–</b>	<b>1,425,966</b>	<b>–</b>	<b>1,425,966</b>



## Wagga Wagga City Council

## Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
60,400	Rates and annual charges		59,535	56,898
23,384	User charges and fees		24,827	25,443
3,280	Investment and interest revenue received		4,000	3,631
48,282	Grants and contributions		44,453	30,119
–	Bonds, deposits and retention amounts received		242	46
1,756	Other		8,232	9,625
<b>Payments:</b>				
(42,106)	Employee benefits and on-costs		(40,710)	(40,310)
(31,019)	Materials and contracts		(28,263)	(29,867)
(3,953)	Borrowing costs		(3,755)	(3,981)
(7,791)	Other		(17,352)	(14,767)
<b>52,233</b>	<b>Net cash from (or used in) operating activities</b>	11b	<b>51,208</b>	<b>36,837</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
24,414	Sale of investment securities		27,017	34,138
–	Sale of investment property		463	220
4,851	Sale of infrastructure, property, plant and equipment		2,934	1,511
–	Deferred debtors receipts		2,443	184
<b>Payments:</b>				
(18,400)	Purchase of investment securities		(36,349)	(43,812)
(77,514)	Purchase of infrastructure, property, plant and equipment		(40,516)	(24,960)
(1,187)	Contributions paid to joint ventures and associates		–	–
<b>(67,837)</b>	<b>Net cash from (or used in) investing activities</b>		<b>(44,008)</b>	<b>(32,719)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
13,860	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(2,604)	Repayment of borrowings and advances		(2,352)	(2,263)
<b>11,256</b>	<b>Net cash flow from (or used in) financing activities</b>		<b>(2,352)</b>	<b>(2,263)</b>
<b>(4,348)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,848</b>	<b>1,855</b>
12,566	Plus: cash and cash equivalents – beginning of year	11a	9,785	7,930
<b>8,218</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>14,633</b>	<b>9,785</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	93,699	83,784
	<b>Total cash, cash equivalents and investments</b>		<b>108,332</b>	<b>93,569</b>

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 2017

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## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

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

##### (a) Basis of preparation

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

##### (i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year. This standard had no impact on reporting financial position or performance, however note 28 has been added to include the appropriate disclosures.

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### (iii) Historical cost convention

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

##### (iv) Significant accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that

are believed to be reasonable under the circumstances.

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

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

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

##### **Significant judgements in applying the 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 the Council and specific criteria have been met for each of the Council's activities as described below.

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

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

##### **(i) Rates, annual charges, grants and contributions**

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

#### (ii) User charges and fees

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

#### (iii) 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.

#### (iv) Interest

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

#### (v) Rent

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

#### (vi) Dividend income

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

#### (vii) Other income

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

### (c) Principles of consolidation

#### (i) The Consolidated Fund

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

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (iii) 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.

##### (iv) Interests in other entities

###### Joint ventures/associates

###### 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 can exercise control, nor can any one 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.

##### (d) Leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over

the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

##### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

##### (f) Cash and cash equivalents

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

#### **(g) Inventories**

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

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

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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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

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

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

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

#### **(h) Investments and other financial assets**

##### **Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

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

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

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

##### **(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in receivables (note 7) in the Statement of Financial Position.

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

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

##### **(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

category would be tainted and reclassified as available-for-sale.

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

#### **(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

#### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

#### **Subsequent measurement**

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

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

#### **Impairment**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

#### **(i) Assets carried at amortised cost**

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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

#### Investment Policy

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

#### (i) Fair value estimation – financial instruments

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

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

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

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

#### (j) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

##### Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Sewerage networks

##### Internally valued:

- Other structures
- Roads assets including roads, bridges and footpaths
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets
- Other assets

##### As approximated by depreciated historical cost:

- Plant and equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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 asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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

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

Subsequent costs 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.

#### Depreciation

Land is not depreciated.

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

##### Plant & Equipment

- Office Equipment	3 to 20 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 15 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
- 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	50 to 210 years
- Sewer Manholes	67 to 150 years
- Pump Stations	15 to 150 years
- Treatment Works	7 to 200 years

##### Other Infrastructure Assets

- Open Space/Recreational Assets	1 to 50 years
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##### Other Structures

- Other Improvements	1 to 100 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### (k) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

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

##### (l) Payables

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

##### (m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

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

##### (n) Borrowing costs

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

##### (o) Provisions

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### **(p) Employee benefits**

###### **(i) Short-term obligations**

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

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

###### **(ii) Other long-term employee benefit obligations**

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

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

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

###### **(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 Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

##### **Defined Contribution Plans**

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

##### **(q) Land under roads**

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

Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

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

##### **(r) Intangible assets**

Council has not classified any assets as intangible.

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### **(s) 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.

##### **(t) Rural fire service assets**

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

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

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

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

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

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

##### **(v) New accounting standards and interpretations issued not yet effective**

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

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

##### **(w) Rounding of amounts**

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

##### **(x) 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.

##### **(y) 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 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	30	48	14	1,350	2,267	1,831	(1,320)	(2,219)	(1,817)	–	–	232	574
Administration	1,121	1,856	1,530	13,596	17,812	18,534	(12,475)	(15,956)	(17,004)	–	–	83,069	67,488
Public order and safety	1,746	903	1,324	2,575	2,401	2,363	(829)	(1,498)	(1,039)	166	2,276	3,246	5,785
Health	192	184	135	1,402	953	1,200	(1,210)	(769)	(1,065)	–	–	153	133
Environment	14,562	14,509	14,395	14,458	12,196	10,688	104	2,313	3,707	344	283	249,675	229,902
Community services and education	2,075	2,076	2,065	2,678	2,679	2,645	(602)	(603)	(580)	1,711	1,754	8,336	5,960
Housing and community amenities	5,328	7,191	6,422	5,637	5,132	5,345	(309)	2,059	1,077	37	72	8,905	19,967
Sewerage services	19,040	19,280	18,783	20,041	16,023	16,500	(1,001)	3,257	2,283	158	159	298,720	285,860
Recreation and culture	8,386	4,303	4,862	19,439	18,879	18,400	(11,053)	(14,576)	(13,538)	963	931	160,771	249,095
Mining, manufacturing and construction	1,379	1,375	1,524	1,210	2,279	1,122	168	(904)	402	–	–	6,500	3,201
Transport and communication	26,101	39,177	18,980	28,618	35,090	38,867	(2,516)	4,087	(19,887)	25,276	5,873	610,708	592,683
Economic affairs	6,490	6,386	6,318	7,677	5,769	5,472	(1,187)	617	846	12	69	52,568	42,035
<b>Total functions and activities</b>	<b>86,449</b>	<b>97,288</b>	<b>76,352</b>	<b>118,680</b>	<b>121,480</b>	<b>122,967</b>	<b>(32,230)</b>	<b>(24,192)</b>	<b>(46,615)</b>	<b>28,667</b>	<b>11,417</b>	<b>1,482,883</b>	<b>1,502,682</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	69	–	–	–	48	–	69	(48)	–	–	1,938	1,865
General purpose income <sup>1</sup>	53,902	56,703	50,922	–	–	–	53,902	56,703	50,922	14,928	10,337	–	–
<b>Operating result from continuing operations</b>	<b>140,351</b>	<b>154,059</b>	<b>127,274</b>	<b>118,680</b>	<b>121,480</b>	<b>123,015</b>	<b>21,671</b>	<b>32,579</b>	<b>4,259</b>	<b>43,595</b>	<b>21,754</b>	<b>1,484,821</b>	<b>1,504,547</b>

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 2017

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER AND SAFETY**

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, health centres, etc.

##### **ENVIRONMENT**

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

##### **COMMUNITY SERVICES AND EDUCATION**

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

##### **HOUSING AND COMMUNITY AMENITIES**

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

##### **SEWERAGE SERVICES**

Sewer services

##### **RECREATION AND CULTURE**

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

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

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

##### **ECONOMIC AFFAIRS**

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



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		23,440	23,212
Farmland		4,707	4,631
Business		10,044	9,845
<b>Total ordinary rates</b>		<b>38,191</b>	<b>37,688</b>
<b>Special rates</b>			
Special Rate Variation - Levee		1,449	–
<b>Total special rates</b>		<b>1,449</b>	<b>–</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		7,117	6,769
Stormwater management services		690	677
Sewerage services		12,031	11,167
Waste management services (non-domestic)		557	530
<b>Total annual charges</b>		<b>20,395</b>	<b>19,143</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>60,035</b>	<b>56,831</b>

Council has used 2016 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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		827	715
Sewerage services		4,062	4,367
Waste management services (non-domestic)		3,139	3,014
<b>Total user charges</b>		<b>8,028</b>	<b>8,096</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Private works – section 67		(8)	258
Regulatory/ statutory fees		537	576
<b>Total fees and charges – statutory/regulatory</b>		<b>529</b>	<b>834</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		3,541	3,391
Cemeteries		1,199	1,206
Corporate services		35	36
Development services		2,171	2,356
Family day care		316	313
Fire and emergency services levy		100	–
Leaseback fees – Council vehicles		146	204
Library and art gallery		36	34
Livestock marketing centre		5,005	5,040
Oasis swimming complex		1,496	1,516
Park and sportsgrounds		343	379
Regional Civic Theatre		630	675
Tourist information centre		53	8
Other		70	107
<b>Total fees and charges – other</b>		<b>15,141</b>	<b>15,265</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>23,698</b>	<b>24,195</b>



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		313	341
– Interest earned on investments (interest and coupon payment income)		3,285	3,100
– Interest on deferred debtors		3	7
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		583	(35)
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>4,184</b>	<b>3,413</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		307	341
General Council cash and investments		2,855	2,264
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		110	91
– Section 64		25	19
Sewerage fund operations		394	356
Other externally restricted assets		108	85
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		385	256
<b>Total interest and investment revenue recognised</b>		<b>4,184</b>	<b>3,413</b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14	–	100
Rental income – investment properties	14	376	342
Rental income – other council properties		1,089	944
Ex gratia rates		36	35
Fines		556	844
Diesel rebate		188	224
Insurance claim recoveries		134	152
Other theatre		10	5
Provision for remediation		357	433
Sales – miscellaneous		420	383
Sales – oasis swimming complex		144	147
Other		139	132
<b>TOTAL OTHER REVENUE</b>		<b>3,449</b>	<b>3,741</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	14,568	9,973	–	–
Pensioners' rates subsidies – general component	360	364	–	–
<b>Total general purpose</b>	<b>14,928</b>	<b>10,337</b>	<b>–</b>	<b>–</b>
<sup>(1)</sup> Council received 50% of its Financial Assistance Grant for YE 17/18 in advance totalling \$4,956,776				
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Sewerage	158	159	–	–
– Domestic waste management	113	112	–	–
Airport	–	–	192	3
Bushfire and emergency services	50	50	8	–
Community care	122	165	–	–
Drainage	–	–	(382)	–
Economic development	–	–	154	–
Environmental protection	217	91	20	2,193
Evocities	12	69	–	–
Family and childrens services – other	181	97	–	–
Family day care	1,403	1,436	–	–
Heritage and cultural	364	385	–	–
Noxious weeds	85	96	–	–
Recreation and culture	34	34	426	575
Street lighting	82	81	–	–
Transport (other roads and bridges funding)	1,054	134	24,357	5,716
Other	18	21	–	–
<b>Total specific purpose</b>	<b>3,893</b>	<b>2,930</b>	<b>24,775</b>	<b>8,487</b>
<b>Total grants</b>	<b>18,821</b>	<b>13,267</b>	<b>24,775</b>	<b>8,487</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	16,305	11,652	17,136	4,333
– State funding	2,333	1,601	7,619	4,050
– Other funding	183	14	20	104
	<b>18,821</b>	<b>13,267</b>	<b>24,775</b>	<b>8,487</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	4,553	3,737
S 94A – fixed development consent levies	–	–	419	368
S 64 – sewerage service contributions	–	–	1,536	1,421
S 64 – stormwater contributions	–	–	899	720
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>7,407</b>	<b>6,246</b>
<b>Other contributions:</b>				
Artworks donated	–	–	72	154
Bushfire services	64	128	–	–
Dedications (other than by S94)	–	–	8,388	9,037
Drainage	–	–	415	–
Recreation and culture	247	174	7	184
Roads and bridges	25	36	–	14
RMS contributions (regional roads, block grant)	979	913	887	199
Sewerage (excl. section 64 contributions)	110	42	–	–
Voluntary Planning Agreements	–	–	14	–
Other	384	183	30	30
<b>Total other contributions</b>	<b>1,809</b>	<b>1,476</b>	<b>9,812</b>	<b>9,618</b>
<b>Total contributions</b>	<b>1,809</b>	<b>1,476</b>	<b>17,220</b>	<b>15,864</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>20,630</b>	<b>14,743</b>	<b>41,994</b>	<b>24,351</b>

\$ '000	Actual 2017	Actual 2016
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**(g) Unspent 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	23,849	18,723
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	6,785	7,621
<b>Add:</b> grants and contributions received for the provision of goods and services in a future period	489	–
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(4,722)	(2,495)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>2,553</b>	<b>5,126</b>
<b>Unexpended and held as restricted assets</b>	<b>26,402</b>	<b>23,849</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	3,345	3,567
– Developer contributions	21,947	19,569
– Other contributions	1,110	713
	<b>26,402</b>	<b>23,849</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		30,585	29,722
Travel expenses		434	509
Employee leave entitlements (ELE)		4,611	4,961
Superannuation		3,381	3,511
Workers' compensation insurance		1,448	1,285
Fringe benefit tax (FBT)		98	94
Payroll tax		113	108
Training costs (other than salaries and wages)		217	323
Other		438	436
<b>Total employee costs</b>		<b>41,325</b>	<b>40,948</b>
Less: capitalised costs		(1,038)	(959)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>40,287</b>	<b>39,989</b>
Number of 'full-time equivalent' employees (FTE) at year end		451	456
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		3,611	3,759
<b>Total interest bearing liability costs expensed</b>		<b>3,611</b>	<b>3,759</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	30	43
– Other liabilities		137	162
<b>Total other borrowing costs</b>		<b>167</b>	<b>205</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,778</b>	<b>3,964</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		20,880	21,080
Contractor and consultancy costs		7,416	6,980
Auditors remuneration <sup>(1)</sup>		126	86
Legal expenses:			
– Legal expenses: planning and development		13	75
– Legal expenses: debt recovery		95	122
– Legal expenses: other		261	430
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		46	142
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>28,837</b>	<b>28,916</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		108	–
<b>Remuneration for audit and other assurance services</b>		<b>108</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>108</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(ii) Audit and other assurance services</b>			
– Audit and review of financial statements and compliance audits: Crowe Horwath		18	86
<b>Remuneration for audit and other assurance services</b>		<b>18</b>	<b>86</b>
<b>Total remuneration of other Council's Auditors</b>		<b>18</b>	<b>86</b>
<b>Total Auditor remuneration</b>		<b>126</b>	<b>86</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		46	142
		<b>46</b>	<b>142</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		1,101	1,347
Office equipment		393	422
Furniture and fittings		65	65
Infrastructure:			
– Buildings – non-specialised		2,093	2,091
– Buildings – specialised		1,401	1,444
– Other structures		900	1,045
– Roads		16,786	18,180
– Bridges		486	489
– Footpaths		738	744
– Stormwater drainage		1,851	1,845
– Sewerage network		4,953	5,212
– Swimming pools		17	17
– Other open space/recreational assets		1,284	522
Other assets			
– Other		4,326	2,174
Asset reinstatement costs	9 & 26	59	60
<b>Total gross depreciation and amortisation costs</b>		<b>36,453</b>	<b>35,657</b>
Less: capitalised costs		(202)	(229)
<b>Total depreciation and amortisation costs</b>		<b>36,251</b>	<b>35,428</b>
<b>Impairment</b>			
Infrastructure:			
– Buildings – specialised		–	39
<b>Total gross impairment costs</b>		<b>–</b>	<b>39</b>
Less: IPP&E impairments (to)/from equity	9a	–	(28)
<b>Total impairment costs</b>		<b>–</b>	<b>11</b>
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>36,251</b>	<b>35,439</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Bad and doubtful debts		–	104
Cost of sales		405	380
Contributions/levies to other levels of government			
– Bushfire fighting fund		384	359
– Emergency services levy (includes FRNSW, SES, and RFS levies)		118	108
– NSW fire brigade levy		446	437
– REROC		48	48
– Riverina Regional Library		1,190	1,153
– Valuation fees		182	176
Councillor expenses – mayoral fee		40	40
Councillor expenses – councillors' fees		171	201
Donations, contributions and assistance to other organisations (Section 356)		405	203
Election expenses		326	1
Electricity and heating		1,682	1,647
Fair value decrements – I,PP&E	9(a)	–	1,746
Fair value decrements – investment properties	14	50	–
Fire and emergency services levy (FESL) implementation costs		4	–
Insurance		1,375	1,291
Postage		162	131
Reinstatement of infrastructure assets		95	371
Street lighting		1,104	889
Subscriptions and publications		50	41
Telephone and communications		341	402
Water		843	864
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>9,421</u></b>	<b><u>10,593</u></b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		10	579
Less: carrying amount of property assets sold/written off		(100)	(622)
<b>Net gain/(loss) on disposal</b>		<b>(90)</b>	<b>(43)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		504	932
Less: carrying amount of plant and equipment assets sold/written off		(588)	(947)
<b>Net gain/(loss) on disposal</b>		<b>(84)</b>	<b>(15)</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		2,420	–
Less: carrying amount of infrastructure assets sold/written off		(5,135)	(4,008)
<b>Net gain/(loss) on disposal</b>		<b>(2,715)</b>	<b>(4,008)</b>
<b>Investment properties</b>			
Proceeds from disposal – investment properties		463	220
Less: carrying amount of investment properties sold/written off		(480)	(220)
<b>Net gain/(loss) on disposal</b>		<b>(17)</b>	<b>–</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		27,017	34,138
Less: carrying amount of financial assets sold/redeemed/matured		(27,017)	(34,138)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(2,906)</b>	<b>(4,066)</b>



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		12,259	–	9,515	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		374	–	270	–
– Short-term deposits		2,000	–	–	–
<b>Total cash and cash equivalents</b>		<b>14,633</b>	<b>–</b>	<b>9,785</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Managed funds		–	1,291	–	1,158
– Long term deposits		27,989	13,000	26,000	10,989
– Floating rate notes		6,024	45,395	4,047	41,590
<b>Total investments</b>		<b>34,013</b>	<b>59,686</b>	<b>30,047</b>	<b>53,737</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>48,646</b>	<b>59,686</b>	<b>39,832</b>	<b>53,737</b>

<sup>1</sup> 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'	<b>14,633</b>	<b>–</b>	<b>9,785</b>	<b>–</b>
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**Investments**

a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	6,024	46,686	4,047	42,747
b. 'Held to maturity'	27,989	13,000	26,000	10,990
<b>Investments</b>	<b>34,013</b>	<b>59,686</b>	<b>30,047</b>	<b>53,737</b>

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 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	48,646	59,686	39,832	53,737
<b>attributable to:</b>				
External restrictions (refer below)	9,620	59,686	5,752	53,737
Internal restrictions (refer below)	35,688	–	31,049	–
Unrestricted	3,338	–	3,031	–
	<b>48,646</b>	<b>59,686</b>	<b>39,832</b>	<b>53,737</b>

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

## External restrictions – included in liabilities

Employee leave – sewer and waste (G)	778	29	(15)	792
<b>External restrictions – included in liabilities</b>	<b>778</b>	<b>29</b>	<b>(15)</b>	<b>792</b>

## External restrictions – other

Developer contributions – general (D)	19,389	7,540	(4,982)	21,947
Specific purpose unexpended grants (F)	3,366	–	(83)	3,283
Sewerage services (G)	20,264	2,717	–	22,981
Sewerage services – unexpended contributions (G)	601	14	–	615
Domestic waste management (G)	12,446	3,491	(454)	15,483
Stormwater management (G)	2,538	403	–	2,941
Other unexpended contributions	107	–	(9)	98
Special Rate Variation - Levee Bank	–	1,167	–	1,167
<b>External restrictions – other</b>	<b>58,711</b>	<b>15,332</b>	<b>(5,528)</b>	<b>68,515</b>
<b>Total external restrictions</b>	<b>59,489</b>	<b>15,361</b>	<b>(5,543)</b>	<b>69,306</b>

**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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	5,146	2,064	(1,315)	5,894
Employees leave entitlement	3,353	391	(559)	3,185
Airport	203	225	(56)	372
Bridge replacement	647	100	(506)	241
CBD carparking facilities	936	–	(44)	892
CCTV	54	10	–	64
Cemetery perpetual	124	90	(56)	158
Civil projects	156	–	–	156
Community Amenities	6	–	–	6
Council election	418	100	(351)	167
Estella community centre	231	–	–	231
Family day care	136	34	–	170
Fit for the Future	952	2,125	(43)	3,033
Grant commission reserve	–	4,957	–	4,957
Gravel pit restoration	738	28	(4)	761
Gurwood st property	50	–	–	50
Industrial land development	329	–	(329)	0
Information services E / business	379	–	–	379
Infrastructure improvements / replacement	77	214	(155)	136
Insurance Premium Savings	29	–	–	29
Internal loans	1,290	1,558	(2,174)	675
Lake Albert improvements	114	–	(60)	54
LEP preparation	39	15	(25)	29
Livestock marketing centre	8,095	1,422	(2,250)	7,267
Environmental conservation	101	30	–	131
Oasis building renewal	122	50	–	172
Oasis plant	1,005	110	–	1,115
Other building improvements	86	56	–	142
Other cemetery	309	154	(270)	193
Other operational	1,309	954	(847)	1,416
Parks and recreation reserve	91	–	(12)	79
Project carryovers	1,842	1,277	(1,842)	1,277
Public art reserve	169	147	(142)	174
Rates advance reserve	1,083	–	(1,083)	–
Robertson oval	87	–	–	87
Silverlite reserve	30	–	(30)	0
Stormwater drainage	474	–	(291)	183
Strategic real property	5	775	(77)	703
Street lighting replacement	45	30	–	75
Subdivision tree planting	196	144	(67)	273
Sustainable energy	430	90	–	520
Unexpended external loans	163	–	(163)	–
Emergency events	–	134	–	134
Traffic committee	–	50	–	50
Playground equipment replacement	–	59	–	59
<b>Total internal restrictions</b>	<b>31,049</b>	<b>17,390</b>	<b>(12,751)</b>	<b>35,688</b>
<b>TOTAL RESTRICTIONS</b>	<b>90,538</b>	<b>32,751</b>	<b>(18,295)</b>	<b>104,994</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		2,944	–	3,209	–
Interest and extra charges		319	–	384	–
User charges and fees		3,648	–	3,528	–
Accrued revenues					
– Interest on investments		452	–	786	–
– Other income accruals		102	–	51	–
Deferred debtors		46	44	248	2,285
Government grants and subsidies		10,990	–	1,279	–
Net GST receivable		1,054	–	667	–
Other debtors		733	–	666	–
<b>Total</b>		<b>20,288</b>	<b>44</b>	<b>10,818</b>	<b>2,285</b>
<b>Less: provision for impairment</b>					
User charges and fees		(34)	–	(43)	–
Other debtors		–	–	(41)	(2,112)
<b>Total provision for impairment – receivables</b>		<b>(34)</b>	<b>–</b>	<b>(84)</b>	<b>(2,112)</b>
<b>TOTAL NET RECEIVABLES</b>		<b>20,254</b>	<b>44</b>	<b>10,734</b>	<b>173</b>
<b>Externally restricted receivables</b>					
<b>Sewerage services</b>					
– Rates and availability charges		754	–	785	–
– Other		1,296	–	1,325	–
<b>Domestic waste management</b>		<b>1,124</b>	<b>–</b>	<b>991</b>	<b>–</b>
<b>Stormwater management</b>		<b>39</b>	<b>–</b>	<b>44</b>	<b>–</b>
<b>Other</b>					
– Unexpended grants		62	–	201	–
– Unexpended contributions		372	–	–	–
– Other restricted receivables developer contributions		–	–	90	90
<b>Total external restrictions</b>		<b>3,647</b>	<b>–</b>	<b>3,436</b>	<b>90</b>
<b>Internally restricted receivables</b>					
– Livestock marketing centre		353	–	343	–
– Airport		705	–	678	–
<b>Internally restricted receivables</b>		<b>1,058</b>	<b>–</b>	<b>1,020</b>	<b>–</b>
<b>Unrestricted receivables</b>		<b>15,549</b>	<b>44</b>	<b>6,277</b>	<b>83</b>
<b>TOTAL NET RECEIVABLES</b>		<b>20,254</b>	<b>44</b>	<b>10,734</b>	<b>173</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Wagga Wagga City Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		–	–	282	–
Stores and materials		2,059	–	2,238	–
Trading stock		101	–	97	–
<b>Total inventories at cost</b>		<b>2,160</b>	<b>–</b>	<b>2,617</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>2,160</b>	<b>–</b>	<b>2,617</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		510	–	531	–
<b>TOTAL OTHER ASSETS</b>		<b>510</b>	<b>–</b>	<b>531</b>	<b>–</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Nil					
<b>Sewerage</b>					
Stores and materials		451	–	486	–
Prepayments		6	–	1	–
<b>Total sewerage</b>		<b>457</b>	<b>–</b>	<b>487</b>	<b>–</b>
<b>Domestic waste management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>457</b>	<b>–</b>	<b>487</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>2,213</b>	<b>–</b>	<b>2,661</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>2,670</b>	<b>–</b>	<b>3,148</b>	<b>–</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
<b>Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	–	–	23	–
Industrial/commercial	–	–	259	–
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>282</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	–	–	136	–
Development costs	–	–	15	–
Borrowing costs	–	–	131	–
<b>Total costs</b>	<b>–</b>	<b>–</b>	<b>282</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>282</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	282	–	282	–
– Purchases and other costs	(1)	–	–	–
– Transfers in from (out to) Note 9	(282)	–	–	–
<b>Total real estate for resale</b>	<b>–</b>	<b>–</b>	<b>282</b>	<b>–</b>

**(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 2017

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

Asset class	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	6,837	–	6,837	22,728	2,876	(126)	–	(2,963)	–	–	–	–	29,351	–	29,351
Plant and equipment	25,633	13,000	12,633	–	1,676	(588)	(1,101)	–	–	–	–	–	26,353	13,733	12,620
Office equipment	4,353	3,246	1,107	–	519	–	(393)	–	–	–	–	–	4,871	3,638	1,233
Furniture and fittings	2,808	2,460	348	–	–	–	(65)	–	–	–	–	–	2,808	2,526	282
<b>Land:</b>															
– Operational land	58,342	–	58,342	–	3,672	(100)	–	–	–	282	(294)	–	61,902	–	61,902
– Community land	151,066	–	151,066	–	51	–	–	–	–	–	(69,030)	–	82,087	–	82,087
– Land under roads	7,703	–	7,703	–	–	–	–	–	–	–	–	760	8,463	–	8,463
<b>Infrastructure:</b>															
– Buildings – non-specialised	81,460	36,034	45,426	246	50	(72)	(2,093)	135	–	–	–	–	81,288	37,597	43,691
– Buildings – specialised	53,032	18,490	34,542	266	114	(3,381)	(1,401)	857	–	–	–	–	50,568	19,570	30,998
– Other structures	33,872	9,704	24,168	–	201	(49)	(900)	19	–	–	–	–	33,979	10,539	23,440
– Roads	820,689	347,342	473,346	9,611	3,907	(1,377)	(16,786)	963	–	–	–	–	824,610	354,946	469,664
– Bridges	44,285	13,844	30,441	–	–	–	(486)	–	–	–	–	–	44,285	14,330	29,955
– Footpaths	29,550	14,353	15,197	–	401	(9)	(738)	–	–	–	–	–	29,926	15,075	14,851
– Stormwater drainage	252,802	49,447	203,355	398	4,029	–	(1,851)	–	–	–	–	–	257,229	51,298	205,931
– Sewerage network	353,500	101,670	251,830	1,463	839	–	(4,953)	953	–	–	–	12,343	345,401	82,926	262,475
– Swimming pools	1,684	154	1,530	–	–	–	(17)	–	–	–	–	1,526	4,000	960	3,040
– Other open space/recreational assets	25,658	9,348	16,310	140	357	(121)	(1,284)	–	–	–	–	–	25,751	10,350	15,401
<b>Other assets:</b>															
– Artworks	5,088	–	5,088	–	117	–	–	–	–	–	–	–	5,205	–	5,205
– Other	64,768	13,426	51,342	–	175	–	(4,326)	36	–	–	–	–	64,979	17,752	47,227
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>															
– Tip assets	428	428	–	–	–	–	–	–	475	–	–	–	903	428	475
– Quarry assets	1,331	214	1,117	–	–	–	(59)	–	(566)	–	–	–	765	273	492
– Sewer Remediation Asset	1,362	1,362	–	–	–	–	–	–	–	–	–	–	–	–	–
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>2,026,250</b>	<b>634,522</b>	<b>1,391,728</b>	<b>34,852</b>	<b>18,984</b>	<b>(5,823)</b>	<b>(36,453)</b>	<b>–</b>	<b>(91)</b>	<b>282</b>	<b>(69,323)</b>	<b>14,629</b>	<b>1,984,724</b>	<b>635,941</b>	<b>1,348,783</b>

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

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Sewerage services</b>						
WIP	1,327	–	1,327	2,013	–	2,013
Plant and equipment	177	155	22	177	154	23
Office equipment	9	9	–	9	9	(0)
Furniture and fittings	12	12	(0)	12	11	1
Land						
– Operational land	2,592	–	2,592	3,703	–	3,703
– Community land	330	–	330	–	–	–
Other structures	61	17	44	61	15	46
Infrastructure	345,401	82,926	262,475	354,862	103,031	251,831
<b>Total sewerage services</b>	<b>349,909</b>	<b>83,118</b>	<b>266,790</b>	<b>360,837</b>	<b>103,221</b>	<b>257,617</b>
<b>Domestic waste management</b>						
WIP	199	–	199	38	–	38
Plant and equipment	298	298	0	298	294	4
Office equipment	82	82	–	82	82	0
Furniture and fittings	3	3	–	3	3	(0)
Land						
– Operational land	1,498	–	1,498	1,495	–	1,495
Buildings	2,579	596	1,983	2,579	530	2,049
Other structures	690	322	368	690	295	395
Other assets	5,988	1,767	4,220	5,512	1,075	4,437
<b>Total DWM</b>	<b>11,337</b>	<b>3,068</b>	<b>8,269</b>	<b>10,698</b>	<b>2,279</b>	<b>8,419</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>361,245</b>	<b>86,186</b>	<b>275,059</b>	<b>371,535</b>	<b>105,500</b>	<b>266,036</b>

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

\$ '000	Notes	Actual 2017	Actual 2016
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## (i) Impairment losses recognised in the Income Statement:

Aircraft Painting & Refurbishment Hangar Impairment		–	(11)
<b>Total impairment losses</b>		–	<b>(11)</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4(d)	–	<b>(11)</b>

## (ii) Impairment losses recognised direct to equity (ARR):

Buildings Amenities Impairment - Webb Pk & Henwood Pk		–	(28)
<b>Total impairment losses</b>		–	<b>(28)</b>
<b>IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)</b>	20 (ii)	–	<b>(28)</b>



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		4,442	–	4,043	–
Goods and services – capital expenditure		6,305	–	1,739	–
Accrued expenses:					
– Borrowings		217	–	224	–
– Salaries and wages		159	–	32	–
– Other expenditure accruals		71	–	48	–
Security bonds, deposits and retentions		3,082	–	2,840	–
Other		74	–	209	–
<b>Total payables</b>		<b>14,350</b>	<b>–</b>	<b>9,135</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		2,603	–	1,345	–
<b>Total income received in advance</b>		<b>2,603</b>	<b>–</b>	<b>1,345</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		2,461	49,095	2,352	51,556
<b>Total borrowings</b>		<b>2,461</b>	<b>49,095</b>	<b>2,352</b>	<b>51,556</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		4,116	–	4,197	–
Long service leave		7,308	185	7,761	196
Other leave – TOIL		118	–	91	–
Other leave – RDO		48	–	80	–
Sub-total – aggregate employee benefits		<b>11,590</b>	<b>185</b>	<b>12,129</b>	<b>196</b>
Asset remediation/restoration (future works) <sup>26</sup>		15	1,433	485	1,383
<b>Total provisions</b>		<b>11,605</b>	<b>1,618</b>	<b>12,614</b>	<b>1,579</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>31,019</b>	<b>50,713</b>	<b>25,446</b>	<b>53,135</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Sewer		2,499	31,536	2,494	32,301
Domestic waste management		1,881	475	1,525	2
Stormwater Management		15	–	–	–
Liabilities relating to externally restricted assets		<b>4,395</b>	<b>32,011</b>	<b>4,019</b>	<b>32,303</b>
<b>Internally restricted assets</b>					
Livestock Marketing Centre		1,195	2	370	3
Airport		1,162	8,413	1,173	9,450
Liabilities relating to internally restricted assets		<b>2,357</b>	<b>8,415</b>	<b>1,543</b>	<b>9,454</b>
<b>Total liabilities relating to restricted assets</b>		<b>6,753</b>	<b>40,426</b>	<b>5,563</b>	<b>41,757</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>24,266</b>	<b>10,287</b>	<b>19,883</b>	<b>11,378</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>31,019</b>	<b>50,713</b>	<b>25,446</b>	<b>53,135</b>

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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##### (ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	7,832	8,437
	<u>7,832</u>	<u>8,437</u>

#### Note 10b. Description of and movements in provisions

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	4,197	1,991	(2,039)	(33)	–	4,116
Long service leave	7,957	106	(466)	(104)	–	7,493
Other leave	171	(5)	–	–	–	166
Asset remediation	1,868	475	(924)	30	–	1,448
<b>TOTAL</b>	<b>14,193</b>	<b>2,567</b>	<b>(3,429)</b>	<b>(108)</b>	<b>–</b>	<b>13,223</b>

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

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	14,633	9,785
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>14,633</b>	<b>9,785</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>32,579</b>	<b>4,259</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		36,251	35,428
Net losses/(gains) on disposal of assets		2,906	4,066
Non-cash capital grants and contributions		(8,460)	(9,191)
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'		(583)	35
– Investment properties		50	(100)
– Write offs relating to the fair valuation of I,PP&E		–	1,746
– Other		(766)	58
Unwinding of discount rates on reinstatement provisions		30	43
Share of net (profits) or losses of associates/joint ventures		(69)	48
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(9,672)	713
Increase/(decrease) in provision for doubtful debts		(2,162)	21
Decrease/(increase) in inventories		175	(129)
Decrease/(increase) in other assets		21	(95)
Increase/(decrease) in payables		399	(580)
Increase/(decrease) in accrued interest payable		(7)	(61)
Increase/(decrease) in other accrued expenses payable		150	(384)
Increase/(decrease) in other liabilities		1,365	1,126
Increase/(decrease) in employee leave entitlements		(550)	214
Increase/(decrease) in other provisions		(450)	(391)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>51,208</b>	<b>36,837</b>

# Wagga Wagga City Council

## Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
S94 contributions 'in kind'		8,388	9,037
Art gallery donated		72	154
<b>Total non-cash investing and financing activities</b>		<b>8,460</b>	<b>9,191</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		500	500
Credit cards/purchase cards		400	400
<b>Total financing arrangements</b>		<b>900</b>	<b>900</b>

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 2017

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		616	160
Plant and equipment		–	28
Parks and sportsgrounds		357	684
Sewerage infrastructure		564	292
Waste management services		10	87
Infrastructure		8,772	493
Other		168	86
<b>Total commitments</b>		<b>10,487</b>	<b>1,831</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		10,487	1,831
<b>Total payable</b>		<b>10,487</b>	<b>1,831</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		332	191
Future grants and contributions		5,816	289
Unexpended grants		–	1
Externally restricted reserves		1,680	444
Internally restricted reserves		2,211	579
New loans (to be raised)		444	194
Other funding sale of assets		4	132
<b>Total sources of funding</b>		<b>10,487</b>	<b>1,831</b>

**(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	2	18
Later than one year and not later than 5 years	–	2
<b>Total non-cancellable operating lease commitments</b>	<b>2</b>	<b>20</b>

**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 2017

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2017	2017	2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(7,111)</u>	<b>-6.38%</b>	-13.90%	-2.41%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>111,413</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>90,783</u>	<b>59.18%</b>	69.27%	66.36%	>60.00%
Total continuing operating revenue <sup>(1)</sup> inclusive of all grants and contributions	<b>153,408</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>57,846</u>	<b>3.08x</b>	3.39x	2.68x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>18,792</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>32,918</u>	<b>5.37x</b>	4.03x	3.75x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>6,130</b>				
<b>5. Rates and annual charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>3,263</u>	<b>5.10%</b>	5.91%	6.21%	< 5% Metro
Rates, annual and extra charges collectible	<b>63,942</b>				<10% Rural
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>55,622</u>	<b>7.22 mths</b>	6.2 mths	7.4 mths	> 3 mths
Payments from cash flow of operating and financing activities	<b>7,703</b>				

## Notes

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

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

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

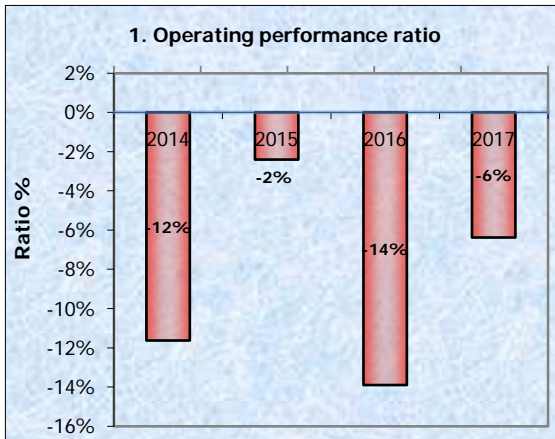
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> 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 2017

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



**Purpose of operating performance ratio**

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

**Commentary on 2016/17 result**

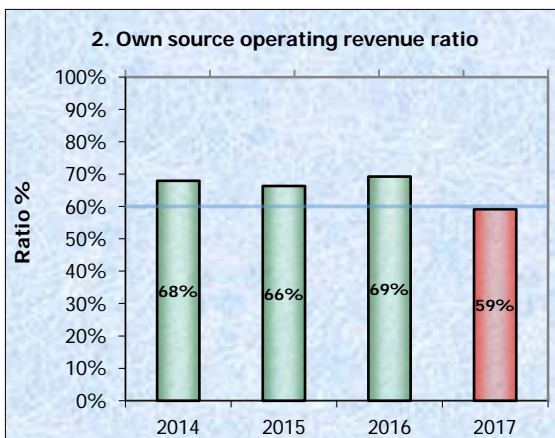
**2016/17 ratio -6.38%**

Council's Operating performance ratio has increased from -13.90% in 2015/16 to -6.38% in 2016/17. This is mainly due to Council receiving 50% of its 2017/18 Financial Assistance Grants in advance. This income of \$4,594K was received by Council in early June 2017.

Benchmark: — Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2016/17 result**

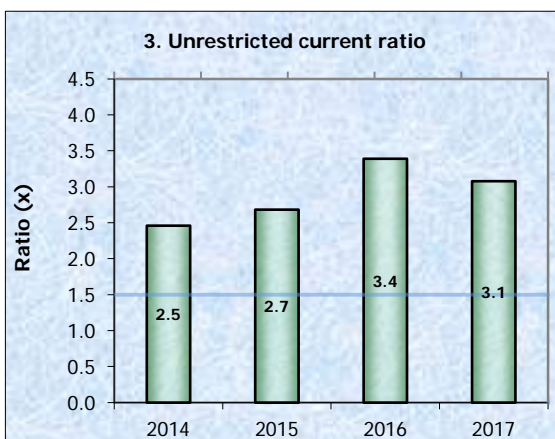
**2016/17 ratio 59.18%**

Council's Own Source Operating revenue ratio of 59.18% has fallen below the benchmark of 60% due to significantly increased operating and capital grants & contributions received during 2016/17. Prior to this, Council's ratio had remained consistent throughout the comparative years.

Benchmark: — Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2016/17 result**

**2016/17 ratio 3.08x**

This ratio indicates that Council currently has \$3.08 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities, including loan repayments and payables. A ratio of 3.08x is considered sound and clearly demonstrates Council's ability to satisfy short term obligations.

Benchmark: — Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

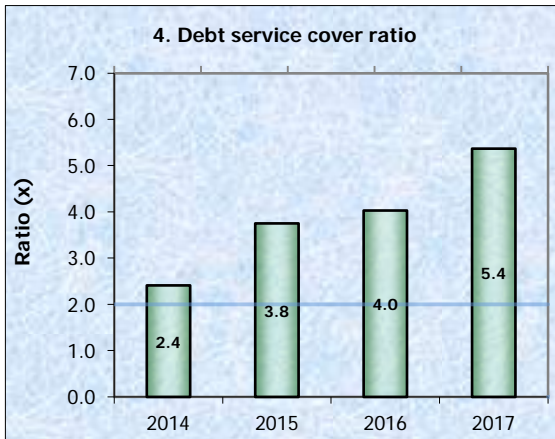
Ratio achieves benchmark  
 Ratio is outside benchmark



# Wagga Wagga City Council

## Notes to the Financial Statements for the year ended 30 June 2017

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



**Purpose of debt service cover ratio**

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



**Commentary on 2016/17 result**

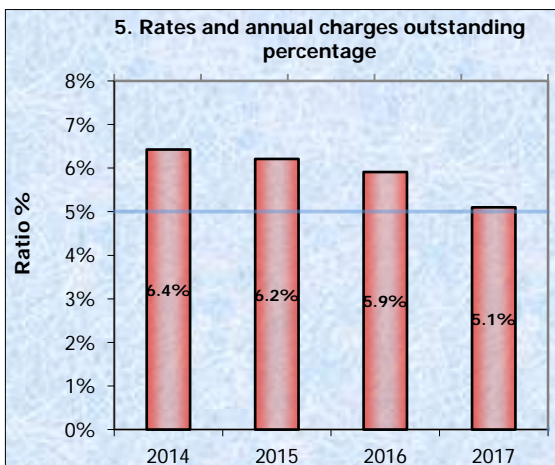
**2016/17 ratio 5.37x**

With a ratio of 5.37x, Council has the ability to generate sufficient cash to cover its debt repayments. Council has consistently been above the minimum benchmark of 2.00x.

Benchmark: ——— Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 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 2016/17 result**

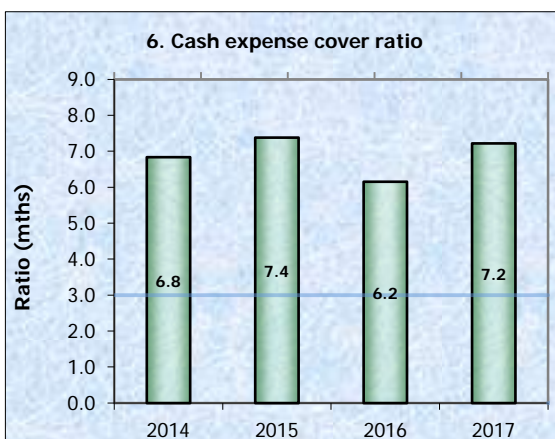
**2016/17 ratio 5.10%**

This ratio indicated the percentage of outstanding Rates & Annual charges at the end of the financial year. Council has continued to decrease the value of outstanding rates & annual charges and has resulted in 5.10% being outstanding at 30 June 2017. This has decreased significantly from 7.23% in 2012/13. Council has set a goal to reduce this ratio to below the 5% mark.

Benchmark: ——— Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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



**Commentary on 2016/17 result**

**2016/17 ratio 7.22 mths**

Council's ability to continue paying for its immediate expenses without additional cash flow is outlined by its cash expense cover ratio of 7.22 months. This result continues to be in excess of the minimum 3.00 month benchmark.

Benchmark: ——— Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2017	2016	2017	2016	
<b>Local government industry indicators – by fund</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>-6.36%</b>	-14.14%	<b>-6.52%</b>	-12.69%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions					
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>54.98%</b>	66.10%	<b>87.68%</b>	87.34%	>60.00%
Total continuing operating revenue <sup>(1)</sup> inclusive of all grants and contributions					
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>3.08x</b>	3.39x	<b>5.02x</b>	4.60x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>					

#### 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 2017

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

\$ '000	General indicators <sup>5</sup>		Sewer indicators		Benchmark
	2017	2016	2017	2016	
<b>Local government industry indicators – by fund (continued)</b>					
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>8.50x</b>	6.04x	<b>2.07x</b>	1.84x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)					
<b>5. Rates and annual charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>4.83%</b>	5.66%	<b>6.27%</b>	7.04%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible					
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>7.00</b>	5.91	<b>8.41</b>	7.47	> 3 months
Payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	

## Notes

(1) 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 2017

#### Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>2,800</u>	<u>3,330</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		3,330	3,450
– Disposals during year		(480)	(220)
– Net gain/(loss) from fair value adjustments		(50)	100
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>		<b><u>2,800</u></b>	<b><u>3,330</u></b>

#### (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.

The 2017 revaluations were based on independent assessments made by:  
Craig J Barrett, Certified Practising Valuer (No. 69076), Opteon Property Group

#### (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

<b>Rental income from investment properties:</b>			
– Minimum lease payments		376	342
<b>Direct operating expenses on investment properties:</b>			
– that generated rental income		(30)	(39)
<b>Net revenue contribution from investment properties</b>		<b><u>346</u></b>	<b><u>303</u></b>
plus:			
<b>Fair value movement for year</b>		<b><u>(50)</u></b>	<b><u>100</u></b>
<b>Total income attributable to investment properties</b>		<b><u>296</u></b>	<b><u>403</u></b>

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 2017

#### 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	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	14,633	9,785	14,633	9,785
Investments				
– 'Designated at fair value on initial recognition'	52,709	46,794	52,709	46,794
– 'Held to maturity'	40,990	36,990	40,990	36,990
Receivables <sup>(1)</sup>	19,244	10,240	19,244	10,240
<b>Total financial assets</b>	<b>127,576</b>	<b>103,809</b>	<b>127,576</b>	<b>103,809</b>
<b>Financial liabilities</b>				
Payables	14,350	9,135	14,350	9,135
Loans/advances	51,556	53,908	51,556	53,908
<b>Total financial liabilities</b>	<b>65,906</b>	<b>63,043</b>	<b>65,906</b>	<b>63,043</b>

Fair value is determined as follows:

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 10% movement in market values	129	129	(129)	(129)
Possible impact of a 1% movement in interest rates	641	641	(641)	(641)
<b>2016</b>				
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)

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	43%	95%	27%	78%
Overdue	57%	5%	73%	22%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	1,274	15,424	853	7,027
< 1 year overdue	0 – 30 days overdue	1,108	484	1,211	1,197
1 – 2 years overdue	31 – 60 days overdue	286	161	339	412
2 – 5 years overdue	61 – 90 days overdue	230	9	521	151
> 5 years overdue	> 91 days overdue	46	256	284	440
		<b>2,944</b>	<b>16,334</b>	<b>3,209</b>	<b>9,227</b>

##### (iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	2,196	2,175
+ new provisions recognised during the year	34	43
– amounts already provided for and written off this year	(2,195)	(23)
<b>Balance at the end of the year</b>	<b>35</b>	<b>2,195</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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		
<b>2017</b>									
Trade/other payables	3,082	11,268	–	–	–	–	–	14,350	14,350
Loans and advances	–	5,929	5,909	5,590	5,591	5,591	58,632	87,241	51,556
<b>Total financial liabilities</b>	<b>3,082</b>	<b>17,197</b>	<b>5,909</b>	<b>5,590</b>	<b>5,591</b>	<b>5,591</b>	<b>58,632</b>	<b>101,590</b>	<b>65,906</b>
<b>2016</b>									
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
<b>Total financial liabilities</b>	<b>2,840</b>	<b>12,265</b>	<b>5,929</b>	<b>5,909</b>	<b>5,590</b>	<b>5,591</b>	<b>64,222</b>	<b>102,346</b>	<b>63,043</b>

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	14,350	0.00%	9,135	0.00%
Loans and advances – fixed interest rate	51,556	6.83%	53,908	6.81%
	<u>65,906</u>		<u>63,043</u>	



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 27 June 2016.

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	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	60,642	60,035	(607)	(1%)	<b>U</b>
User charges and fees	23,631	23,698	67	0%	<b>F</b>
Interest and investment revenue	3,407	4,184	777	23%	<b>F</b>
<p>The City of Wagga Wagga's interest on investments outperformed budget for the 2016/17 financial year. This is due to the investment portfolio maintaining a larger balance than originally budgeted. The larger balance was mainly as a result of a number of large capital projects not being as far advanced as originally predicted. A variation was reported to Council at its April 2017 meeting.</p>					
Other revenues	3,123	3,449	326	10%	<b>F</b>
<p><u>Fees Lease of Council Property - \$348K favourable</u> Council received \$140K in rental income for the Douglas Aerospace Hangar for a seven month period during the 2016/17 year. The income from the Douglas Aerospace Hangar was not budgeted for. Rental income for Dampier St (\$33K) and Gurwood St (\$58K) properties also exceeded budget.</p>					
<p><u>Other Revenue - \$139K favourable</u> Council received income during 2016/17 for Centrelink Paid Parental Leave income and Long Service Leave income. These income types are not budgeted for.</p>					
<p><u>Diesel Fuel Rebate - \$103K favourable</u> Due to a Fuel Tax Credit Review being undertaken it has resulted in increased income received by Council during the 2016/17 Financial Year.</p>					
<p><u>Fines – (\$706K) unfavourable</u> The Regulatory Services Division experienced a reduction in Traffic Parking fines income which can be attributed to changes in behaviour by motorists.</p>					
<p><u>Provision for Remediation - \$357 favourable</u> It was identified during the 2016/17 Financial Year that there is no remediation required on the Sewage Treatment Works. The result of this is a significant adjustment to the provision and a favourable adjustment.</p>					

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>REVENUES (continued)</b>					
<b>Operating grants and contributions</b>	<b>14,780</b>	<b>20,630</b>	<b>5,850</b>	<b>40%</b>	<b>F</b>
The Office of Local Government paid quarters one (1) and two (2) of the 2017/18 Financial Assistance Grant to Council in the 2016/17 financial year. This income of \$4,594K was received by Council in early June 2017.					
<b>Capital grants and contributions</b>	<b>34,768</b>	<b>41,994</b>	<b>7,226</b>	<b>21%</b>	<b>F</b>
<u>Roads &amp; Transport Grants - \$8,104K favourable</u>					
Construction of the Eunony Bridge did not commence in 2016/17 so grant funding was not received. The project budget and income sources have been deferred to future years - \$4,002K.					
Construction of the Bomen RIFL project commenced during 2016/17 and income that was carried over from previous years was received during the 2016/17 Financial Year - (\$12,174K).					
<u>Subdivider Dedications &amp; Contributions - \$8,388K 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>Environmental Program Grants – (\$2,725K) unfavourable</u>					
Construction of the Main City Levee did not commence in 2016/17 so grant funding was not received. The project budget and income sources have been deferred to future years.					
<u>Recreation &amp; Culture Grants - (\$3,974K) unfavourable</u>					
Construction of the Equex Multi Purpose Stadium did not fully commence in 2016/17 so grant funding was not received. The project budget and income sources have been deferred to future years - \$4,400K.					
Various grants were received during the year such as Apex Park Improvements (\$145K), Civic Theatre Auditorium (\$60K), Chambers Park (\$50K), Ashmont Community Hub (\$43K), Tolland Pump Track (\$50K), Henwood Park Footpath (\$47K) and Vehicle Barrier Fencing (\$31K).					
<u>Airport Grants - (\$3,808K) unfavourable</u>					
The upgrade to Code C of Taxiways A, B, D and E did not commence in 2016/17, so grant funding was not received. The project budget and income sources have been deferred to future years.					
<b>Joint ventures and associates - net profits</b>	<b>–</b>	<b>69</b>	<b>69</b>	<b>0%</b>	<b>F</b>
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>42,106</b>	<b>40,287</b>	<b>1,819</b>	<b>4%</b>	<b>F</b>
<b>Borrowing costs</b>	<b>3,953</b>	<b>3,778</b>	<b>175</b>	<b>4%</b>	<b>F</b>
<b>Materials and contracts</b>	<b>30,818</b>	<b>28,837</b>	<b>1,981</b>	<b>6%</b>	<b>F</b>
<b>Depreciation and amortisation</b>	<b>32,405</b>	<b>36,251</b>	<b>(3,846)</b>	<b>(12%)</b>	<b>U</b>
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 is a result of the AASB's decision to change the way in which residual values can be applied to assets. The revaluation of Other Assets, Other Structures and Open Space & Recreational Assets in 2015/16 also contributed to this variation.					
<b>Other expenses</b>	<b>9,398</b>	<b>9,421</b>	<b>(23)</b>	<b>(0%)</b>	<b>U</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>2,906</b>	<b>(2,906)</b>	<b>0%</b>	<b>U</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
<b>Budget variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash flows from operating activities</b>	<b>52,233</b>	<b>51,208</b>	<b>(1,025)</b>	(2.0%)	<b>U</b>
<b>Cash flows from investing activities</b>	<b>(67,837)</b>	<b>(44,008)</b>	<b>23,828</b>	(35.1%)	<b>F</b>
This variation is a result of a number of Council's major capital works projects not being as far progressed as originally budgeted. This, in conjunction with additional grants and contributions received by Council, allowed more funds to invest to mature in line with expected contract payments.					
<b>Cash flows from financing activities</b>	<b>11,256</b>	<b>(2,352)</b>	<b>(13,608)</b>	(120.9%)	<b>U</b>
This variation is due to Council not being required to undertake it's budgeted borrowings program for 2016/17. This was due to a number of major budgeted capital works not requiring this funding during the financial year.					

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	4,781	1,401	–	–	(188)	–	5,994	–
Cycleways and footpaths	13	–	–	–	–	–	13	–
Parking	(139)	–	–	–	–	–	(139)	–
Open space – local	9	–	–	–	–	–	9	–
Open space – city wide	1	–	–	–	–	–	1	–
Open Space – future	5,234	2,051	–	–	(1,493)	–	5,792	–
Open space recoupment – Oasis regional aquatic centre	1,462	241	–	–	–	–	1,703	–
Open space recoupment – netball complex equex	152	24	–	–	–	–	176	–
Open space recoupermnt – skate park central	(55)	3	–	–	–	–	(52)	–
Community facilities	134	–	–	–	–	–	134	–
Community facilities – future – major community facility	473	118	–	–	(277)	–	314	–
Community facilities – future – Lloyd community centre	55	19	–	–	–	–	74	–
Community facilities – future – Estella community centre	176	35	–	–	–	–	211	–

(continued on the next page...)

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions

\$ '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	(48)	154	–	–	(50)	–	56	–
Civic, community and cultural recoupment – civic centre	2,204	361	–	–	(684)	–	1,881	–
Civic, community and cultural recoupment – civic theatre	302	67	–	–	(1)	–	368	–
Plan Management	(35)	79	–	102	(217)	–	(71)	–
<b>S94 contributions – under a plan</b>	<b>14,820</b>	<b>4,553</b>	<b>–</b>	<b>102</b>	<b>(2,910)</b>	<b>–</b>	<b>16,565</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>1,086</b>	<b>419</b>	<b>–</b>	<b>7</b>	<b>(686)</b>	<b>–</b>	<b>826</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>15,906</b>	<b>4,972</b>	<b>–</b>	<b>109</b>	<b>(3,596)</b>	<b>–</b>	<b>17,391</b>	<b>–</b>
S64 contributions	3,663	2,434	–	25	(1,566)	–	4,556	–
<b>Total contributions</b>	<b>19,569</b>	<b>7,406</b>	<b>–</b>	<b>134</b>	<b>(5,162)</b>	<b>–</b>	<b>21,947</b>	<b>–</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	–
Plan Management	(31)	–	–	2	–	–	(29)	–
<b>Total</b>	<b>243</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>245</b>	<b>–</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	4,773	1,401	–	–	(188)	–	5,986	–
Parking	(147)	–	–	–	–	–	(147)	–
Open space – future	5,234	2,051	–	–	(1,493)	–	5,792	–
Open space recoupment – Oasis Regional Aquatic Centre	1,462	241	–	–	–	–	1,703	–
Open space recoupment – netball complex equex	152	24	–	–	–	–	176	–
Open space recoupemnt – skate park central	(55)	3	–	–	–	–	(52)	–
Community facilities – future – major community facility	473	118	–	–	(277)	–	314	–
Community facilities – future – Lloyd community centre	55	19	–	–	–	–	74	–
Community facilities – future – Estella community centre	176	35	–	–	–	–	211	–
Civic, community and cultural recoupment – main street upgrade	(48)	154	–	–	(50)	–	56	–
Civic, community and cultural recoupment – civic centre	2,204	361	–	–	(684)	–	1,881	–
Civic, community and cultural recoupment – civic theatre	302	67	–	–	(1)	–	368	–
Plan Management	(4)	79	–	100	(217)	–	(42)	–
<b>Total</b>	<b>14,577</b>	<b>4,553</b>	<b>–</b>	<b>100</b>	<b>(2,910)</b>	<b>–</b>	<b>16,320</b>	<b>–</b>



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	1,086	419	–	7	(686)	–	826	–
<b>Total</b>	<b>1,086</b>	<b>419</b>	<b>–</b>	<b>7</b>	<b>(686)</b>	<b>–</b>	<b>826</b>	<b>–</b>

**S64 levies under a plan**

## CONTRIBUTION PLAN - STORMWATER 2007

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Stormwater Projects	3,663	899	–	25	(31)	–	4,556	–
<b>Total</b>	<b>3,663</b>	<b>899</b>	<b>–</b>	<b>25</b>	<b>(31)</b>	<b>–</b>	<b>4,556</b>	<b>–</b>

## CONTRIBUTION PLAN - SEWER 2013

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Sewer Projects	–	1,535	–	–	(1,535)	–	–	–
<b>Total</b>	<b>–</b>	<b>1,535</b>	<b>–</b>	<b>–</b>	<b>(1,535)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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. The share of this deficit as at 30 June 2017 (\$21.5M) that can be attributed to Council is 0.82%. Member councils are required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an exact 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 2017

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

\$ '000

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

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

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

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

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

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

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

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

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

##### (iv) Potential Land Remediation

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

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

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

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

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\$ '000

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

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

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

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	69	(48)	1,938	1,865
Associates	—	—	—	—
<b>Total</b>	<b>69</b>	<b>(48)</b>	<b>1,938</b>	<b>1,865</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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	2017	2016
Riverina Regional Library Service	Joint venture	Equity method	1,938	1,865
<b>Total carrying amounts – material joint ventures and associates</b>			<b>1,938</b>	<b>1,865</b>

##### (b) Details

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

##### (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Riverina Regional Library Service	NA	NA	46%	45%	46%	45%	46%	45%

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

	Riverina Regional Library Service	
	2017	2016
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,274	2,258
Other current assets	17	22
<b>Non-current assets</b>	<b>2,816</b>	<b>2,840</b>
<b>Current liabilities</b>		
Other current liabilities	853	1,018
<b>Non-current liabilities</b>		
Non-current financial liabilities	2	1
<b>Net assets</b>	<b>4,253</b>	<b>4,101</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	4,101	4,206
Profit/(loss) for the period	152	(105)
<b>Closing net assets</b>	<b>4,253</b>	<b>4,101</b>
<b>Council's share of net assets (%)</b>	<b>45.6%</b>	<b>45.5%</b>
<b>Council's share of net assets (\$)</b>	<b>1,938</b>	<b>1,865</b>

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities (continued)

\$ '000

##### (b) Joint ventures and associates (continued)

##### (d) Summarised financial information for joint ventures and associates (cont'd)

	<b>Riverina Regional Library Service</b>	
	2017	2016
<b>Statement of comprehensive income</b>		
Income	2,876	2,836
Interest income	25	20
Depreciation and amortisation	(781)	(766)
Other expenses	(1,968)	(2,196)
<b>Profit/(loss) from continuing operations</b>	<b>152</b>	<b>(105)</b>
<b>Profit/(loss) for period</b>	<b>152</b>	<b>(105)</b>
<b>Total comprehensive income</b>	<b>152</b>	<b>(105)</b>
<b>Share of income – Council (%)</b>	<b>45.6%</b>	<b>45.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>69</b>	<b>(48)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>69</b>	<b>(48)</b>

##### (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

None.



## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		851,695	807,902
a. Correction of prior period errors	20 (c)	–	39,471
b. Other comprehensive income (excl. direct to reserves transactions)		(762)	63
c. Net operating result for the year		32,579	4,259
<b>Balance at end of the reporting period</b>		<b>883,513</b>	<b>851,695</b>

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

– Infrastructure, property, plant and equipment revaluation reserve		519,575	573,571
<b>Total</b>		<b>519,575</b>	<b>573,571</b>

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

– Opening balance		573,571	529,493
– Revaluations for the year	9(a)	(54,694)	22,429
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	–	(28)
– Correction of prior period errors	20(c)	698	21,678
<b>– Balance at end of year</b>		<b>519,575</b>	<b>573,571</b>

**TOTAL VALUE OF RESERVES**

<b>519,575</b>	<b>573,571</b>
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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 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
1. Recognition of additional Culverts found		698	
2. Land under Council management (predominately Crown Land), not previously recognised		40,244	
<b>Correction of errors as disclosed in last year's financial statements:</b>			
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
10. Adjustment between prior years retained earnings and asset revaluation reserve (\$773K) due to accounting treatment of Councils Roads Heavy Patching Program			–
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/15 (relating to adjustments for the 30/6/15 reporting year end and prior periods)		40,244	20,904
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 year end)		698	–
<b>Total prior period adjustments – prior period errors</b>		<b>40,942</b>	<b>20,904</b>

#### (d) Voluntary changes in accounting policies

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

#### (e) Changes in accounting estimates

Council made the following changes in accounting estimates during the year:

- Estimated useful lives of Office Equipment assets changed from 3-100 years to 3-20 years
- Estimated useful lives of Sewer assets changed from 9-113 years to 7-210 years
- Estimated useful lives of Other Infrastructure assets changed from 1-100 years to 1-50 years

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 21. Financial result and financial position by fund

Income Statement by fund	Actual	Actual
\$ '000	2017	2017
<b><u>Continuing operations</u></b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>		
Rates and annual charges	12,017	48,018
User charges and fees	4,465	19,233
Interest and investment revenue	394	3,790
Other revenues	380	3,069
Grants and contributions provided for operating purposes	268	20,362
Grants and contributions provided for capital purposes	2,155	39,839
<b>Other income</b>		
Net gains from disposal of assets	–	–
Share of interests in joint ventures and associates using the equity method	–	69
<b>Total income from continuing operations</b>	<b>19,679</b>	<b>134,380</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,939	38,348
Borrowing costs	2,375	1,403
Materials and contracts	6,640	22,197
Depreciation and amortisation	4,955	31,296
Impairment	–	–
Other expenses	2,715	6,706
Net losses from the disposal of assets	–	2,906
Share of interests in joint ventures and associates using the equity method	–	–
<b>Total expenses from continuing operations</b>	<b>18,624</b>	<b>102,856</b>
<b>Operating result from continuing operations</b>	<b>1,055</b>	<b>31,524</b>
<b><u>Discontinued operations</u></b>		
Net profit/(loss) from discontinued operations	–	–
<b>Net operating result for the year</b>	<b>1,055</b>	<b>31,524</b>
<b>Net operating result attributable to each council fund</b>	1,055	31,524
<b>Net operating result attributable to non-controlling interests</b>	–	–
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	(1,100)	(8,315)

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

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

## Wagga Wagga City Council

## Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>		
Cash and cash equivalents	10,045	4,588
Investments	–	34,013
Receivables	2,050	18,204
Inventories	451	1,709
Other	6	504
<b>Total current assets</b>	<b>12,552</b>	<b>59,018</b>
<b>Non-current assets</b>		
Investments	13,551	46,135
Receivables	–	44
Inventories	–	–
Infrastructure, property, plant and equipment	266,935	1,081,848
Investments accounted for using the equity method	–	1,938
Investment property	–	2,800
<b>Total non-current assets</b>	<b>280,486</b>	<b>1,132,765</b>
<b>TOTAL ASSETS</b>	<b>293,038</b>	<b>1,191,783</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,114	13,236
Income received in advance	–	2,603
Borrowings	665	1,796
Provisions	720	10,885
<b>Total current liabilities</b>	<b>2,499</b>	<b>28,520</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	31,527	17,568
Provisions	9	1,609
<b>Total non-current liabilities</b>	<b>31,536</b>	<b>19,177</b>
<b>TOTAL LIABILITIES</b>	<b>34,035</b>	<b>47,697</b>
<b>Net assets</b>	<b>259,003</b>	<b>1,144,086</b>
<b>EQUITY</b>		
Retained earnings	66,799	816,714
Revaluation reserves	192,204	327,372
<b>Total equity</b>	<b>259,003</b>	<b>1,144,086</b>

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2017) 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 23/10/17.

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 2017.

##### **(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 2017 and which are only indicative of conditions that arose after 30 June 2017.

**Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.**

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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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 2017

#### 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	
		2017	2016
Quarries	2018-2133	973	1,516
Sewerage treatment works		–	352
Solid Waste Management	2067	475	–
<b>Balance at end of the reporting period</b>		10(a) <u>1,448</u>	<u>1,868</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.

The main contributor to the movements in the net present values (NPV) for these provisions is due to a review of the methodology in accounting for these assets/operations.

#### Reconciliation of movement in provision for year:

Balance at beginning of year	1,868	2,216
Effect of a change in other calculation estimates used	(193)	(170)
Amortisation of discount (expensed to borrowing costs)	30	43
Expenditure incurred attributable to provisions	(256)	(221)
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<u>1,448</u>	<u>1,868</u>

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### 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:**

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Designated at fair value on initial recognition'	30/06/17	–	52,709	–	52,709
– 'Held to maturity'	30/06/17	–	40,989	–	40,989
<b>Total financial assets</b>		<b>–</b>	<b>93,699</b>	<b>–</b>	<b>93,699</b>
<b>Investment properties</b>					
Commercial and residential properties	30/06/17	–	2,800	–	2,800
<b>Total investment properties</b>		<b>–</b>	<b>2,800</b>	<b>–</b>	<b>2,800</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/17	–	12,620	–	12,620
Office equipment	30/06/17	–	–	1,233	1,233
Furniture and fittings	30/06/17	–	–	282	282
Operational land	30/06/17	–	42,466	19,436	61,902
Community land	30/06/17	–	6,832	75,255	82,087
Buildings non-specialised	30/06/13	–	–	43,691	43,691
Buildings specialised	30/06/13	–	–	30,997	30,997
Other structures	30/06/16	–	–	23,440	23,440
Roads	30/06/15	–	–	469,663	469,663
Bridges	30/06/15	–	–	29,955	29,955
Footpaths	30/06/15	–	–	14,851	14,851
Stormwater drainage	30/06/15	–	–	205,931	205,931
Sewerage network	30/06/17	–	–	262,475	262,475
Swimming pools	30/06/17	–	–	3,040	3,040
Other open space/recreational assets	30/06/16	–	–	15,401	15,401
Artworks	30/06/16	–	5,205	–	5,205
Other assets	30/06/16	–	–	47,227	47,227
Tip remediation assets	30/06/17	–	–	475	475
Quarry assets	30/06/17	–	–	492	492
Land under roads	30/06/17	–	–	8,463	8,463
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>67,124</b>	<b>1,252,308</b>	<b>1,319,431</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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):

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/16	–	46,794	–	46,794
– ‘Held to maturity’	30/06/16	–	36,989	–	36,989
<b>Total financial assets</b>		<b>–</b>	<b>83,783</b>	<b>–</b>	<b>83,783</b>
<b>Investment properties</b>					
Commercial and residential properties	30/06/16	–	3,330	–	3,330
<b>Total investment properties</b>		<b>–</b>	<b>3,330</b>	<b>–</b>	<b>3,330</b>
<b>Infrastructure, property, plant and equipment</b>					
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	–	58,342	–	58,342
Community land	30/06/08	–	–	151,066	151,066
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	–	–	473,347	473,347
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
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>76,063</b>	<b>1,308,828</b>	<b>1,384,891</b>

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

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



## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

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

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

##### **Financial assets**

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

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

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##### **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.

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##### **Investment properties**

Council currently holds 1 investment property:

- 36-40 Gurwood Street, Wagga Wagga

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

All properties have been valued using a direct market comparison and are therefore valued using the Market Approach. The properties were valued on 30/06/2017 by Opteon (Southern Inland NSW), AAPI Certified Practising Valuers.

The valuation technique changed from Market Approach to Income Approach this year due to no market sales information for identical or similar assets.

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## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

###### Roads

This asset class includes 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
- 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 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (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
- Asset Condition
- Estimated useful life of the Asset

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
- Asset Condition
- Estimated useful life of the Asset

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

##### Operational Land

Council's Operational Land was valued externally by Opteon in 2017 using the Market value approach. The valuation took into account only the land component and excluded the added value of any existing structures.

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

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

##### Land under Roads

Land Under Roads has been valued internally using the Englobo method in 2017. The value is calculated using the road reserve area of the LGA, the total LGA area and total LGA land site value.

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

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

##### Community Land

Council's Community Land was valued externally by Opteon Property Group in 2017 using the Market value. The valuation took into account the available market evidence for identical and comparable assets.

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

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

##### Buildings Non-Specialised

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.

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

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

##### 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
- 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 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (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
- Asset Condition
- Estimated useful life of the Asset
- 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
- Asset Condition
- Estimated useful life of the Asset
- Residual Value

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

##### Sewerage Network

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

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

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

This year the valuation method has changed from Depreciated Replacement Cost to the Cost Method as it better reflects the value of the assets.

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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

###### Swimming Pools

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

Swimming Pools were revalued internally in 2017.

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 including filtration equipment, pool blankets, dive boards and energy co-generation system.

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

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

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

## Wagga Wagga City Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (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 external consultant, GHD, to produce the remediation cost estimates for the Quarry Assets for 2016/17. The majority of Council operated quarries are situated on private land, with two located on Council owned land.

The remediation cost estimates include:

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

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

##### Tip Remediation Assets

Council utilised an external consultant, GHD, to produce the remediation cost estimates for the Tip Assets for 2016/17. Council currently only operates a landfill at Gregadoo that will need future remediation.

The remediation cost estimates include:

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

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 2017

## 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
<b>Opening balance – 1/7/15</b>	150,786	47,390	36,856	30,613	480,257	30,954	15,933	202,599	995,387
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)
<b>Closing balance – 30/6/16</b>	<b>151,066</b>	<b>45,425</b>	<b>34,542</b>	<b>24,169</b>	<b>473,347</b>	<b>30,441</b>	<b>15,196</b>	<b>203,355</b>	<b>977,540</b>
Transfers from/(to) level 2 FV hierarchy <sup>27 4(b)</sup>	(6,832)	–	–	–	–	–	–	–	(6,832)
Purchases (GBV)	51	296	380	201	13,518	–	401	4,427	19,274
Disposals (WDV)	–	(72)	(3,381)	(49)	(1,377)	–	(9)	–	(4,888)
Depreciation and impairment	–	(2,093)	(1,401)	(900)	(16,786)	(486)	(738)	(1,851)	(24,255)
Other movement (revaluation) <sup>(1)</sup>	(69,030)	–	–	–	–	–	–	–	(69,030)
Adjustments and transfers	–	135	857	19	963	–	–	–	1,974
<b>Closing balance – 30/6/17</b>	<b>75,255</b>	<b>43,691</b>	<b>30,997</b>	<b>23,440</b>	<b>469,664</b>	<b>29,955</b>	<b>14,851</b>	<b>205,931</b>	<b>893,785</b>

(1) The revaluation movement of \$69,030,000 is due to consideration of the current zoning of the land.

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>251,831</b>	<b>1,530</b>	<b>16,310</b>	<b>–</b>	<b>51,343</b>	<b>–</b>	<b>1,117</b>	<b>1,454</b>	<b>323,585</b>
Purchases (GBV)	2,301	–	497	–	175	–	–	519	3,492
Disposals (WDV)	–	–	(121)	–	–	–	–	–	(121)
Depreciation and impairment	(4,953)	(17)	(1,284)	–	(4,326)	–	(59)	(458)	(11,097)
Other movement (revaluation)	12,343	1,526	–	–	–	–	–	–	13,869
Adjustments and transfers	953	–	–	–	36	475	(566)	–	897
<b>Closing balance – 30/6/17</b>	<b>262,475</b>	<b>3,040</b>	<b>15,401</b>	<b>–</b>	<b>47,227</b>	<b>475</b>	<b>492</b>	<b>1,515</b>	<b>330,625</b>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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)

	Operational Land	Land under roads	Total
<b>Opening balance – 1/7/15</b>	–	7,703	7,703
<b>Closing balance – 30/6/16</b>	<u>–</u>	<u>7,703</u>	<u>7,703</u>
Transfers from/(to) level 2 FV hierarchy 27 4(b)	19,436	–	19,436
Other movement (revaluation)	–	760	760
<b>Closing balance – 30/6/17</b>	<u>19,436</u>	<u>8,463</u>	<u>27,899</u>

## Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E</b>			
Buildings non-specialised	43,691	Market Value	Unit Rate Cost Asset Condition Useful life Residual Value Components
Buildings specialised	30,997	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of Asset Residual Value Components
Other structures	23,440	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Roads	469,663	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 2017

## 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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E (continued)</b>			
Bridges	29,955	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Footpaths	14,851	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset Residual Value
Stormwater drainage	205,931	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Sewerage network	262,475	Cost Method	Unit Rate Cost Asset Condition Estimated useful life of the Asset Residual Value
Swimming pools	3,040	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 2017

## 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 (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
<b>I,PP&amp;E (continued)</b>			
Furniture and fittings, office equip	1,515	Depreciated Historical Cost	Unit Rate Cost Estimated useful life of the Asset Residual Value
Other open space/recreational assets	15,401	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset
Other assets	47,227	Depreciated Replacement Cost	Unit Rate Cost Asset Condition Useful life of the Asset Residual Value
Community Land	75,255	Market Value	Unit Rates per square metre or hectare
Operational Land	19,436	Market Value	Unit Rates per square metre or hectare
Quarry assets	492	Discounted Net Present Value	Value of future expenditure for remediation
Tip Remediation Assets	475	Discounted Net Present Value	Value of future expenditure for remediation
Land under Roads	8,463	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 2017

### Note 28. Related party disclosures

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\$ '000

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#### a. Key management personnel

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

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	1,810
Termination benefits	313
<b>Total</b>	<u><b>2,124</b></u>

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 28. Related party disclosures (continued)

\$ '000

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

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

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Fees & Charges	1	275	13	30 day debtor account	–	–
Other Income		1	0	30 day debtor account	–	–
Lease/Rental Income	2	15	–	30 day debtor account	–	–
Long Term Debtors	3	10	10	Long Term Debtor raised in prior financial year	–	–
Reimbursement for Council related expenses		11	1	30 day creditor payment term	–	–
Subsidy for Charitable organisations		0	–	30 day creditor payment term	–	–
Payment for goods received		10	–	30 day creditor payment term	–	–
Advertisement services	4	39	–	30 day creditor payment term	–	–
Grants and other assistance provided		3	–	30 day creditor payment term	–	–
Use of facilities for Council related functions		2	–	30 day creditor payment term	–	–
Provision of services relating to fleet maintenance		7	–	30 day creditor payment term	–	–
Provision of services relating to graphical design		4	–	30 day creditor payment term	–	–



# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 28. Related party disclosures (continued)

\$ '000

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

Nature of the transaction	Note	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Refund of fees		0	–	30 day creditor payment term	–	–
Provision for labour hire staff	5	305	–	30 day creditor payment term	–	–
Employee expenses relating to close family members of KMP	6	101	–	Council staff award	–	–

#### b (ii). Other transactions with KMP and their related parties (non-monetary)

During 2016/17, KMP's and their related parties submitted to Council for approval, development applications with an estimated value of works of \$4.45M. These development applications were considered and processed by Council's planning staff as part of the normal course of business.

#### Notes

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

# Wagga Wagga City Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 28. Related party disclosures (continued)

\$ '000

#### c. Other related party transactions

<b>Nature of the transaction</b>		<b>Value of transactions during year</b>	<b>Outstanding balance</b> (incl. loans and commitments)	<b>Terms and conditions</b>	<b>Provisions for doubtful debts outstanding</b>	<b>Doubtful debts expense recognised</b>
	Note	\$'000	\$'000		\$'000	\$'000
Contribution to Riverina Regional Library	7	1,190	–	30 day creditor payment term	–	–

Notes

7 Councils 2016/17 contribution to the Riverina Regional Library joint venture as per the RRL Deed of Agreement

# Wagga Wagga City Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 29. Council information and contact details

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**Principal place of business:**

Cnr Morrow and Baylis Streets  
Wagga Wagga NSW 2650

**Contact details**

**Mailing address:**

PO Box 20  
Wagga Wagga NSW 2650

**Opening hours:**

Mon - Fri 8.30am to 5.00pm

**Telephone:** 1300 292 442

**Facsimile:** 02 6926 9199

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

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

**Officers**

**GENERAL MANAGER**

James Bolton

**RESPONSIBLE ACCOUNTING OFFICER**

Carolyn Rodney

**PUBLIC OFFICER**

Natalie Te Pohe

**AUDITORS**

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

**Elected members**

**MAYOR**

Greg Conkey OAM

**COUNCILLORS**

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

**Other information**

**ABN:** 56 044 159 537



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Wagga Wagga City Council**

To the Councillors of Wagga Wagga City Council

## Opinion

I have audited the accompanying financial statements of Wagga Wagga City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 10 October 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf).

The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan  
Director, Financial Audit Services

23 October 2017  
SYDNEY

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

Contact: Lawrissa Chan  
Phone no: 02 9275 7255  
Our ref: D1723940/1799

23 October 2017

Dear Cr Conkey

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Wagga Wagga City Council**

I have audited the general purpose financial statements of the Wagga Wagga City Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2017 \$m	2016 \$m	Variance %
<b>Rates and annual charges revenue</b>	60.0	56.8	5.6 ↑
<b>Grants and contributions revenue</b>	62.6	39.1	60.1 ↑
<b>Operating result for the year</b>	32.6	4.3	658 ↑
<b>Net operating result before capital amounts</b>	(9.4)	(20.1)	53.2 ↑

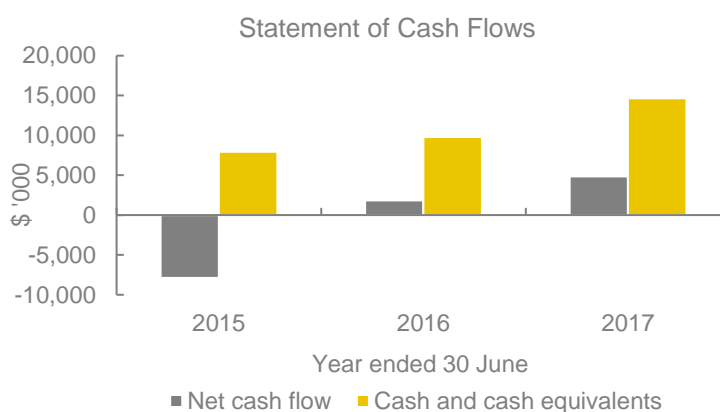
The following comments are made in respect of Council’s operating result for the year:

- Rates and annual charges revenue remained steady with a 5.6 per cent increase from the previous year. The increase is attributable to an increase in rateable properties and the approved rate pegging increase of 1.8 per cent.
- Grants and contributions revenue increased by 60.1 per cent or \$23.5 million from the previous year. The Council received \$20 million for the Riverina Intermodal Freight and Logistics (RIFL) Hub and \$5 million (50 per cent) of its Financial Assistance Grants for 2017-18 in advance.
- The Council’s operating result for the year was a surplus of \$32.6 million for the year ended 30 June 2017 (\$4.3 million for the year ended 30 June 2016). The increase of \$28.3 million (658 per cent) was predominately due to an increase in grants and contributions revenue and rates and annual charges revenue.
- The net operating result for the year before capital grants and contributions was a deficit of \$9.4 million for the year ended 30 June 2017 (deficit of \$20.1 million for the year ended 30 June 2016). The council budgeted for a deficit of \$13 million.

## STATEMENT OF CASH FLOWS

The cash and cash equivalents balance and net cashflows has increased over the three years with the cash balance at \$14.6 million. This reflects the Council’s policy to invest excess cash from operating and investing activities into approved investments, such as term deposits, managed funds and floating rate notes.

The Council also repaid \$2.4 million in borrowings during the year and did not drawdown on any of its borrowing facilities.





## FINANCIAL POSITION

### Cash and Investments

The Council reported \$105.0 million in restricted cash and investments as at 30 June 2017 which is an increase of \$14.5 million or 16.0 per cent on the prior years' balance of \$90.5 million.

\$69.3 million (64%) of the current year's restricted cash and investments have external restrictions and \$35.7 million (33%) has internal restrictions set by Council. The table below explains reasons for movements between current year and prior year in the external restrictions, internal restrictions or unrestricted categories.

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	69.3	59.5	<ul style="list-style-type: none"> <li>● Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in externally restricted cash balances is driven by domestic waste management (\$3 million), Sewerage Services (\$2.7 million), Developer Contributions (\$2.6 million) and the Special Rate Variation (\$1.2 million).</li> <li>● Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included an additional \$5 million relating to the Financial Assistance Grant payment received in advance.</li> <li>● Unrestricted cash has remained steady.</li> </ul>
Internal restrictions	35.7	31.0	
Unrestricted	3.3	3.0	
<b>Cash and investments</b>	<b>108.3</b>	<b>93.6</b>	

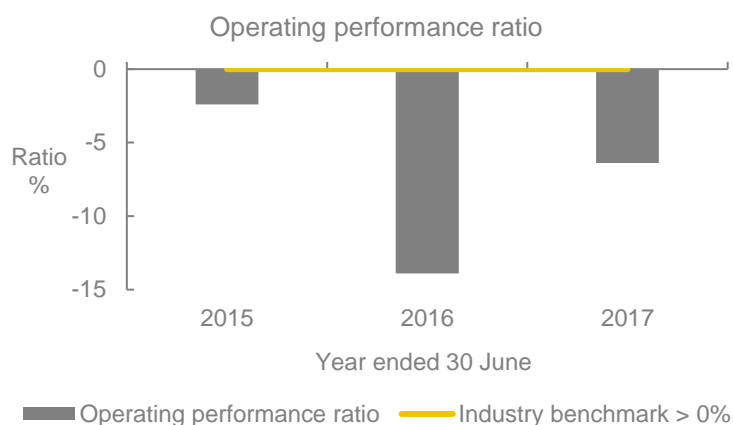
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

The Council's operating performance ratio has increased from -13.9 per cent in 2015/16 to -6.38 per cent in 2016/17. This is due to Council receiving 50% of its 2017/18 Financial Assistance Grants in advance. This income of \$5 million was received by the Council in early June 2017.

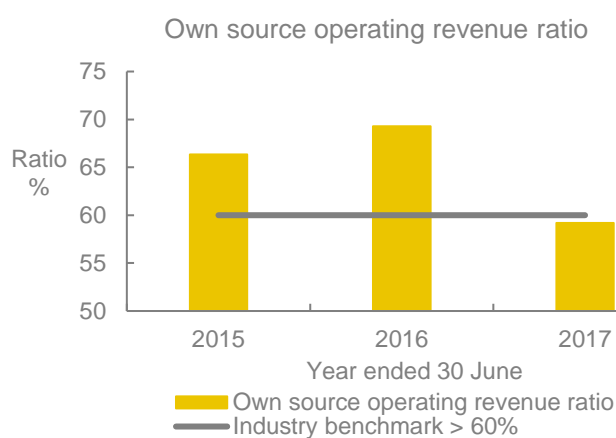
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

The Council's own source operating revenue ratio has decreased from 69.27 per cent to 59.2 per cent, which is below the industry benchmark of 60 per cent. This is due to increased operating and capital grants and contribution received during 2016-17. The council received \$20 million for the Riverina Intermodal Freight and Logistics (RIFL) Hub and \$5 million (50%) of its Financial Assistance Grants for 2017-18 in advance.

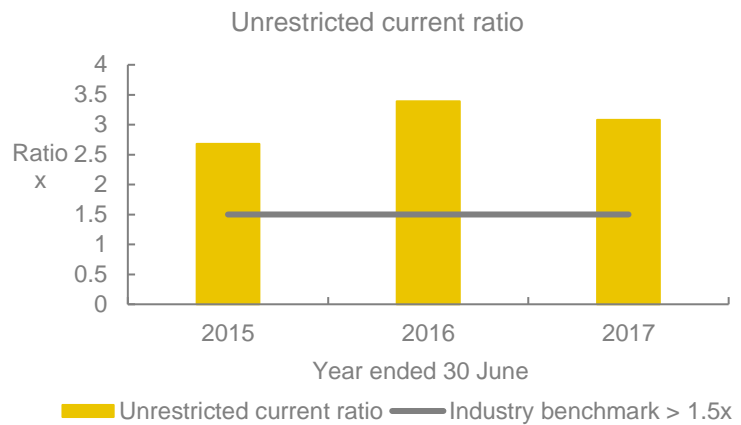
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

This ratio indicates that Council currently has \$3.08 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities, including loan repayments and payables. A ratio of 3.08x is above the industry benchmark minimum. This indicates that the Council has sufficient liquidity to meet its current liabilities when they fall due.

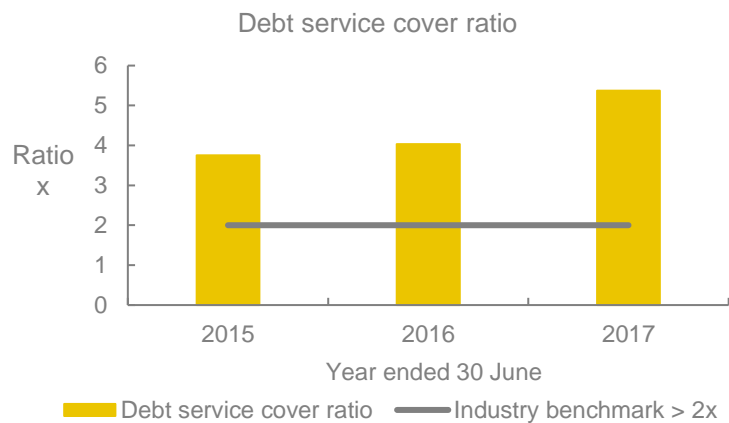
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

The debt service cover ratio of 5.37x indicates the Council has adequate revenue to cover the principal repayments and borrowing costs. The Council has consistently been above the industry minimum benchmark of 2.00x.

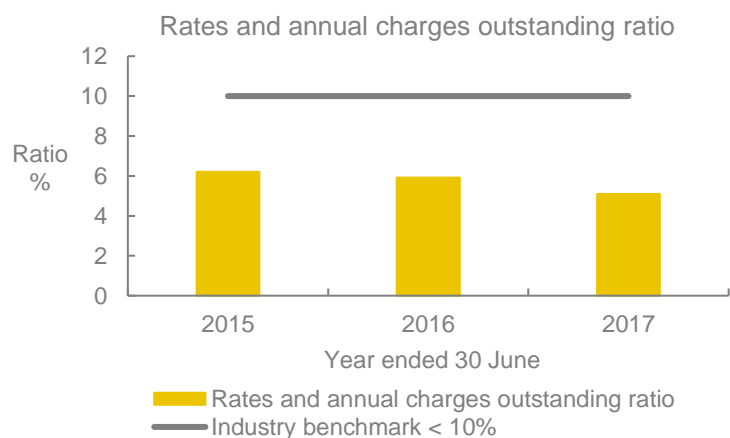
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

The steady decline in the outstanding rates and annual charges ratio over the past three years indicates that Council's rate recovery measures are effective in collecting and reducing outstanding debts.

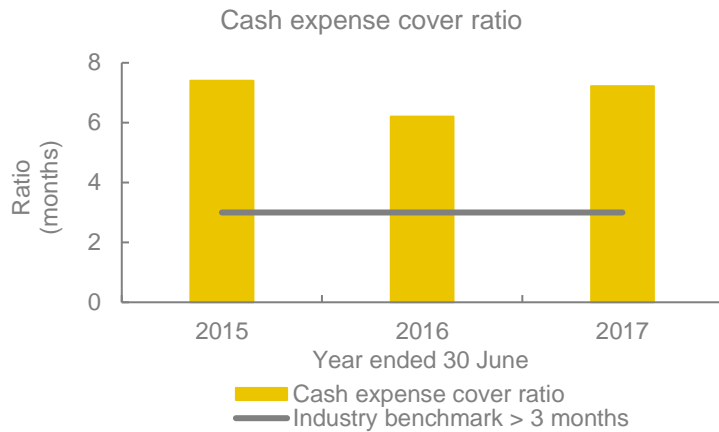
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



### Cash expense cover ratio

At 30 June 2017, the Council had the capacity to cover 7 months of cash expenditure without additional cash inflows. This is in excess of the industry benchmark minimum of 3 months.

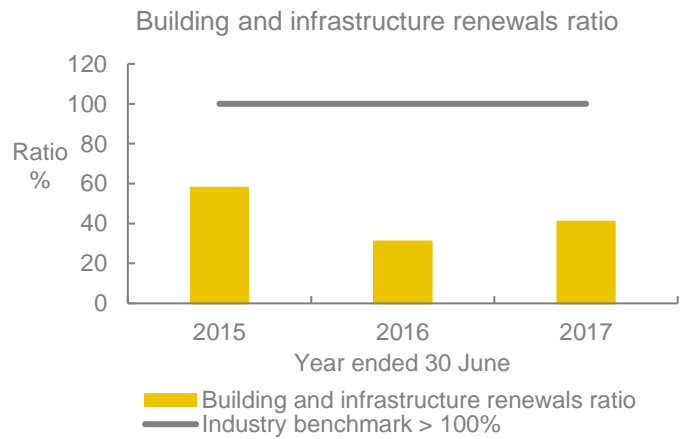
This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



### Building and infrastructure renewals ratio

The Council's ratio has increased to 41% in 2016-17 from 31% in the prior year. This is below the industry benchmark of greater than 100 per cent.

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent. This ratio is sourced from council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

### Legislative compliance

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

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



Lawrissa Chan  
Director, Financial Audit Services

23 October 2017  
SYDNEY

cc: Bryce McNair, Chair of the Audit Risk Committee  
James Bolton, Acting General Manager

# Wagga Wagga City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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



# Wagga Wagga City Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

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Income Statement – Sewerage Business Activity	3
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### Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Wagga Wagga City Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

### 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.

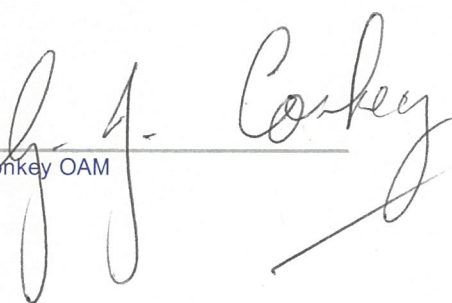
To the best of our knowledge and belief, these financial statements:

- 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 23 October 2017.

Greg Conkey OAM  
Mayor



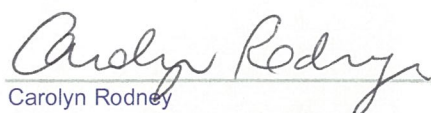
Dallas Tout  
Councillor



James Bolton  
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 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	12,017	11,153
User charges	4,465	4,564
Liquid trade waste charges	–	–
Fees	–	–
Interest	394	356
Grants and contributions provided for non-capital purposes	268	201
Profit from the sale of assets	–	–
Share of profit from equity accounted investment	–	–
Other income	380	501
<b>Total income from continuing operations</b>	<b>17,524</b>	<b>16,775</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,939	2,039
Borrowing costs	2,375	2,413
Materials and contracts	6,640	6,712
Depreciation, amortisation and impairment	4,955	5,215
Loss on sale of assets	–	–
Calculated taxation equivalents	41	56
Debt guarantee fee (if applicable)	–	–
Share of loss from equity accounted investment	–	–
Other expenses	2,715	2,468
<b>Total expenses from continuing operations</b>	<b>18,665</b>	<b>18,903</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,141)</b>	<b>(2,128)</b>
Grants and contributions provided for capital purposes	2,155	2,202
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,014</b>	<b>74</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,014</b>	<b>74</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,014</b>	<b>74</b>
Plus opening retained profits	65,784	65,711
Plus/less: other adjustments	–	(1)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	41	56
– Debt guarantee fees	–	–
Less:		
– Tax equivalent dividend paid	(41)	(56)
<b>Closing retained profits</b>	<b>66,798</b>	<b>65,784</b>
<b>Return on capital %</b>	<b>0.5%</b>	<b>0.1%</b>
<b>Subsidy from Council</b>	<b>5,119</b>	<b>4,844</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,014	74
Less: capital grants and contributions (excluding developer contributions)	(1,535)	(1,421)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Wagga Wagga City Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Livestock Marketing		Airport	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	–	–	–	–
Fees	5,041	5,071	3,763	3,576
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	8	7	4	–
<b>Total income from continuing operations</b>	<b>5,049</b>	<b>5,078</b>	<b>3,767</b>	<b>3,576</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	768	679	448	353
Borrowing costs	2	3	501	539
Materials and contracts	487	460	94	92
Depreciation, amortisation and impairment	615	612	2,784	891
Loss on sale of assets	–	21	–	–
Calculated taxation equivalents	23	23	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Share of loss from equity accounted investment	–	–	–	–
Other expenses	2,022	1,829	1,935	1,910
<b>Total expenses from continuing operations</b>	<b>3,917</b>	<b>3,628</b>	<b>5,762</b>	<b>3,785</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,132</b>	<b>1,449</b>	<b>(1,995)</b>	<b>(209)</b>
Grants and contributions provided for capital purposes	–	–	192	3
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,132</b>	<b>1,449</b>	<b>(1,803)</b>	<b>(206)</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,132</b>	<b>1,449</b>	<b>(1,803)</b>	<b>(206)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(340)	(435)	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>792</b>	<b>1,015</b>	<b>(1,803)</b>	<b>(206)</b>
Plus opening retained profits	9,191	8,640	14,717	15,095
Plus/less: other adjustments	226	(447)	(7)	(173)
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	23	23	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	340	435	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	(402)	(475)	–	–
<b>Closing retained profits</b>	<b>10,169</b>	<b>9,191</b>	<b>12,907</b>	<b>14,717</b>
<b>Return on capital %</b>	<b>4.9%</b>	<b>6.8%</b>	<b>-3.8%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>2,432</b>	<b>453</b>

## Wagga Wagga City Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	10,045	8,883
Investments	–	–
Receivables	2,050	2,109
Inventories	451	486
Other	6	1
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>12,552</b>	<b>11,479</b>
<b>Non-current assets</b>		
Investments	13,551	11,983
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	266,935	257,761
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>280,486</b>	<b>269,744</b>
<b>TOTAL ASSETS</b>	<b>293,038</b>	<b>281,223</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	1,114	929
Income received in advance	–	–
Borrowings	665	619
Provisions	720	946
<b>Total current liabilities</b>	<b>2,499</b>	<b>2,494</b>
<b>Non-current liabilities</b>		
Payables	–	–
Income received in advance	–	–
Borrowings	31,527	32,192
Provisions	9	109
<b>Total non-current liabilities</b>	<b>31,536</b>	<b>32,301</b>
<b>TOTAL LIABILITIES</b>	<b>34,035</b>	<b>34,795</b>
<b>NET ASSETS</b>	<b>259,003</b>	<b>246,428</b>
<b>EQUITY</b>		
Retained earnings	66,799	65,784
Revaluation reserves	192,204	180,644
Other reserves	–	–
Council equity interest	259,003	246,428
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>259,003</b>	<b>246,428</b>

## Wagga Wagga City Council

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

as at 30 June 2017

	Livestock Marketing Category 1		Airport Category 1		
	Actual 2017	Actual 2016	Actual 2017	Restated 30 June 2016	Restated 1 July 2015
<b>\$ '000</b>					
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	7,207	7,240	–	–	–
Investments	–	–	–	–	–
Receivables	353	343	714	678	663
Inventories	–	–	–	–	–
Other	–	–	–	–	–
<b>Total Current Assets</b>	<b>7,560</b>	<b>7,583</b>	<b>714</b>	<b>678</b>	<b>663</b>
<b>Non-current assets</b>					
Investments	–	–	–	–	–
Receivables	–	–	–	–	–
Inventories	–	–	–	–	–
Infrastructure, property, plant and equipment	23,131	21,215	39,407	44,373	37,135
<b>Total non-current assets</b>	<b>23,131</b>	<b>21,215</b>	<b>39,407</b>	<b>44,373</b>	<b>37,135</b>
<b>TOTAL ASSETS</b>	<b>30,691</b>	<b>28,798</b>	<b>40,121</b>	<b>45,051</b>	<b>37,798</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Bank overdraft	–	–	4,053	6,126	6,266
Payables	965	160	328	394	760
Borrowings	–	–	622	565	527
Provisions	226	201	74	85	185
<b>Total current liabilities</b>	<b>1,191</b>	<b>362</b>	<b>5,077</b>	<b>7,169</b>	<b>7,738</b>
<b>Non-current liabilities</b>					
Borrowings	–	–	8,549	9,580	9,968
Provisions	6	12	2	–	1
<b>Total non-current liabilities</b>	<b>6</b>	<b>12</b>	<b>8,551</b>	<b>9,580</b>	<b>9,969</b>
<b>TOTAL LIABILITIES</b>	<b>1,197</b>	<b>374</b>	<b>13,628</b>	<b>16,749</b>	<b>17,707</b>
<b>NET ASSETS</b>	<b>29,494</b>	<b>28,425</b>	<b>26,493</b>	<b>28,302</b>	<b>20,091</b>
<b>EQUITY</b>					
Retained earnings	10,169	9,191	12,907	14,716	15,095
Revaluation reserves	19,325	19,234	13,586	13,586	4,996
Other reserves	–	–	–	–	–
Council equity interest	<b>29,494</b>	<b>28,425</b>	<b>26,493</b>	<b>28,302</b>	<b>20,091</b>
Non-controlling equity interest	–	–	–	–	–
<b>TOTAL EQUITY</b>	<b>29,494</b>	<b>28,425</b>	<b>26,493</b>	<b>28,302</b>	<b>20,091</b>

# Wagga Wagga City Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

### 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 2017

#### Note 1. Significant accounting policies

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

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

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

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

#### Category 1

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

##### a. Sewerage Operations

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

##### b. Livestock Marketing Centre

*Council's Livestock Marketing Centre.*

##### c. Airport

*Wagga Wagga City Airport Facility.*

#### Monetary amounts

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

As required by 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

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

## Wagga Wagga City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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 \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from sewerage business activities.

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

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

##### Income tax

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

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

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

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

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

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

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

## Wagga Wagga City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

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

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

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

The rate of return is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

##### (iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



## Wagga Wagga City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

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

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

(i)	Calculated tax equivalents	41,000
(ii)	Number of assessments multiplied by \$3/assessment	80,427
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	41,000
(iv)	Amounts actually paid for tax equivalents	-

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	763,270
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016	(2,766,694)

2017 Surplus	(521,062)	2016 Surplus	(1,346,976)	2015 Surplus	(898,656)
		2016 Dividend	-	2015 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	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 2017Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017


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**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	19,287
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	266,935
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	11,302
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,569
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.14%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

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	19,287
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.82%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,569
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.14%
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 2017

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

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

2017

#### 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)]	%	3.32%
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)		2
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	1,015
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	158

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



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

To the Councillors of Wagga Wagga City Council

## **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Wagga Wagga City Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Sewerage
- Livestock Marketing
- Airport

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

## **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 10 October 2016.

## **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Lawrissa Chan  
Director, Financial Audit Services

23 October 2017  
SYDNEY

# Wagga Wagga City Council

SPECIAL SCHEDULES

for the year ended 30 June 2017

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



# Wagga Wagga City Council

## Special Schedules

for the year ended 30 June 2017

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<sup>1</sup> 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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>2,267</b>	<b>48</b>	<b>–</b>	<b>(2,219)</b>
<b>Administration</b>	<b>17,812</b>	<b>956</b>	<b>899</b>	<b>(15,956)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,113	114	8	(991)
Beach control	–	–	–	–
Enforcement of local government regulations	791	570	–	(221)
Animal control	497	211	–	(286)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>2,401</b>	<b>895</b>	<b>8</b>	<b>(1,498)</b>
<b>Health</b>	<b>953</b>	<b>184</b>	<b>–</b>	<b>(769)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	361	94	–	(267)
Other environmental protection	2,997	1,711	50	(1,236)
Solid waste management	7,477	11,931	–	4,454
Street cleaning	41	–	–	(41)
Drainage	1,243	690	33	(520)
Stormwater management	77	–	–	(77)
<b>Total environment</b>	<b>12,196</b>	<b>14,426</b>	<b>83</b>	<b>2,313</b>
<b>Community services and education</b>				
Administration and education	2	19	–	17
Social protection (welfare)	1,976	163	–	(1,813)
Aged persons and disabled	173	143	–	(30)
Children's services	528	1,751	–	1,223
<b>Total community services and education</b>	<b>2,679</b>	<b>2,076</b>	<b>–</b>	<b>(603)</b>
<b>Housing and community amenities</b>				
Public cemeteries	897	1,199	–	302
Public conveniences	255	–	–	(255)
Street lighting	1,105	–	–	(1,105)
Town planning	2,874	1,019	4,973	3,118
Other community amenities	1	–	–	(1)
<b>Total housing and community amenities</b>	<b>5,132</b>	<b>2,218</b>	<b>4,973</b>	<b>2,059</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>16,023</b>	<b>16,767</b>	<b>2,513</b>	<b>3,257</b>

## Wagga Wagga City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	2,185	326	–	(1,859)
Museums	995	106	–	(889)
Art galleries	925	173	75	(677)
Community centres and halls	98	20	–	(78)
Performing arts venues	1,264	692	60	(512)
Other performing arts	–	–	–	–
Other cultural services	920	33	–	(887)
Sporting grounds and venues	1,249	356	–	(893)
Swimming pools	3,636	1,743	–	(1,893)
Parks and gardens (lakes)	1,883	156	82	(1,645)
Other sport and recreation	5,724	239	242	(5,243)
<b>Total recreation and culture</b>	<b>18,879</b>	<b>3,844</b>	<b>459</b>	<b>(14,576)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	2,119	1,361	14	(744)
Other mining, manufacturing and construction	160	–	–	(160)
<b>Total mining, manufacturing and const.</b>	<b>2,279</b>	<b>1,361</b>	<b>14</b>	<b>(904)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	5,039	872	10,549	6,382
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	690	–	–	(690)
Sealed rural roads (SRR) – regional	561	–	2,372	1,811
Unsealed rural roads (URR) – local	1,606	–	86	(1,520)
Unsealed rural roads (URR) – regional	26	–	–	(26)
Bridges on UR – local	22	5	41	24
Bridges on SRR – local	134	–	–	(134)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	74	–	–	(74)
Footpaths	672	9	119	(544)
Aerodromes	5,459	3,767	192	(1,500)
Other transport and communication	20,807	546	20,619	358
<b>Total transport and communication</b>	<b>35,090</b>	<b>5,199</b>	<b>33,978</b>	<b>4,087</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	5,769	6,305	81	617
<b>Total economic affairs</b>	<b>5,769</b>	<b>6,305</b>	<b>81</b>	<b>617</b>
<b>Totals – functions</b>	<b>121,480</b>	<b>54,279</b>	<b>43,008</b>	<b>(24,192)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>56,703</b>		<b>56,703</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	<b>69</b>		<b>69</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>121,480</b>	<b>111,051</b>	<b>43,008</b>	<b>32,579</b>

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

## Wagga Wagga City Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'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
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	2,352	51,556	<b>53,908</b>	–	2,352	–	–	3,611	2,461	49,095	<b>51,556</b>
Other	–	–	–							–	–
<b>Total loans</b>	<b>2,352</b>	<b>51,556</b>	<b>53,908</b>	<b>–</b>	<b>2,352</b>	<b>–</b>	<b>–</b>	<b>3,611</b>	<b>2,461</b>	<b>49,095</b>	<b>51,556</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>2,352</b>	<b>51,556</b>	<b>53,908</b>	<b>–</b>	<b>2,352</b>	<b>–</b>	<b>–</b>	<b>3,611</b>	<b>2,461</b>	<b>49,095</b>	<b>51,556</b>

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 2017

\$'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	16,971	1,496	7,413
Other	20	–	20
<b>Totals</b>	<b>16,991</b>	<b>1,496</b>	<b>7,433</b>

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	212	–
Capital Works	General Fund	30/06/07	30/06/07	10	30/06/17	6.25%	760	104	–
Parks & Recreation	General Fund	30/06/09	30/06/09	10	30/06/19	5.62%	1,430	–	–
Cemetery	General Fund	30/06/11	30/06/11	10	30/06/21	6.50%	204	28	97
Parks & Recreation	General Fund	30/06/11	30/06/11	10	30/06/21	6.50%	149	21	86
Swimming Complex	General Fund	30/06/11	30/06/11	10	30/06/21	6.50%	176	24	84
Property Management	General Fund	30/06/11	30/06/11	15	30/06/26	6.00%	684	70	479
Capital Works	General Fund	30/06/11	30/06/11	10	30/06/21	6.50%	403	55	193
Information Technology	General Fund	30/06/12	30/06/12	5	30/06/17	0.00%	32	10	–
Information Technology	General Fund	30/06/12	30/06/12	5	30/06/17	0.00%	75	18	–
Parks & Recreation	General Fund	30/06/13	30/06/13	10	30/06/23	2.75%	200	23	137

## 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 2017

\$'000

## Summary of 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
Information Technology	General Fund	30/06/13	30/06/13	4	30/06/17	2.75%	450	120	117
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	–	–
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	–	–
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	–	–
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	123
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	641
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	294	33	240
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	467	52	381
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	90	10	74
Capital Works	General Fund	30/06/15	30/06/15	10	30/06/25	2.00%	1,489	166	1,214
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	–

## 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 2017

\$'000

## Summary of 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	30/06/16	30/06/16	1	30/06/17	0.00%	18	18	–
Capital Works	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	1,148	126	1,042
Capital Works	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	320	35	290
Cemetery	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	25	3	23
Capital Works	General Fund	30/06/16	30/06/16	10	30/06/26	1.75%	90	10	82
Capital Works	General Fund	30/06/17	30/06/17	10	30/06/27	1.50%	1,761	–	1,761
Capital Works	General Fund	30/06/17	30/06/17	10	30/06/27	1.50%	267	–	267
Airport	General Fund	30/06/17	30/06/17	10	30/06/27	1.50%	20	–	20
Capital Works	General Fund	30/06/17	30/06/17	10	30/06/27	1.50%	113	–	113
<b>Totals</b>							<b>16,991</b>	<b>1,496</b>	<b>7,433</b>

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,826	1,742
b. Engineering and supervision	–	–
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	1,130	1,210
b. Maintenance expenses	565	622
– Pumping stations		
c. Operation expenses (excluding energy costs)	561	393
d. Energy costs	153	194
e. Maintenance expenses	136	202
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	6,125	6,003
g. Chemical costs	–	–
h. Energy costs	45	40
i. Effluent management	315	225
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	446	583
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	4,955	5,215
b. Plant and equipment	–	–
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	2,367	2,405
b. Revaluation decrements	–	–
c. Other expenses	1	14
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	41	56
<b>5. Total expenses</b>	<b>18,666</b>	<b>18,904</b>

## Wagga Wagga City Council

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

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	11,442	10,721
<b>7. Non-residential charges</b>		
a. Access (including rates)	575	432
b. Usage charges	4,465	4,564
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	394	356
<b>11. Other income</b>	381	501
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	158	159
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	1,536	1,421
b. Developer provided assets	620	781
c. Other contributions	110	42
<b>14. Total income</b>	<b>19,681</b>	<b>18,977</b>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<b>1,015</b>	<b>73</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	1,015	73



## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	620	850
c. Renewals	1,949	3,205
d. Plant and equipment	–	–
<b>18. Repayment of debt</b>	619	576
<b>19. Totals</b>	<b>3,188</b>	<b>4,631</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	23,956	23,608
b. Residential (unoccupied, ie. vacant lot)	1,141	1,080
c. Non-residential (occupied)	1,625	1,686
d. Non-residential (unoccupied, ie. vacant lot)	87	–
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 291,005	\$ 292,448

## 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	450	–	450
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	9,595	13,551	23,146
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	754	–	754
c. User charges	–	–	–
d. Other	1,296	–	1,296
<b>28. Inventories</b>	451	–	451
<b>29. Property, plant and equipment</b>			
a. System assets	–	266,935	266,935
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	6	–	6
<b>31. Total assets</b>	<b>12,552</b>	<b>280,486</b>	<b>293,038</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	1,114	–	1,114
<b>34. Borrowings</b>	665	31,527	32,192
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	720	9	729
<b>36. Total liabilities</b>	<b>2,499</b>	<b>31,536</b>	<b>34,035</b>
<b>37. NET ASSETS COMMITTED</b>	<b>10,053</b>	<b>248,950</b>	<b>259,003</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			66,799
<b>39. Asset revaluation reserve</b>			192,204
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>259,003</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			350,053
<b>43. Accumulated current cost</b> depreciation of system assets			(83,118)
<b>44. Written down current cost</b> of system assets			<b>266,935</b>

# Wagga Wagga City Council

## Notes to Special Schedule 5 for the year ended 30 June 2017

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

(item 1a of Special Schedule 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedule 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedule 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedule 5) includes all expenses not recorded elsewhere.

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

**Impairment losses** (item 4e of Special Schedule 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedule 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's sewerage revenue.

**Residential charges** <sup>(2)</sup> (item 6 of Special Schedule 5) include all income from residential charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedule 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

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

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

### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 17 for sewerage, and not in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Wagga Wagga City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard <sup>d</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	2,967	5,177	2,176	2,161	74,689	131,855	55%	10%	27%	7%	0%
	<b>Sub-total</b>	<b>2,967</b>	<b>5,177</b>	<b>2,176</b>	<b>2,161</b>	<b>74,689</b>	<b>131,855</b>	<b>55.3%</b>	<b>9.8%</b>	<b>27.4%</b>	<b>7.0%</b>	<b>0.5%</b>
<b>Other structures</b>	Shelters & Other structures	1,065	674	–	26	5,117	8,166	13%	74%	11%	2%	0%
	Fences	3,014	2,128	930	–	10,685	15,581	7%	74%	14%	6%	0%
	Other	149	–	–	1	7,638	10,232	2%	97%	2%	0%	0%
	<b>Sub-total</b>	<b>4,229</b>	<b>2,802</b>	<b>930</b>	<b>28</b>	<b>23,440</b>	<b>33,979</b>	<b>7.0%</b>	<b>80.6%</b>	<b>9.3%</b>	<b>3.0%</b>	<b>0.1%</b>
<b>Roads</b>	Sealed roads	205,306	105,130	5,995	3,923	372,984	679,462	38%	7%	15%	18%	23%
	Unsealed roads	7,543	18,112	2,809	1,559	35,649	51,630	46%	39%	1%	4%	9%
	Bridges	11,231	9,369	695	104	29,955	44,285	5%	70%	23%	2%	0%
	Footpaths, Shared Paths & Cycleways	20,204	1,171	333	345	14,851	29,926	14%	19%	36%	28%	3%
	Kerb & Gutter	21,554	5,366	–	190	26,631	42,632	21%	29%	38%	11%	2%
	Carparks	3,065	1,268	107	80	10,291	13,597	55%	22%	12%	9%	2%
	Culverts	13,784	6,603	4,155	313	21,703	33,871	10%	50%	30%	9%	2%
	Bus & Taxi Shelters	298	–	–	95	883	1,077	31%	42%	16%	9%	4%
	Roundabouts & Medians	769	–	–	31	1,523	2,342	11%	56%	26%	6%	1%
	<b>Sub-total</b>	<b>283,754</b>	<b>147,019</b>	<b>14,094</b>	<b>6,640</b>	<b>514,470</b>	<b>898,821</b>	<b>34.0%</b>	<b>15.5%</b>	<b>16.8%</b>	<b>15.7%</b>	<b>18.0%</b>

## Wagga Wagga City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard <sup>d</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Sewerage network</b>	Sewer Mains	–	13,703	2,134	1,818	143,698	173,155	52%	41%	5%	1%	0%
	Sewer Nodes	–	–	–	–	34,531	42,946	0%	100%	0%	0%	0%
	Pumping Stations	4,548	8,320	1,321	777	19,963	31,751	33%	24%	28%	12%	3%
	Treatment Plants	50	756	783	624	64,283	97,549	2%	88%	10%	0%	0%
	<b>Sub-total</b>	<b>4,599</b>	<b>22,779</b>	<b>4,237</b>	<b>3,219</b>	<b>262,475</b>	<b>345,401</b>	<b>30.1%</b>	<b>60.1%</b>	<b>7.8%</b>	<b>1.8%</b>	<b>0.2%</b>
<b>Stormwater drainage</b>	Stormwater Pits & Pipes	5,560	2,177	1,492	746	135,439	185,705	37%	35%	18%	8%	3%
	Levee Banks <sup>c</sup>	550	14,598	140	106	28,767	29,181	98%	0%	0%	2%	0%
	Open Drains, Channels & Gross Pollutant Trap's	189	–	20	–	41,725	42,344	95%	5%	0%	0%	0%
	<b>Sub-total</b>	<b>6,298</b>	<b>16,775</b>	<b>1,652</b>	<b>852</b>	<b>205,931</b>	<b>257,229</b>	<b>53.2%</b>	<b>26.2%</b>	<b>12.8%</b>	<b>6.0%</b>	<b>1.8%</b>
<b>Open space/recreational assets</b>	Swimming pools	–	–	–	365	3,040	4,000	0%	100%	0%	0%	0%
	Playgrounds	1,472	1,385	105	84	3,437	5,134	2%	70%	28%	1%	0%
	Irrigation	3,367	2,183	846	8	1,769	4,755	10%	20%	28%	20%	23%
	Park Accessories	912	1,239	229	194	1,898	2,871	20%	48%	25%	5%	1%
	Sporting Equipment	1,480	2,041	51	20	6,356	9,025	11%	72%	13%	3%	1%
	Other	3,388	–	–	–	1,942	3,967	0%	15%	84%	2%	0%
	<b>Sub-total</b>	<b>10,619</b>	<b>6,848</b>	<b>1,231</b>	<b>671</b>	<b>18,441</b>	<b>29,751</b>	<b>7.2%</b>	<b>57.1%</b>	<b>26.6%</b>	<b>5.0%</b>	<b>4.1%</b>

## Wagga Wagga City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard <sup>d</sup>	Estimated cost to bring to the agreed level of service set by Council <sup>b</sup>	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
	<b>TOTAL – ALL ASSETS</b>	<b>312,466</b>	<b>201,400</b>	<b>24,320</b>	<b>13,570</b>	<b>1,099,446</b>	<b>1,697,037</b>	<b>36.8%</b>	<b>27.8%</b>	<b>15.2%</b>	<b>10.3%</b>	<b>10.0%</b>

**Notes:**

- a Required maintenance is the amount identified in Council's asset management plans.
- b Estimated cost to bring to the agreed level of service set by Council is the amount identified in Council's asset management plans.
- c Estimated cost to bring to the agreed level of service set by Council for Levee Banks is the estimated cost of the Main City Levee system upgrade only.
- d Estimated cost to bring assets to satisfactory standard is determined by considering both the condition and risk factors for each asset category.

**Infrastructure asset condition assessment 'key'**

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

## Wagga Wagga City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>12,124</u>	<b>39.74%</b>	>= 100%	30.28%	54.81%
Depreciation, amortisation and impairment	<u>30,509</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>312,466</u>	<b>28.42%</b>	< 2.00%	30.62%	3.93%
Net carrying amount of infrastructure assets	<u>1,099,446</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>13,570</u>	<b>0.56</b>	> 1.00	1.47	1.16
Required asset maintenance	<u>24,320</u>				

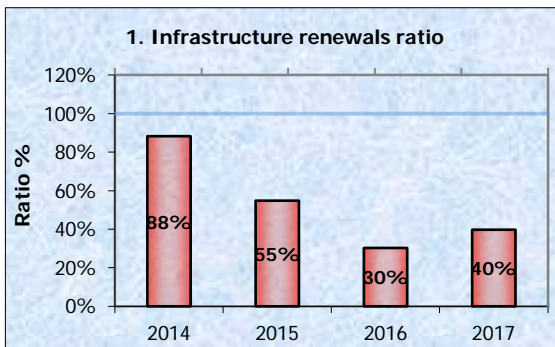
## Notes

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

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

# Wagga Wagga City Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



**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.

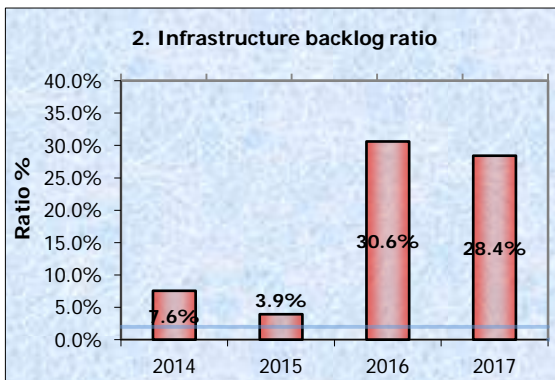
**Commentary on 2016/17 result**

**2016/17 Ratio 39.74%**

This ratio has increased to 40% for 2016/17. This increase is reflective of Councils long term asset renewal strategy.

Benchmark: 100.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

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

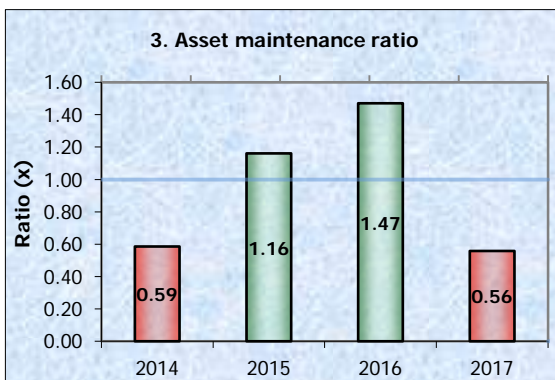
**Commentary on 2016/17 result**

**2016/17 Ratio 28.42%**

Council's infrastructure backlog ratio has decreased to 28% for 2016/17. This is a result of Council having a substantial portion of its roads network in below satisfactory condition. Local Government continues to face an issue in funding these backlogs due to its constrained revenue environment.

Benchmark: 2.00%  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
Ratio is outside benchmark



**Purpose of asset maintenance ratio**

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

**Commentary on 2016/17 result**

**2016/17 Ratio 0.56 x**

The Asset maintenance ratio for 2016/17 has decreased to 0.56x, down from 1.47x in 2015/16. This decrease is due to a funding gap for maintenance activities.

Benchmark: 1.00  
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2017

\$ '000	Benchmark	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
<u>Asset renewals <sup>(2)</sup></u>	>= 100%	<b>29.54%</b>	<b>41.72%</b>
Depreciation, amortisation and impairment	prior period:	21.26%	32.06%
<b>2. Infrastructure backlog ratio</b>			
<u>Estimated cost to bring assets to a satisfactory standard</u>	< 2.00%	<b>1.75%</b>	<b>36.78%</b>
Net carrying amount of infrastructure assets	prior period:	1.25%	39.38%
<b>3. Asset maintenance ratio</b>			
<u>Actual asset maintenance</u>	> 1.00	<b>0.76</b>	<b>0.52</b>
Required asset maintenance	prior period:	0.00	1.13

## 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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	38,667	41,246
Plus or minus adjustments <sup>(2)</sup>	b	412	406
<b>Notional general income</b>	c = (a + b)	<b>39,079</b>	<b>41,652</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	5.63%	0.00%
Or rate peg percentage	e	0.00%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	2,200	–
Or plus rate peg amount	i = c x e	–	625
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>41,279</b>	<b>42,277</b>
Plus (or minus) last year's carry forward total	l	9	34
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>9</b>	<b>34</b>
<b>Total permissible income</b>	o = k + n	<b>41,289</b>	<b>42,311</b>
Less notional general income yield	p	41,246	42,283
<b>Catch-up or (excess) result</b>	q = o – p	<b>43</b>	<b>28</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	(9)	–
<b>Carry forward to next year</b>	t = q + r – s	<b>34</b>	<b>28</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Wagga Wagga City Council

To the Councillors of Wagga Wagga City Council

### Opinion

I 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 (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Wagga Wagga City Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 10 October 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Lawrissa Chan  
Director, Financial Audit Services

23 October 2017  
SYDNEY