

Wagga Wagga City Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

*"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 2019

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



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

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

Cnr Morrow and Baylis Streets
Wagga Wagga NSW 2650

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW 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 2019.

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 Department of Planning, Industry and Environment.

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 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 Department of Planning, Industry and Environment.

Wagga Wagga City Council

General Purpose Financial Statements

for the year ended 30 June 2019

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:

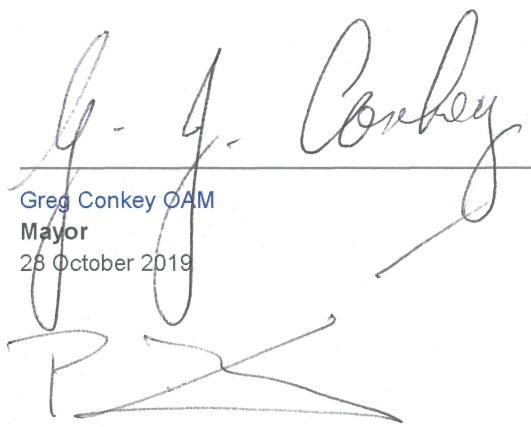
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

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

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

Signed in accordance with a resolution of Council made on 28 October 2019.



Greg Conkey OAM
Mayor
28 October 2019



Peter Thompson
General Manager
28 October 2019



Dallas Tout
Councillor
28 October 2019



Carolyn Rodney
Responsible Accounting Officer
28 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
66,609	Rates and annual charges	3a	66,017	63,297
26,845	User charges and fees	3b	26,974	26,324
2,917	Interest and investment revenue	3c	4,947	3,774
2,983	Other revenues	3d	3,407	2,650
13,285	Grants and contributions provided for operating purposes	3e,3f	15,868	16,100
36,517	Grants and contributions provided for capital purposes	3e,3f	37,098	34,550
<u>Other income:</u>				
—	Fair value increment on investment properties	11	543	25
—	Net share of interests in joint ventures and associates using the equity method	16	35	103
149,156	Total income from continuing operations		154,889	146,823
Expenses from continuing operations				
44,787	Employee benefits and on-costs	4a	41,787	39,351
3,753	Borrowing costs	4b	4,931	3,614
32,384	Materials and contracts	4c	32,756	33,423
35,419	Depreciation and amortisation	4d	33,731	34,597
12,125	Other expenses	4e	10,047	10,061
—	Net losses from the disposal of assets	5	4,180	3,659
128,468	Total expenses from continuing operations		127,432	124,705
20,688	Operating result from continuing operations		27,457	22,118
20,688	Net operating result for the year		27,457	22,118
20,688	Net operating result attributable to Council		27,457	22,118
(15,829)	Net operating result for the year before grants and contributions provided for capital purposes		(9,641)	(12,432)

(¹) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		27,457	22,118
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	3,651	66,143
Other comprehensive income – joint ventures and associates	16	13	9
Total items which will not be reclassified subsequently to the operating result		3,664	66,152
Total other comprehensive income for the year		3,664	66,152
Total comprehensive income for the year		31,121	88,270
 Total comprehensive income attributable to Council		 31,121	 88,270

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	12,632	15,182
Investments	6(b)	30,878	33,044
Receivables	7	18,108	14,509
Inventories	8a	1,854	1,978
Other	8b	447	557
Current assets classified as 'held for sale'	9	260	—
Total current assets		64,179	65,270
Non-current assets			
Investments	6(b)	89,868	81,172
Receivables	7	58	94
Infrastructure, property, plant and equipment	10	1,452,559	1,422,748
Investment property	11a	3,870	2,825
Investments accounted for using the equity method	16	2,098	2,050
Total non-current assets		1,548,453	1,508,889
TOTAL ASSETS		1,612,632	1,574,159
LIABILITIES			
Current liabilities			
Payables	12	13,104	12,702
Income received in advance	12	2,043	1,876
Borrowings	12	3,348	2,892
Provisions	13	12,876	12,463
Total current liabilities		31,371	29,933
Non-current liabilities			
Borrowings	12	56,029	51,119
Provisions	13	2,753	1,749
Total non-current liabilities		58,782	52,868
TOTAL LIABILITIES		90,153	82,801
Net assets		1,522,479	1,491,358
EQUITY			
Accumulated surplus	14a	933,109	905,639
Revaluation reserves	14a	589,370	585,719
Council equity interest		1,522,479	1,491,358
Total equity		1,522,479	1,491,358

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		905,639	585,719	1,491,358	883,512	519,576	1,403,088
Opening balance		905,639	585,719	1,491,358	883,512	519,576	1,403,088
Net operating result for the year		27,457	–	27,457	22,118	–	22,118
Net operating result for the period		27,457	–	27,457	22,118	–	22,118
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	3,651	3,651	–	66,143	66,143
– Joint ventures and associates	16	13	–	13	9	–	9
Other comprehensive income		13	3,651	3,664	9	66,143	66,152
Total comprehensive income		27,470	3,651	31,121	22,127	66,143	88,270
Equity – balance at end of the reporting period		933,109	589,370	1,522,479	905,639	585,719	1,491,358

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
65,817	Rates and annual charges		66,145	62,710
26,302	User charges and fees		28,716	25,849
3,246	Investment and interest revenue received		3,701	3,394
48,737	Grants and contributions		36,570	45,067
–	Bonds, deposits and retention amounts received		152	213
2,227	Other		8,388	10,437
	<u>Payments</u>			
(44,219)	Employee benefits and on-costs		(40,973)	(38,952)
(32,678)	Materials and contracts		(38,016)	(33,007)
(3,753)	Borrowing costs		(4,880)	(3,599)
(10,866)	Other		(11,619)	(16,730)
54,813	Net cash provided from (or used in) operating activities	15b	48,184	55,382
Cash flows from investing activities				
	<u>Receipts</u>			
46,169	Sale of investment securities		55,303	38,667
953	Sale of infrastructure, property, plant and equipment		923	2,157
–	Deferred debtors receipts		15	42
	<u>Payments</u>			
(10,000)	Purchase of investment securities		(61,350)	(59,000)
(93,248)	Purchase of infrastructure, property, plant and equipment		(45,316)	(39,154)
(1,259)	Contributions paid to joint ventures and associates		–	–
(57,385)	Net cash provided from (or used in) investing activities		(50,425)	(57,288)
Cash flows from financing activities				
	<u>Receipts</u>			
6,109	Proceeds from borrowings and advances		15,676	4,916
	<u>Payments</u>			
(3,130)	Repayment of borrowings and advances		(15,985)	(2,461)
2,979	Net cash flow provided from (or used in) financing activities		(309)	2,455
407	Net increase/(decrease) in cash and cash equivalents		(2,550)	549
10,986	Plus: cash and cash equivalents – beginning of year	15a	15,182	14,633
11,393	Cash and cash equivalents – end of the year	15a	12,632	15,182
Additional Information:				
102,530	plus: Investments on hand – end of year	6(b)	120,746	114,216
113,923	Total cash, cash equivalents and investments		133,378	129,398

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

- (i) estimated fair values of investment properties – refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) estimated remediation provisions – refer Note 13; and
- (iv) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Sewerage service

(b) The Trust Fund

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

Trust monies and other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 *Leases*.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/07/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/06/19.

At the end of this reporting period, Council has no non-cancellable operating lease commitments. Following a review of its contracts and leasing arrangements, Council has currently identified one contract that will result in recognition of a lease under AASB 16.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council anticipates it will recognise lease liabilities (on its balance sheet) of \$2,944,418 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totaling \$2,944,418 on 1 July 2019.

From a financial performance standpoint, Council expects that net operating result will decrease by approximately \$336,505 for the 19/20 financial year as a result of adopting this standard.

AASB 15 Revenue from Contracts with Customers and associated amending standards

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

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

Council has undertaken a review of its revenue streams and adoption of this standard is likely to have an immaterial impact to Council's financial position for income from continuing operations. It is expected that accounting for grant income and rates which are paid before the commencement of the rating period will be impacted.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to Councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a Council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the Council's objective is principally to enable the asset to further the Council's objectives.

Upon initial recognition of the asset, this standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), the Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Adoption of this standard will affect the timing of the recognition of some grants and contributions received by Council. As a result of the ad-hoc nature of many grants and contributions received by Council, the impact of this standard will be assessed at the time of receiving the grant and/or contribution.

Council also has a number of sites that utilise volunteer services as part of their operations. It has been identified that there are a number of these sites that, if volunteer services were not received, Council would be required to pay for these services.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Adoption of this standard will impact on the recognition of these services and likely result in Council recognising the benefits received from these volunteer services.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a Department of Planning, Industry and Environment recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Community Leadership and Collaboration	62,930	60,629	20,868	19,494	42,062	41,135	9,160	8,702	55,877	58,320
Safe and Healthy Community	9,592	6,554	16,198	15,410	(6,606)	(8,856)	1,794	1,093	198,378	186,747
Growing Economy	10,134	12,517	11,188	13,740	(1,054)	(1,223)	–	2,498	49,572	53,751
Community Place and Identity	3,601	5,195	9,073	8,680	(5,472)	(3,485)	1,857	3,486	12,322	12,448
The Environment	68,632	61,928	70,105	67,381	(1,473)	(5,453)	13,413	10,335	1,296,483	1,262,893
Total functions and activities	154,889	146,823	127,432	124,705	27,457	22,118	26,224	26,114	1,612,632	1,574,159

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Community Leadership and Collaboration

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

Safe and Healthy Community

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

Growing Economy

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

Community Place and Identity

Includes costs of programs and activities Council delivers that bring people together including projects and programs that will help our spaces reflect our community. Council activities include operation and management of Wagga Wagga Regional Family Day Care, civic theatre, art and glass galleries, museums and Wagga Wagga City Library.

The Environment

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	26,000	25,130
Farmland	4,813	4,771
Business	10,525	10,226
Less: pensioner rebates (mandatory)	(629)	(635)
Rates levied to ratepayers	40,709	39,492
Pensioner rate subsidies received	347	347
Total ordinary rates	41,056	39,839
Special rates		
Special rate variation – Levee	1,528	1,481
Rates levied to ratepayers	1,528	1,481
Total special rates	1,528	1,481
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	8,410	7,736
Stormwater management services	698	691
Sewerage services	14,018	13,173
Waste management services (non-domestic)	532	600
Less: pensioner rebates (mandatory)	(503)	(491)
Annual charges levied	23,155	21,709
Pensioner subsidies received:		
– Sewerage	157	154
– Domestic waste management	121	114
Total annual charges	23,433	21,977
TOTAL RATES AND ANNUAL CHARGES	66,017	63,297

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

Accounting policy for rates and charges

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	1,085	1,109
Sewerage services	4,661	4,590
Waste management services (non-domestic)	4,024	3,621
Total specific user charges	9,770	9,320
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	40	61
Regulatory/ statutory fees	632	638
Total fees and charges – statutory/regulatory	672	699
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	3,830	4,010
Cemeteries	1,321	1,191
Corporate services	36	36
Development services	2,024	2,243
Family day care	291	317
Fire and emergency services levy	–	15
Leaseback fees – Council vehicles	86	105
Library and art gallery	25	32
Livestock marketing centre	5,747	5,526
Oasis swimming complex	1,425	1,434
Park and sportsgrounds	605	348
Regional civic theatre	888	786
Tourist information centre	68	65
Other	186	197
Total fees and charges – other	16,532	16,305
TOTAL USER CHARGES AND FEES	26,974	26,324

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	183	194
– Cash and investments	3,955	3,395
– Deferred debtors	1	1
Fair value adjustments		
– Movements in investments at fair value through profit and loss	483	184
Fair valuation of financial liabilities on recognition		
– Interest free (or favourable) loans and advances received	325	–
TOTAL INTEREST AND INVESTMENT REVENUE	4,947	3,774

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	174	187
General Council cash and investments	3,596	2,484
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	117	99
– Section 64	31	26
Sewerage fund operations	497	369
Domestic waste management operations	118	100
Other externally restricted assets (Grant funds held)	–	65
Restricted investments/funds – internal:		
Internally restricted assets	414	444
Total interest and investment revenue	4,947	3,774

Accounting policy for interest and investment revenue

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

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	11	387	265
Rental income – other council properties		866	733
Ex gratia rates		38	37
Fines		570	368
Legal fees recovery – rates and charges (extra charges)		177	149
Diesel rebate		235	151
Insurance claims recoveries		51	89
Other theatre		8	9
Sales – miscellaneous		476	460
Sales – oasis aquatic centre		116	122
Sponsorship and Promotion		137	–
Other		346	267
TOTAL OTHER REVENUE		3,407	2,650

Accounting policy for other revenue

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	5,069	5,062	–	–
Payment in advance - future year allocation				
Financial assistance	5,256	5,199	–	–
Total general purpose	10,325	10,261	–	–
Specific purpose				
Airport	–	–	–	(60)
Bushfire and emergency services	70	36	123	277
Community care	198	156	–	–
Domestic waste management	20	–	–	–
Drainage	–	–	4,283	1,766
Environmental programs	134	1,139	29	91
Evocities	–	25	–	–
Family day care	1,236	1,459	–	–
Family and childrens services – other	444	144	–	–
Heritage and cultural	394	394	–	–
Noxious weeds	90	113	–	–
Recreation and culture	51	43	4,396	3,408
Street lighting	86	84	–	–
Transport (other roads and bridges funding)	1,217	506	2,870	6,175
Other	69	16	189	81
Total specific purpose	4,009	4,115	11,890	11,738
Total grants	14,334	14,376	11,890	11,738
Grant revenue is attributable to:				
– Commonwealth funding	11,813	12,021	8,928	6,300
– State funding	1,903	2,120	2,962	5,438
– Other funding	618	235	–	–
	14,334	14,376	11,890	11,738

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	5,365	5,845
S 7.12 – fixed development consent levies		–	–	304	492
S 64 – sewerage service contributions		–	–	1,633	1,761
S 64 – stormwater contributions		–	–	1,088	1,225
Total developer contributions – cash		–	–	8,390	9,323
Total developer contributions	24	–	–	8,390	9,323
Other contributions:					
Cash contributions					
Bushfire services		48	37	–	–
Drainage		–	–	–	47
Recreation and culture		243	468	128	148
RMS contributions (regional roads, block grant)		896	735	1,486	1,585
Sewerage (excl. section 64 contributions)		29	61	1	2
Other		318	423	1	30
Total other contributions – cash		1,534	1,724	1,616	1,812
Non-cash contributions					
Dedications (other than by s7.11)		–	–	14,885	11,238
Artworks donated		–	–	41	72
Works In Kind		–	–	276	367
Total other contributions – non-cash		–	–	15,202	11,677
Total other contributions		1,534	1,724	16,818	13,489
Total contributions		1,534	1,724	25,208	22,812
TOTAL GRANTS AND CONTRIBUTIONS		15,868	16,100	37,098	34,550

Accounting policy for grants and contributions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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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:

Operating grants

Unexpended at the close of the previous reporting period	475	651
Add: operating grants recognised in the current period but not yet spent	525	316
Add: operating grants received for the provision of goods and services in a future period	–	20
Less: operating grants recognised in a previous reporting period now spent	(272)	(512)
Unexpended and held as restricted assets (operating grants)	728	475

Capital grants

Unexpended at the close of the previous reporting period	4,287	2,692
Add: capital grants recognised in the current period but not yet spent	972	163
Add: capital grants received for the provision of goods and services in a future period	–	1,773
Less: capital grants recognised in a previous reporting period now spent	(2,218)	(341)
Unexpended and held as restricted assets (capital grants)	3,041	4,287

Contributions

Unexpended at the close of the previous reporting period	27,124	23,058
Add: contributions recognised in the current period but not yet spent	6,249	7,514
Add: contributions received for the provision of goods and services in a future period	–	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(1,854)	(3,448)
Unexpended and held as restricted assets (contributions)	31,519	27,124

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	32,101	30,256
Travel expenses	498	475
Employee leave entitlements (ELE)	5,524	5,026
Superannuation	3,672	3,507
Workers' compensation insurance	474	532
Fringe benefit tax (FBT)	38	37
Payroll tax	105	98
Training costs (other than salaries and wages)	418	341
Other	490	471
Total employee costs	43,320	40,743
Less: capitalised costs	(1,533)	(1,392)
TOTAL EMPLOYEE COSTS EXPENSED	41,787	39,351
Number of 'full-time equivalent' employees (FTE) at year end	466	465

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore 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 – refer to Note 18 for more information.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		4,747	3,460
Total interest bearing liability costs expensed		4,747	3,460
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	13	21	23
– Other liabilities		163	131
Total other borrowing costs		184	154
TOTAL BORROWING COSTS EXPENSED		4,931	3,614

Accounting policy for 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	22,886	21,734
Contractor and consultancy costs	9,435	11,133
Auditors remuneration ²	141	131
Legal expenses:		
– Legal expenses: planning and development	40	57
– Legal expenses: debt recovery	135	120
– Legal expenses: other	119	214
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	–	34
Total materials and contracts	32,756	33,423
TOTAL MATERIALS AND CONTRACTS	32,756	33,423

Accounting policy for operating leases

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.

1. Operating lease payments are attributable to:

Computers	–	34
	–	34

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	108	108
Remuneration for audit and other assurance services	108	108
Total Auditor-General remuneration	108	108

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Compliance audits	33	23
Remuneration for audit and other assurance services	33	23
Total remuneration of non NSW Auditor-General audit firms	33	23
Total Auditor remuneration	141	131

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		1,475	1,193
Office equipment		376	413
Furniture and fittings		43	59
Infrastructure:			
– Buildings – non-specialised		1,612	2,086
– Buildings – specialised		983	1,351
– Other structures		901	903
– Roads		14,386	15,507
– Bridges		827	484
– Footpaths		873	727
– Stormwater drainage		1,979	1,953
– Sewerage network		5,265	5,112
– Swimming pools		80	80
– Other open space/recreational assets		1,136	1,137
Other assets:			
– Other		3,993	3,724
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10,13	20	10
– Quarry assets	10,13	29	41
Total gross depreciation and amortisation costs		33,978	34,780
Less: capitalised costs		(247)	(183)
Total depreciation and amortisation costs		33,731	34,597
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>			
		33,731	34,597

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Bad and doubtful debts	115	105
Cost of sales	387	408
Contributions/levies to other levels of government		
– Bushfire fighting fund	383	394
– Emergency services levy (includes FRNSW, SES, and RFS levies)	87	105
– NSW fire brigade levy	460	463
– REROC	55	54
– Riverina Regional Library	1,267	1,228
– Valuation fees	193	188
Councillor expenses – mayoral fee	43	39
Councillor expenses – councillors' fees	178	176
Donations, contributions and assistance to other organisations (Section 356)	362	290
Electricity and heating	2,159	2,320
Insurance	1,060	1,292
Postage	165	154
Reinstatement of infrastructure assets	–	1
Street lighting	1,589	1,434
Subscriptions and publications	52	51
Telephone and communications	326	320
Water	1,166	1,039
Total other expenses	10,047	10,061
TOTAL OTHER EXPENSES	10,047	10,061

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		28	1,018
Less: carrying amount of property assets sold/written off		(19)	(418)
Net gain/(loss) on disposal		9	600
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		895	1,139
Less: carrying amount of plant and equipment assets sold/written off		(1,893)	(1,200)
Net gain/(loss) on disposal		(998)	(61)
Infrastructure			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(3,191)	(4,198)
Net gain/(loss) on disposal		(3,191)	(4,198)
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		55,303	38,667
Less: carrying amount of investments sold/redeemed/matured		(55,303)	(38,667)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(4,180)	(3,659)

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	12,600	15,110
Cash-equivalent assets		
– Deposits at call	32	72
Total cash and cash equivalents	12,632	15,182

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Designated at fair value on initial recognition'	3,878	47,868	5,044	54,172
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	27,000	42,000	28,000	27,000
Total Investments	30,878	89,868	33,044	81,172
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	43,510	89,868	48,226	81,172
Financial assets at fair value through the profit and loss				
Managed funds	–	1,543	–	1,416
Floating rate notes	3,878	46,325	5,044	52,756
Total	3,878	47,868	5,044	54,172
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	27,000	42,000	28,000	27,000
Total	27,000	42,000	28,000	27,000

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories those measured at:

- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income
- fair value through other comprehensive income - equity instruments (FVOCI - equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in Floating Rate Notes and Managed Funds in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

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

Impairment of financial assets

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	43,510	89,868	48,226	81,172
attributable to:				
External restrictions	4,654	89,868	7,153	74,672
Internal restrictions	33,127	–	30,300	6,500
Unrestricted	5,729	–	10,773	–
	43,510	89,868	48,226	81,172

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Employee leave – sewer and waste	696	717
External restrictions – included in liabilities	696	717

External restrictions – other

Developer contributions – general	30,289	25,902
Specific purpose unexpended grants	3,470	2,959
Sewerage services	29,957	25,111
Sewerage services – unexpended contributions	655	640
Domestic waste management	21,329	19,921
Stormwater management	3,699	3,167
Other unexpended contributions	574	561
Special rate variation – Levee bank	3,853	2,847
External restrictions – other	93,826	81,108

Total external restrictions

	94,522	81,825
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Internal restrictions

Airport	442	64
Bridge replacement	602	202
CBD carparking facilities	885	864
CCTV	85	74
Cemetery perpetual	108	65
Civic Theatre operating	126	–
Civil projects	156	156
Community amenities	77	77
Community works	86	62
Council election	344	256
Economic development	500	–
Emergency events	191	220
Employees leave entitlement	3,585	3,323
Environmental conservation	115	131
Estella community centre	231	231
Family day care	245	320
Fit for the Future	1,785	5,340
Grant commission reserve	5,256	5,199
Gravel pit restoration	797	768
Gurwood st property	50	50
Hampden bridge	107	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Information services	776	369
Infrastructure improvements / replacement	336	194
Insurance premium savings	100	29
Internal loans	661	519
Lake Albert improvements	28	62
LEP preparation	3	4
Livestock marketing centre	3,312	5,727
Oasis building renewal	321	210
Oasis plant	1,239	1,141
Office equipment/Building	159	–
Other building improvements	130	134
Other cemetery	449	453
Other operational	1,007	1,264
Parks and recreation reserve	206	80
Plant and vehicle replacement	3,550	3,935
Playground equipment replacement	95	165
Project carryovers	2,453	2,006
Public art reserve	199	209
Robertson oval	92	92
Sporting event attraction	169	–
Sporting event operations	100	–
Stormwater drainage	158	180
Strategic real property	–	475
Street lighting replacement	57	75
Subdivision tree planting	703	582
Sustainable energy	527	589
Traffic committee	–	22
Unexpended external loans	431	842
Workers compensation projects	93	40
Total internal restrictions	33,127	36,800
TOTAL RESTRICTIONS	127,649	118,625

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	2,912	–	2,916	–
Interest and extra charges	308	–	282	–
User charges and fees	4,044	–	3,508	–
Accrued revenues				
– Interest on investments	1,097	–	685	–
– Other income accruals	165	–	100	–
Deferred debtors	9	24	15	33
Government grants and subsidies	6,706	–	5,512	–
Net GST receivable	2,221	–	1,123	–
Other debtors	824	34	486	61
Total	18,286	58	14,627	94
Less: provision of impairment				
User charges and fees	(178)	–	(118)	–
Total provision for impairment – receivables	(178)	–	(118)	–
TOTAL NET RECEIVABLES	18,108	58	14,509	94

Externally restricted receivables

Sewerage services

– Rates and availability charges	652	–	778	–
– Other	1,379	–	1,398	–

Domestic waste management

	1,505	–	1,050	–
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Stormwater management

	37	–	34	–
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Other

– Unexpended grants	299	–	1,803	–
– Unexpended contributions	–	–	20	–

Total external restrictions

	3,872	–	5,083	–
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Internally restricted receivables

– Livestock marketing centre	441	–	363	–
– Airport	724	–	647	–

Internally restricted receivables

	1,165	–	1,010	–
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Unrestricted receivables

	13,071	58	8,416	94
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TOTAL NET RECEIVABLES

	18,108	58	14,509	94
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\$ '000	2019	2018
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)	118	34
+ new provisions recognised during the year	73	118
– amounts already provided for and written off this year	(8)	(34)
– amounts provided for but recovered during the year	(4)	–
– previous impairment losses reversed	(1)	–
Balance at the end of the period	178	118

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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

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

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

Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

During the period Council applied the simplified approach to impairment of receivables under AASB 9.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable 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 the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,735	–	1,864	–
Trading stock	119	–	114	–
Total inventories at cost	1,854	–	1,978	–
<u>TOTAL INVENTORIES</u>	<u>1,854</u>	<u>–</u>	<u>1,978</u>	<u>–</u>

(b) Other assets

Prepayments	447	–	557	–
<u>TOTAL OTHER ASSETS</u>	<u>447</u>	<u>–</u>	<u>557</u>	<u>–</u>

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Sewerage				
Stores and materials	212	–	293	–
Prepayments	12	–	–	–
Total sewerage	224	–	293	–
Domestic waste management				
Prepayments	–	–	4	–
Total domestic waste management	–	–	4	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	224	–	297	–
Total internally restricted assets	14	–	–	–
Total unrestricted assets	2,063	–	2,238	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>2,301</u>	<u>–</u>	<u>2,535</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Note 9. Non-current assets classified as held for sale

Non-current assets and disposal group assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Non-current assets 'held for sale'				
Land and Building	260	—	—	—
Total non-current assets 'held for sale'	260	—	—	—
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>260</u>	<u>—</u>	<u>—</u>	<u>—</u>

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period										as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Tfrs from/(to) held for sale/ category	Tfrs from/(to) investment properties	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000																
Capital work in progress	18,314	—	18,314	9,448	3,276	(543)	—	(11,888)	—	—	—	—	—	18,607	—	18,607
Plant and equipment	28,272	(12,741)	15,531	1,955	2,541	(1,796)	(1,475)	—	—	—	—	—	—	26,914	(10,159)	16,755
Office equipment	5,140	(4,051)	1,089	182	63	(38)	(376)	—	—	—	—	—	—	2,728	(1,808)	920
Furniture and fittings	2,828	(2,585)	243	15	—	(59)	(43)	—	—	—	—	—	—	2,285	(2,128)	157
Land:																
– Operational land	61,507	—	61,507	—	11,045	(19)	—	—	—	(190)	(312)	—	—	72,031	—	72,031
– Community land	84,341	—	84,341	—	266	—	—	—	—	—	—	—	—	84,607	—	84,607
– Land under roads	8,500	—	8,500	—	33	—	—	—	—	—	—	—	—	8,532	—	8,532
Infrastructure:																
– Buildings – non-specialised	100,432	(20,819)	79,613	133	7,579	—	(1,612)	2,913	—	(70)	(190)	—	—	110,797	(22,431)	88,366
– Buildings – specialised	56,006	(15,660)	40,346	29	441	—	(983)	623	—	—	—	—	—	57,099	(16,643)	40,456
– Other structures	33,983	(11,359)	22,624	—	520	(5)	(901)	4,442	—	—	—	—	—	38,937	(12,257)	26,680
– Roads	721,733	(258,694)	463,039	10,106	4,837	(1,846)	(14,386)	1,214	—	—	—	(711)	—	727,720	(265,466)	462,254
– Bridges	79,951	(30,732)	49,219	—	—	—	(827)	236	—	—	—	—	—	80,186	(31,559)	48,627
– Footpaths	48,278	(20,254)	28,024	259	805	(77)	(873)	881	—	—	—	—	—	50,117	(21,096)	29,021
– Stormwater drainage	262,432	(53,251)	209,181	919	4,620	(163)	(1,979)	491	—	—	—	—	—	268,299	(55,230)	213,069
– Sewerage network	360,026	(86,990)	273,036	337	4,664	(232)	(5,265)	60	—	—	—	—	4,362	369,151	(92,188)	276,963
– Swimming pools	4,000	(1,040)	2,960	—	—	—	(80)	—	—	—	—	—	—	4,000	(1,120)	2,880
– Other open space/recreational assets	25,884	(11,318)	14,566	214	986	(313)	(1,136)	597	—	—	—	—	—	27,076	(12,162)	14,914
Other assets:																
– Artworks	5,267	—	5,267	—	64	—	—	—	—	—	—	—	—	5,331	—	5,331
– Other	65,192	(21,338)	43,854	19	99	(13)	(3,993)	431	—	—	—	—	—	65,720	(25,323)	40,397
Reinstatement, rehabilitation and restoration assets (refer Note 14):																
– Tip assets	1,411	(437)	974	—	—	—	(20)	—	182	—	—	—	—	1,593	(457)	1,136
– Quarry assets	834	(314)	520	—	—	—	(29)	—	365	—	—	—	—	1,199	(343)	856
Total Infrastructure, property, plant and equipment	1,974,331	(551,583)	1,422,748	23,616	41,839	(5,104)	(33,978)	—	547	(260)	(502)	(711)	4,362	2,022,929	(570,370)	1,452,559

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	29,351	—	29,351	3,488	7,573	(160)	—	(21,938)	—	—	—	18,314	—	18,314
Plant and equipment	26,353	(13,733)	12,620	3,673	1,609	(1,179)	(1,193)	—	—	—	—	28,272	(12,741)	15,531
Office equipment	4,871	(3,638)	1,233	—	269	—	(413)	—	—	—	—	5,140	(4,051)	1,089
Furniture and fittings	2,808	(2,526)	282	—	20	—	(59)	—	—	—	—	2,828	(2,585)	243
Land:														
– Operational land	61,902	—	61,902	—	23	(418)	—	—	—	—	—	61,507	—	61,507
– Community land	82,088	—	82,088	—	888	—	—	—	—	—	1,365	84,341	—	84,341
– Land under roads (post 30/6/08)	8,463	—	8,463	—	37	—	—	—	—	—	—	8,500	—	8,500
Infrastructure:														
– Buildings – non-specialised	81,288	(37,597)	43,691	1,049	25	—	(2,086)	685	—	—	36,249	100,432	(20,819)	79,613
– Buildings – specialised	50,568	(19,570)	30,998	119	546	—	(1,351)	173	—	—	9,862	56,006	(15,660)	40,346
– Other structures	33,979	(10,539)	23,440	99	27	(53)	(903)	13	—	—	—	33,983	(11,359)	22,624
– Roads	824,610	(354,946)	469,664	9,856	7,620	(2,949)	(15,507)	12,582	—	(18,227)	—	721,733	(258,694)	463,039
– Bridges	44,285	(14,330)	29,955	138	—	(1)	(484)	6,529	—	—	13,080	79,951	(30,732)	49,219
– Footpaths	29,926	(15,075)	14,851	—	1,082	(17)	(727)	—	—	—	12,836	48,278	(20,254)	28,024
– Stormwater drainage	257,229	(51,298)	205,931	—	4,051	(40)	(1,953)	1,192	—	—	—	262,432	(53,251)	209,181
– Sewerage network	345,401	(82,926)	262,475	1,057	3,527	(634)	(5,112)	746	—	—	10,978	360,026	(86,990)	273,036
– Swimming pools	4,000	(960)	3,040	—	—	—	(80)	—	—	—	—	4,000	(1,040)	2,960
– Other open space/recreational assets	25,751	(10,350)	15,401	48	330	(75)	(1,137)	—	—	—	—	25,884	(11,318)	14,566
Other assets:														
– Artworks	5,205	—	5,205	—	83	(21)	—	—	—	—	—	5,267	—	5,267
– Other	64,979	(17,752)	47,227	364	240	(270)	(3,724)	18	—	—	—	65,192	(21,338)	43,854
Reinstatement, rehabilitation and restoration assets (refer Note 14):														
– Tip assets	903	(428)	475	—	—	—	(10)	—	508	—	—	1,411	(437)	974
– Quarry assets	765	(273)	492	—	—	—	(41)	—	69	—	—	834	(314)	520
Total Infrastructure, property, plant and equipment	1,984,725	(635,941)	1,348,784	19,891	27,950	(5,817)	(34,780)	—	577	(18,227)	84,370	1,974,331	(551,583)	1,422,748

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW) and for 2018/19 the indexation was 1.6%.

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

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

Land and Artworks are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 20	Playground equipment	5 to 10
Furniture & Fittings	1 to 100	Benches, seats etc.	10 to 20
Computer equipment	3 to 10		
Vehicles	2 to 5	Buildings	
Heavy plant/road making equipment	5 to 15	Fit out	13 to 130
Other plant and equipment	5 to 20	Roof	20 to 150
		Services	9 to 195
		Structure	20 to 195
		Sub-structure	25 to 195
Sewer assets		Stormwater assets	
Sewer mains	50 to 210	Stormwater pipes	70 to 100
Sewer manholes	67 to 150	Stormwater pits	100
Pump stations	15 to 150	Levee banks	60 to 100
Treatment works	7 to 200	Open drains & detention basins	80 to 100
		Culverts	60
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 25	Swimming pools	50
Sealed roads: structure	50 to 100	Other open space/recreational assets	1 to 50
Unsealed roads	8 to 24	Other Structures	1 to 100
Bridges	20 to 100		
Footpaths	15 to 80		
Kerb & Gutter	110		
Bus & Taxi shelters	20		

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

Council has utilised the Englobo method to value its land under roads. The Englobo valuation method utilises a discount factor of 90% to the market price of the land across the local government area.

Crown reserves

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

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

Rural Fire Service assets

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

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

Note 11. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	3,870	2,825
Reconciliation of annual movement:		
Opening balance	2,825	2,800
– Transfers from/(to) owner occupied (Note 10)	502	–
– Net gain/(loss) from fair value adjustments	543	25
CLOSING BALANCE – INVESTMENT PROPERTY	3,870	2,825

(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 2019 revaluations were based on independent assessments made by:
David Bolton, Certified Practising Valuer (No. 65118), AAPI
Opteon Property Group

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property (continued)

\$ '000	2019	2018
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(c) Leasing arrangements – Council as lessor

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

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

Within 1 year	398	132
Later than 1 year but less than 5 years	40	–
Later than 5 years	–	–
Total minimum lease payments receivable	438	132

(d) Investment property income and expenditure – summary

Rental income from investment property:

– Minimum lease payments	387	265
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Direct operating expenses on investment property:

– that generated rental income	(38)	(51)
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Net revenue contribution from investment property

	349	214
--	------------	------------

plus:

Fair value movement for year	543	25
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Total income attributable to investment property

	892	239
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Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	5,871	–	4,676	–
Goods and services – capital expenditure	2,947	–	3,709	–
Accrued expenses:				
– Borrowings	239	–	209	–
– Salaries and wages	184	–	172	–
– Other expenditure accruals	64	–	65	–
Security bonds, deposits and retentions	3,447	–	3,295	–
Other	352	–	576	–
Total payables	13,104	–	12,702	–
Income received in advance				
Payments received in advance	2,043	–	1,876	–
Total income received in advance	2,043	–	1,876	–
Borrowings				
Loans – secured ¹	3,348	56,029	2,892	51,119
Total borrowings	3,348	56,029	2,892	51,119
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>18,495</u>	<u>56,029</u>	<u>17,470</u>	<u>51,119</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Sewer	1,635	30,266	1,549	30,813
Domestic waste management	549	–	990	–
Payables and borrowings relating to externally restricted assets	2,184	30,266	2,539	30,813
Internally restricted assets				
Livestock Marketing Centre	121	–	374	–
Airport	2,007	7,611	1,413	7,618
Payables and borrowings relating to internally restricted assets	2,128	7,611	1,787	7,618
Total payables and borrowings relating to restricted assets	4,312	37,877	4,326	38,431
Total payables and borrowings relating to unrestricted assets	14,183	18,152	13,144	12,688
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>18,495</u>	<u>56,029</u>	<u>17,470</u>	<u>51,119</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	54,011	(15,985)	15,676	–	5,675	59,377
TOTAL	54,011	(15,985)	15,676	–	5,675	59,377

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	51,556	(2,461)	4,916	–	–	54,011
TOTAL	51,556	(2,461)	4,916	–	–	54,011

\$ '000	2019	2018
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(c) Financing arrangements

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

Bank overdraft facilities ¹	500	500
Credit cards/purchase cards	400	400
Bank guarantees	26	26
Total financing arrangements	926	926

Drawn facilities as at balance date:

– Credit cards/purchase cards	78	61
– Bank guarantees	10	10
Total drawn financing arrangements	88	71

Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	322	339
– Bank guarantees	16	16
Total undrawn financing arrangements	838	855

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables and bank and other loans.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	4,059	–	4,034	–
Long service leave	8,553	227	7,797	161
Other leave – TOIL	168	–	139	–
Other leave – RDO	4	–	31	–
Sub-total – aggregate employee benefits	12,784	227	12,001	161
Asset remediation/restoration:				
Asset remediation/restoration (future works)	92	2,526	462	1,588
Sub-total – asset remediation/restoration	92	2,526	462	1,588
<u>TOTAL PROVISIONS</u>	<u>12,876</u>	<u>2,753</u>	<u>12,463</u>	<u>1,749</u>

(a) Provisions relating to restricted assets

Externally restricted assets

Sewer	778	2	730	4
Domestic waste management	271	1,193	757	587
Provisions relating to externally restricted assets	1,049	1,195	1,487	591

Internally restricted assets

Livestock marketing centre	250	4	202	2
Airport	39	6	45	4
Provisions relating to internally restricted assets	289	10	247	6

Total provisions relating to restricted assets

Total provisions relating to restricted assets	1,338	1,205	1,734	597
Total provisions relating to unrestricted assets	11,538	1,548	10,729	1,152
<u>TOTAL PROVISIONS</u>	<u>12,876</u>	<u>2,753</u>	<u>12,463</u>	<u>1,749</u>

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	8,879	8,259
	<u>8,879</u>	<u>8,259</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2019				
At beginning of year	4,034	7,958	170	12,162
Additional provisions	2,351	1,307	2	3,660
Amounts used (payments)	(2,307)	(411)	–	(2,718)
Remeasurement effects	(19)	(74)	–	(93)
Total ELE provisions at end of period	4,059	8,780	172	13,011
2018				
At beginning of year	4,116	7,493	166	11,775
Additional provisions	2,216	1,060	5	3,281
Amounts used (payments)	(2,260)	(470)	–	(2,730)
Remeasurement effects	(38)	(125)	–	(163)
Total ELE provisions at end of period	4,034	7,958	171	12,163

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	2,050	2,050
Additional provisions	547	547
Unwinding of discount	21	21
Total other provisions at end of period	2,618	2,618
2018		
At beginning of year	1,448	1,448
Additional provisions	578	578
Unwinding of discount	24	24
Total other provisions at end of period	2,050	2,050

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

Provisions for close-down and restoration, and environmental clean-up costs – tips, quarries and treatment works

Restoration

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

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process, and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

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

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

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. This information has continued to be presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures require amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	12,632	15,182
Balance as per the Statement of Cash Flows		12,632	15,182

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income Statement	27,457	22,118
Adjust for non-cash items:		
Depreciation and amortisation	33,731	34,595
Net losses/(gains) on disposal of assets	4,180	3,660
Non-cash capital grants and contributions	(15,202)	(11,678)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(483)	(184)
– investment property	(543)	(25)
– Favourable financial liabilities (i.e. initial recognition at fair value)	(325)	–
Unwinding of discount rates on reinstatement provisions	21	24
Share of net (profits)/losses of associates/joint ventures using the equity method	(35)	(103)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(3,638)	5,570
Increase/(decrease) in provision for impairment of receivables	60	84
Decrease/(increase) in inventories	124	182
Decrease/(increase) in other current assets	110	(47)
Increase/(decrease) in payables	1,195	234
Increase/(decrease) in accrued interest payable	30	(8)
Increase/(decrease) in other accrued expenses payable	11	7
Increase/(decrease) in other liabilities	95	(12)
Increase/(decrease) in provision for employee benefits	849	387
Increase/(decrease) in other provisions	547	578
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	48,184	55,382

(c) Non-cash investing and financing activities

Dedications (other than by s7.11)	14,885	11,238
Works In Kind	276	367
Artworks donated	41	72
Total non-cash investing and financing activities	15,202	11,677

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	35	103	2,098	2,050
Total	35	103	2,098	2,050

Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Riverina Regional Library Service	Joint Venture	Equity Method	2,098	2,050
Total carrying amounts – material joint ventures			2,098	2,050

(b) Details

Principal activity		Place of business
Riverina Regional Library Service	Public Library	Wagga Wagga

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Riverina Regional Library Service	46.1%	45.8%	46.1%	45.8%	46.1%	45.8%

(d) Summarised financial information for joint ventures

\$ '000	Riverina Regional Library Service	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	2,866	2,651
Other current assets	31	26
Non-current assets	2,641	2,742
Current liabilities		
Other current liabilities	981	939
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	4	3
Net assets	4,553	4,477

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000	Riverina Regional Library Service	
	2019	2018
Reconciliation of the carrying amount		
Opening net assets (1 July)	4,477	4,253
Profit/(loss) for the period	76	224
Closing net assets	4,553	4,477
Council's share of net assets (%)	46.1%	45.8%
Council's share of net assets (\$)	2,098	2,050
Statement of comprehensive income		
Income	3,054	2,955
Interest income	29	26
Depreciation and amortisation	(853)	(828)
Other expenses	(2,154)	(1,928)
Profit/(loss) from continuing operations	76	225
Profit/(loss) for the period	76	225
Total comprehensive income	76	225
Share of income – Council (%)	46.1%	45.8%
Profit/(loss) – Council (\$)	35	103
Total comprehensive income – Council (\$)	35	103

(i) County Councils

Council is a member of the Riverina Water County Council which is a body corporate established under the Local Government Act 1993 (NSW). Riverina Water County Council exists for the construction, operation and maintenance of works of water supply within the Local Government Areas of Greater Hume, Lockhart, Federation and Wagga Wagga. The governing body of Riverina Water County Council is responsible for managing its own affairs.

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

Accounting policy for joint arrangements

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

Joint ventures:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, plant and equipment

Buildings	638	5,381
Parks and sportsgrounds	1,060	483
Sewerage infrastructure	972	542
Waste management services	501	–
Infrastructure	8,980	1,978
Other	61	56
Total commitments	12,212	8,440

These expenditures are payable as follows:

Within the next year	12,212	8,440
Total payable	12,212	8,440

Sources for funding of capital commitments:

Unrestricted general funds	906	31
Future grants and contributions	4,081	3,622
Unexpended grants	1,506	6
Externally restricted reserves	5,535	1,283
Internally restricted reserves	136	1,372
New loans (to be raised)	46	2,087
Other funding – Sale of assets	2	39
Total sources of funding	12,212	8,440

(b) Operating lease commitments (non-cancellable)

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

Within the next year	–	7
Total non-cancellable operating lease commitments	–	7

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised

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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

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

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$577,013.25. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is \$555,742.20.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* excluding member accounts and reserves in both assets and liabilities.

The share of this surplus that is broadly attributed to Council is estimated to be 0.85% as at 30 June 2019.

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

(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.

2. Other liabilities**(i) Third party claims**

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

(ii) 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.

(iii) Potential land remediation

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

Due to this intrinsic high risk involved in remediation projects, there may be associated costs with 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.

(iv) Sewerage 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.

(v) Potential Legal Claims

Council is currently a party to a Supreme Court case regarding a breach of employment contract. Council's defence costs are covered under the applicable insurance policy, however some categories of payments are excluded under the Policy. Neither party has filed any evidence at this time. Advice from Council's insurer with respect to the scope of any exclusion will be obtained as the matter progresses.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	12,632	15,182	12,632	15,182
Receivables ¹	15,945	13,479	15,945	13,479
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	69,000	55,000	69,000	55,000
Fair value through profit and loss				
Investments				
– 'Designated at fair value on initial recognition'	51,746	59,217	51,746	59,217
Total financial assets	149,323	142,878	149,323	142,878
Financial liabilities				
Payables	13,104	12,701	13,104	12,701
Loans/advances	59,377	54,011	59,377	54,011
Total financial liabilities	72,481	66,712	72,481	66,712

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'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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 625. 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 as required by Local Government regulations.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **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.

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	154	154	(154)	(154)
Possible impact of a 1% movement in interest rates	628	628	(628)	(628)
2018				
Possible impact of a 10% movement in market values	142	142	(142)	(142)
Possible impact of a 1% movement in interest rates	730	730	(730)	(730)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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.

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	1,502	1,026	241	143	–	2,912
2018						
Gross carrying amount	1,398	1,142	213	154	9	2,916

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	11,529	180	181	46	1,275	13,211
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	13.96%	1.35%
ECL provision	–	–	–	–	178	178
2018						
Gross carrying amount	9,996	364	75	35	212	10,682
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

(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.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	3,447	9,657	–	–	13,104	13,104
Loans and advances	5.06%	–	6,314	29,856	54,117	90,287	59,377
Total financial liabilities		3,447	15,971	29,856	54,117	103,391	72,481
2018							
Trade/other payables	0.00%	3,295	9,407	–	–	12,702	12,702
Loans and advances	6.55%	–	6,364	24,269	56,922	87,555	54,011
Total financial liabilities		3,295	15,771	24,269	56,922	100,257	66,713

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

Council's original financial budget for 2018/19 was adopted by the Council on 25 June 2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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. In addition to quarterly budget reviews, Council receives monthly financial performance reports which outlines variations between Council's original budget and actuals.

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 and monthly financial performance reports.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	66,609	66,017	(592)	(1)% U
User charges and fees	26,845	26,974	129	0% F
Interest and investment revenue	2,917	4,947	2,030	70% F
Council's interest on investments outperformed budget for 2018/19. This was a result of the investment portfolio maintaining a larger balance than expected throughout the financial year. A budget variation was reported to the 29 January 2019 Council meeting.				
Other revenues	2,983	3,407	424	14% F
Council received additional unbudgeted income during the year from Centrelink Paid Parental Leave, Long Service Leave income, Legal Costs Recovery and Sponsorship for Major Events.				
The additional unbudgeted income was partially offset by reduced Traffic Parking Fines income, Companion Animals fee income and Impounded Trolleys income failing to meet their budgeted income targets.				
Operating grants and contributions	13,285	15,868	2,583	19% F
Council received additional unbudgeted operating grants and contributions during the year, with the most significant amounts being in relation to Gender Equity, Sector Support, StateCover Performance Rebate (Workers Compensation), Financial Assistance Grants and the September 2016 Flood Repair Works.				
Capital grants and contributions	36,517	37,098	581	2% F
Fair value increment on investment property	–	543	543	∞ F
Joint ventures and associates – net profits	–	35	35	∞ F

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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EXPENSES

Employee benefits and on-costs	44,787	41,787	3,000	7%	F
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Borrowing costs	3,753	4,931	(1,178)	(31)%	U
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During the 2018/19 financial year, Council refinanced a number of existing loans and as a result, incurred loan break costs that were not budgeted for. The overall net effect of the loan refinancing will be a positive future result for Council.

Materials and contracts	32,384	32,756	(372)	(1)%	U
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Depreciation and amortisation	35,419	33,731	1,688	5%	F
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Other expenses	12,125	10,047	2,078	17%	F
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Council had originally budgeted for construction of the new Wagga PCYC facilities to commence during the 2018/19 financial year. As this construction is not as advanced as originally forecast, Council's contribution was not required during the financial year as budgeted.

Net losses from disposal of assets	–	4,180	(4,180)	∞	U
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STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	54,813	48,184	(6,629)	(12)%	U
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This variation is a result of Council not receiving a number of grants and contributions as originally budgeted.

Net cash provided from (used in) investing activities	(57,385)	(50,425)	6,960	(12)%	F
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This variation is a result of Council not completing its Capital Works program as originally budgeted. A budget variation to adjust the 2018/19 Capital Works program was reported to the 25 March 2019 Council meeting.

Net cash provided from (used in) financing activities	2,979	(309)	(3,288)	(110)%	U
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This variation is a result of Council refinancing a number of existing loans during the 2018/19 financial year. The overall net effect of the loan refinancing will be a positive future result for Council.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement

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

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

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes. AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
2019	Notes					
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Designated at fair value on initial recognition’		30/06/19	–	51,746	–	51,746
– ‘Held to maturity’		30/06/19	–	69,000	–	69,000
Total financial assets			–	120,746	–	120,746
Investment property						
Commercial property	11	30/06/19	–	3,870	–	3,870
Total investment property			–	3,870	–	3,870
Infrastructure, property, plant and equipment						
Plant and equipment	10	30/06/19	–	16,755	–	16,755
Office equipment		30/06/19	–	–	920	920
Furniture and fittings		30/06/19	–	–	157	157
Operational land		30/06/17	–	41,569	30,462	72,031
Community land		30/06/17	–	8,980	75,627	84,607
Buildings non-specialised		30/06/18	–	135	88,230	88,365
Buildings specialised		30/06/18	–	–	40,456	40,456
Other structures		30/06/16	–	–	26,680	26,680
Roads		30/06/18	–	–	462,254	462,254
Bridges		30/06/18	–	–	48,627	48,627
Footpaths		30/06/18	–	–	29,021	29,021
Stormwater drainage		30/06/15	–	–	213,070	213,070
Sewerage network		30/06/17	–	–	276,963	276,963
Swimming pools		30/06/17	–	–	2,880	2,880
Other open space/recreational assets		30/06/16	–	–	14,914	14,914
Artworks		30/06/16	–	5,331	–	5,331
Other assets		30/06/16	–	–	40,397	40,397
Tip remediation assets		30/06/19	–	–	1,136	1,136
Quarry assets		30/06/19	–	–	856	856
Land under roads		30/06/17	–	–	8,532	8,532
Total infrastructure, property, plant and equipment			–	72,770	1,361,182	1,433,952

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Designated at fair value on initial recognition’		30/06/18	–	59,217	–	59,217
– ‘Held to maturity’		30/06/18	–	55,000	–	55,000
Total financial assets			–	114,217	–	114,217
Investment property						
Commercial property	11	30/06/18	–	2,825	–	2,825
Total investment property			–	2,825	–	2,825
Infrastructure, property, plant and equipment						
Plant and equipment	10	30/06/18	–	15,531	–	15,531
Office equipment		30/06/18	–	–	1,090	1,090
Furniture and fittings		30/06/18	–	–	244	244
Operational land		30/06/17	–	42,071	19,436	61,507
Community land		30/06/17	–	8,980	75,361	84,341
Buildings non-specialised		30/06/18	–	400	79,213	79,613
Buildings specialised		30/06/18	–	–	40,345	40,345
Other structures		30/06/16	–	–	22,624	22,624
Roads		30/06/18	–	–	463,039	463,039
Bridges		30/06/18	–	–	49,219	49,219
Footpaths		30/06/18	–	–	28,024	28,024
Stormwater drainage		30/06/15	–	–	209,181	209,181
Sewerage network		30/06/17	–	–	273,037	273,037
Swimming pools		30/06/17	–	–	2,960	2,960
Other open space/recreational assets		30/06/16	–	–	14,566	14,566
Artworks		30/06/16	–	5,267	–	5,267
Other assets		30/06/16	–	–	43,855	43,855
Tip remediation assets		30/06/18	–	–	974	974
Quarry assets		30/06/18	–	–	520	520
Land under roads		30/06/17	–	–	8,500	8,500
Total infrastructure, property, plant and equipment			–	72,249	1,332,188	1,404,437

Note that capital WIP is not included above since it is carried at cost.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

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

Financial assets

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

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

Investment property

Council currently holds 2 investment properties:

- 36-40 Gurwood Street, Wagga Wagga
- 99 Peter Street, Wagga Wagga

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

The property has been valued using the Income Approach. The property was valued on 30/06/2019 by Opteon (Southern Inland NSW), AAPI Certified Practising Valuers.

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

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

Plant & Equipment

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

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

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

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

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

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

Roads

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

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

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

Footpaths

The footpath asset class includes all footways (footpaths, shared paths and cycleways) sealed or unsealed, and has been valued using a Depreciated Replacement Cost.

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

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

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

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

Bridges

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

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

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

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

Operational Land

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

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

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

Land under Roads

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

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

Community Land

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

Buildings Non-Specialised

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

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

- Gross Replacement Cost
- Asset Condition
- Useful Life
- Components

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

Buildings Specialised

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

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

- Gross Replacement Cost
- Asset Condition
- Useful Life
- Components

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

Other Structures

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

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

The unobservable Level 3 inputs used include:

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

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

Other Assets

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

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

The unobservable Level 3 inputs used include:

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Stormwater Drainage

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

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

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

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 2016/17 by APV Valuers & Asset Management, and has been valued using the cost method and Level 3 inputs. The unobservable Level 3 inputs used include:

- Gross Replacement Cost
- Remaining life estimate
- Asset Condition

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

Swimming Pools

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

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

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

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

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
- Estimated useful life of the Asset
- Asset Condition

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

Artworks

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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 2018/19. The majority of Council operated quarries are situated on private land, with two located on Council owned land.

The remediation cost estimates include:

- Mobilisation Costs
- Project Management Costs
- Monitoring Costs

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

Tip Remediation Assets

Council utilised an external consultant, GHD, to produce the remediation cost estimates for the Tip Assets for 2018/19. Council currently only operates a landfill at Gregadoo that will need future remediation.

The remediation cost estimates include:

- Mobilisation Costs
- Project Management Costs
- Monitoring Costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

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

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

\$ '000	Community land	Buildings non-specialised	Building specialised	Other structures	Roads
2018					
Opening balance	73,107	43,691	30,997	23,440	469,664
Transfers from/(to) level 2 FV hierarchy	—	(400)	—	—	—
Purchases (GBV)	888	1,074	665	127	17,476
Disposals (WDV)	—	—	—	(53)	(2,949)
Depreciation and impairment	—	(2,086)	(1,351)	(903)	(15,507)
Other movement (revaluation)	1,366	36,249	9,862	—	(18,227)
Adjustments and transfers	—	685	172	13	12,582
Closing balance	75,361	79,213	40,345	22,624	463,039
2019					
Opening balance	75,361	79,213	40,345	22,624	463,039
Purchases (GBV)	266	10,625	1,094	4,962	16,157
Disposals (WDV)	—	—	—	(5)	(1,846)
Depreciation and impairment	—	(1,608)	(983)	(901)	(14,386)
Other movement (revaluation)	—	—	—	—	(711)
Closing balance	75,627	88,230	40,456	26,680	462,253

\$ '000	Bridges	Footpaths	Stormwater drainage	Sewerage network	Swimming pools
2018					
Opening balance	29,957	14,851	205,931	262,475	3,040
Purchases (GBV)	138	979	4,051	4,584	—
Disposals (WDV)	(1)	(17)	(40)	(634)	—
Depreciation and impairment	(484)	(727)	(1,953)	(5,112)	(80)
Other movement (revaluation)	13,080	12,938	—	10,978	—
Adjustments and transfers	6,529	—	1,192	746	—
Closing balance	49,219	28,024	209,181	273,037	2,960
2019					
Opening balance	49,219	28,024	209,181	273,037	2,960
Purchases (GBV)	236	1,947	6,030	5,061	—
Disposals (WDV)	—	(77)	(163)	(232)	—
Depreciation and impairment	(827)	(873)	(1,979)	(5,265)	(80)
Other movement (revaluation)	—	—	—	4,362	—
Closing balance	48,628	29,021	213,069	276,963	2,880

\$ '000	Other open space/rec assets	Other assets	Tip assets	Quarry assets	Furniture and fittings, office equip
2018					
Opening balance	15,401	47,227	476	492	1,515
Purchases (GBV)	377	603	—	—	290
Disposals (WDV)	(75)	(270)	—	—	—

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

\$ '000	Other open space/rec assets	Other assets	Tip assets	Quarry assets	Furniture and fittings, office equip
Depreciation and impairment	(1,137)	(3,724)	(10)	(41)	(472)
Adjustments and transfers	—	18	508	69	—
Closing balance	14,566	43,854	974	520	1,333
2019					
Opening balance	14,566	43,854	974	520	1,333
Purchases (GBV)	1,797	549	—	—	260
Disposals (WDV)	(313)	(13)	—	—	(97)
Depreciation and impairment	(1,136)	(3,993)	(20)	(29)	(419)
Adjustments and transfers	—	—	182	365	—
Closing balance	14,914	40,397	1,136	856	1,077

\$ '000	Operational Land	Land under Roads	Total
2018			
Opening balance	19,436	8,463	1,250,163
Transfers from/(to) level 2 FV hierarchy	—	—	(400)
Purchases (GBV)	—	37	31,289
Disposals (WDV)	—	—	(4,039)
Depreciation and impairment	—	—	(33,587)
Other movement (revaluation)	—	—	66,246
Adjustments and transfers	—	—	22,514
Closing balance	19,436	8,500	1,332,186
2019			
Opening balance	19,436	8,500	1,332,186
Purchases (GBV)	11,046	33	60,063
Disposals (WDV)	(19)	—	(2,765)
Depreciation and impairment	—	—	(32,499)
Other movement (revaluation)	—	—	3,651
Adjustments and transfers	—	—	547
Closing balance	30,463	8,533	1,361,183

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions

(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:

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,213	1,198
Post-employment benefits	115	117
Other long-term benefits	29	22
Total	1,357	1,337

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2019						
Fees and Charges Income	1	303	–	30 day debtor account	–	–
Other Income		25	–	30 day debtor account	–	–
Lease/Rental Income	2	17	–	30 day debtor account	–	–
Reimbursements for Council related expenses		8	1	30 day creditor payment terms	–	–
Payment for goods/services received		13	2	30 day creditor payment terms	–	–
Advertisement services	3	33	2	30 day creditor payment terms	–	–
Grants and other assistance provided		65	–	30 day creditor payment terms	–	–
Provision of services relating to fleet maintenance		20	–	30 day creditor payment terms	–	–
Refund of fees (no longer required)		3	–	30 day creditor payment terms	–	–
Provision of Labour Hire staff	4	203	2	30 day creditor payment terms	–	–

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions (continued)

Nature of the transaction			Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000	Ref						
Employee Expenses relating to close family members of KMP	5		90	–	Council staff award	–	–
Reimbursement for Ticket Income			19	–	30 day creditor payment terms	–	–
Refund of over-payments			1	–	30 day creditor payment terms	–	–
2018							
Fees and Charges Income	1		261	–	30 day debtor account	–	–
Other Income			103	13	30 day debtor account	–	–
Lease/Rental Income	2		10	–	30 day debtor account	–	–
Reimbursements for Council related expenses			24	–	30 day creditor payment terms	–	–
Payment for goods/services received			6	–	30 day creditor payment terms	–	–
Advertisement services	3		24	1	30 day creditor payment terms	–	–
Grants and other assistance provided			–	–	30 day creditor payment terms	–	–
Provision of services relating to fleet maintenance			1	–	30 day creditor payment terms	–	–
Refund of fees (no longer required)			22	–	30 day creditor payment terms	–	–
Provision of Labour Hire staff	4		361	8	30 day creditor payment terms	–	–
Employee Expenses relating to close family members of KMP	5		105	–	Council staff award	–	–
Reimbursement for Ticket Income			–	–		–	–
Refund of over-payments			–	–		–	–

During 2018/19, KMPs and their related parties submitted to Council for approval, development applications with an estimated value of works of \$11.1M. These development applications were considered by Council's planning staff and processed in accordance with Council's policies and procedures.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related Party Transactions (continued)

(c) Other related party transactions

\$ '000	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2019						
Contribution to Riverina Regional Library	6	1,267	–	30 day creditor payment term	–	–
2018						
Contribution to Riverina Regional Library	6	1,228	–	30 day creditor payment term	–	–
6	Council's contribution to the Riverina Regional Library joint venture as per the RRL Deed of Agreement.					

Note 23. Events occurring after the reporting date

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Drainage	101	—	—	—	—	—	101	—
Parking	(139)	—	—	—	—	—	(139)	—
Community facilities	134	—	—	—	—	—	134	—
Roads and traffic facilities	7,903	1,691	—	—	(79)	—	9,515	—
Cycleways and footpaths	13	—	—	—	—	—	13	—
Open space – local	9	—	—	—	—	—	9	—
Open space – city wide	1	—	—	—	—	—	1	—
Open space – future	7,448	2,389	—	—	(617)	—	9,220	—
Open space recoupment – Oasis Regional Aquatic Centre	2,064	278	—	—	(388)	—	1,954	—
Open space recoupment – netball complex equex	212	28	—	—	(36)	—	204	—
Open space recoupemnt – skate park central	(48)	3	—	—	—	—	(45)	—
Community facilities – future – major community facility	(348)	137	—	—	—	—	(211)	—
Community facilities – future – Lloyd community centre	95	16	—	—	(100)	—	11	—
Community facilities – future – Estella community centre	261	59	—	—	—	—	320	—
Civic, community and cultural recoupment – main street upgrade	288	178	—	—	—	—	466	—
Civic, community and cultural recoupment – civic centre	2,126	415	—	—	(58)	—	2,483	—
Civic, community and cultural recoupment – civic theatre	(173)	77	—	—	—	—	(96)	—
Plan Management	14	93	—	113	(322)	—	(102)	—

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 contributions – under a plan	19,961	5,364	–	113	(1,600)	–	23,838	–
S7.12 levies – under a plan	463	304	–	3	(870)	–	(100)	–
Total S7.11 and S7.12 revenue under plans	20,424	5,668	–	116	(2,470)	–	23,738	–
S64 contributions	5,478	2,721	–	31	(1,679)	–	6,551	–
Total contributions	25,902	8,389	–	147	(4,149)	–	30,289	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN – 1993 to 2004

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	(28)	–	–	1	–	–	(27)	–
Total	246	–	–	1	–	–	247	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
CONTRIBUTION PLAN – 2006 to 2019								
Roads and traffic facilities	7,895	1,691	–	–	(79)	–	9,507	–
Parking	(147)	–	–	–	–	–	(147)	–
Open space – future	7,448	2,389	–	–	(617)	–	9,220	–
Open space recoupment – Oasis Regional Aquatic Centre	2,064	278	–	–	(388)	–	1,954	–
Open space recoupment – netball complex equex	212	28	–	–	(36)	–	204	–
Open space recoupment – skate park central	(48)	3	–	–	–	–	(45)	–
Community facilities – future – major community facility	(348)	137	–	–	–	–	(211)	–
Community facilities – future – Lloyd community centre	95	16	–	–	(100)	–	11	–
Community facilities – future – Estella community centre	261	59	–	–	–	–	320	–
Civic, community and cultural recoupment – main street upgrade	288	178	–	–	–	–	466	–
Civic, community and cultural recoupment – civic centre	2,126	415	–	–	(58)	–	2,483	–
Civic, community and cultural recoupment – civic theatre	(173)	77	–	–	–	–	(96)	–
Plan Management	42	93	–	112	(322)	–	(75)	–
Total	19,715	5,364	–	112	(1,600)	–	23,591	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN – 2006

Section 7.12 levy	463	304	–	3	(870)	–	(100)	–
Total	463	304	–	3	(870)	–	(100)	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	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)
\$ '000		Cash	Non-cash					
S64 contributions								
CONTRIBUTION PLAN – STORMWATER 2007								
Stormwater Projects	5,478	1,088	–	31	(46)	–	6,551	–
Total	5,478	1,088	–	31	(46)	–	6,551	–
CONTRIBUTION PLAN – SEWER 2013								
Sewer Projects	–	1,633	–	–	(1,633)	–	–	–
Total	–	1,633	–	–	(1,633)	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial result and financial position by fund

\$ '000	General ¹ 2019	Sewer 2019
Income Statement by fund		
Income from continuing operations		
Rates and annual charges	52,296	13,721
User charges and fees	22,149	4,825
Interest and investment revenue	4,450	497
Other revenues	3,396	11
Grants and contributions provided for operating purposes	15,681	187
Grants and contributions provided for capital purposes	31,694	5,404
Other income		
Fair value increment on investment property	543	—
Share of interests in joint ventures and associates using the equity method	35	—
Total income from continuing operations	130,244	24,645
Expenses from continuing operations		
Employee benefits and on-costs	39,984	1,803
Borrowing costs	2,655	2,276
Materials and contracts	26,103	6,653
Depreciation and amortisation	28,464	5,267
Other expenses	7,174	2,873
Net losses from the disposal of assets	3,951	229
Total expenses from continuing operations	108,331	19,101
Operating result from continuing operations	21,913	5,544
Net operating result for the year	21,913	5,544
Net operating result attributable to each Council fund	21,913	5,544
Net operating result for the year before grants and contributions provided for capital purposes	(9,781)	140

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

(¹) General fund refers to all of Council's activities except for its sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Sewer 2019
Statement of Financial Position by fund		
ASSETS		
Current assets		
Cash and cash equivalents	2,646	9,986
Investments	30,878	–
Receivables	16,077	2,031
Inventories	1,642	212
Other	435	12
Non-current assets classified as 'held for sale'	260	–
Total current assets	51,938	12,241
Non-current assets		
Investments	69,242	20,626
Receivables	58	–
Infrastructure, property, plant and equipment	1,169,820	282,739
Investments accounted for using the equity method	2,098	–
Investment property	3,870	–
Total non-current assets	1,245,088	303,365
TOTAL ASSETS	1,297,026	315,606
LIABILITIES		
Current liabilities		
Payables	12,258	846
Income received in advance	2,043	–
Borrowings	2,559	789
Provisions	12,098	778
Total current liabilities	28,958	2,413
Non-current liabilities		
Borrowings	25,763	30,266
Provisions	2,751	2
Total non-current liabilities	28,514	30,268
TOTAL LIABILITIES	57,472	32,681
Net assets	1,239,554	282,925
EQUITY		
Accumulated surplus	857,642	75,467
Revaluation reserves	381,912	207,458
Council equity interest	1,239,554	282,925
Total equity	1,239,554	282,925

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods 20172016		Benchmark
1. Operating performance ratio						
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}	(6,522)	(5.59)%	(8.11)%	(6.38)%	(13.90)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	116,730					
2. Own source operating revenue ratio						
Total continuing operating revenue excluding all grants and contributions ¹	100,237	65.16%	65.01%	59.18%	69.27%	>60.00%
Total continuing operating revenue ¹	153,828					
3. Unrestricted current ratio						
Current assets less all external restrictions	55,429	2.88x	2.99x	3.08x	3.39x	>1.50x
Current liabilities less specific purpose liabilities	19,259					
4. Debt service cover ratio						
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	32,140	1.54x	4.79x	5.37x	4.03x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	20,916					
5. Rates, annual charges, interest and extra charges outstanding percentage						
Rates, annual and extra charges outstanding	3,220	4.67%	4.82%	5.10%	5.91%	<10.00%
Rates, annual and extra charges collectible	68,950					
6. Cash expense cover ratio						
Current year's cash and cash equivalents plus all term deposits	81,632	8.79	8.89	7.22	6.16	>3.00
Monthly payments from cash flow of operating and financing activities	9,289	mths	mths	mths	mths	mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Sewer Indicators		Benchmark
	2019	2018	2019	2018	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1, 2}					
Total continuing operating revenue excluding capital grants and contributions ¹	(7.09)%	(8.53)%	2.05%	(6.00)%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹					
Total continuing operating revenue ¹	62.84%	62.67%	77.31%	77.34%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions					
Current liabilities less specific purpose liabilities	3.13x	3.22x	6.60x	6.85x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹					
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1.35x	7.40x	2.64x	2.11x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding					
Rates, annual and extra charges collectible	4.46%	4.60%	5.48%	5.71%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits					
Monthly payments from cash flow of operating and financing activities	8.85 mths	9.11 mths	8.35 mths	7.69 mths	>3.00 mths

(1) - (2) Refer to Notes at Note 26a above.

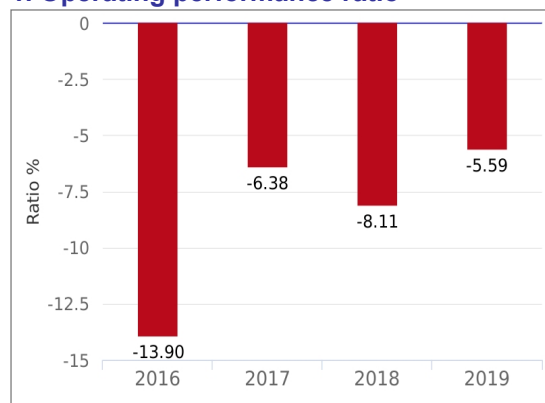
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio (5.59)%

Council's Operating performance ratio has increased from -8.11% in 2017/18 to -5.59% in 2018/19. This is mainly due to an increase in operating revenue received for the 2018/19 financial year.

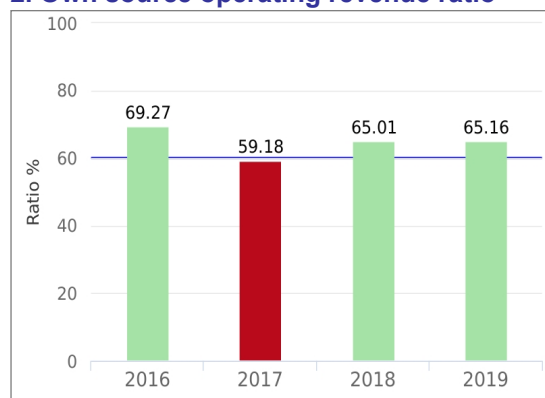
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



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 2018/19 result

2018/19 ratio 65.16%

Council's Own source operating revenue ratio has increased to 65.16% for 2018/19, up from 65.01% in 2017/18.

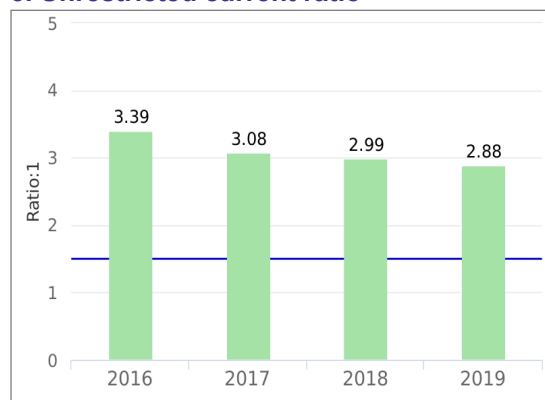
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



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 2018/19 result

2018/19 ratio 2.88x

Council's unrestricted current ratio indicates that it currently has \$2.88 of unrestricted assets available to service \$1.00 of its unrestricted current liabilities including loan repayments and payables. A ratio of 2.88x is considered sound and demonstrates Council's ability to satisfy short term obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

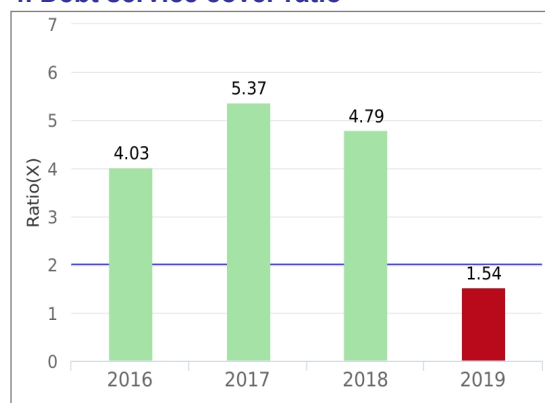
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



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 2018/19 result

2018/19 ratio 1.54x

Council's Debt service cover ratio has decreased to 1.54x for the 2018/19 financial year. This is a result of Council refinancing a number of existing loans within its portfolio. It is anticipated that this ratio will increase back above the benchmark for 2019/20.

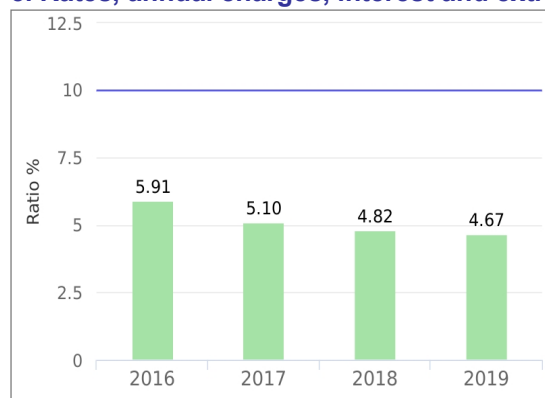
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 4.67%

This ratio indicates the outstanding rates and annual charges at the end of the financial year. Council has continued to decrease the outstanding percentage and has resulted in 4.67% being outstanding at 30 June 2019. This is a significant decrease from the 7.23% outstanding at 30 June 2013, and is attributable to Council's debt management activities undertaken in recent years.

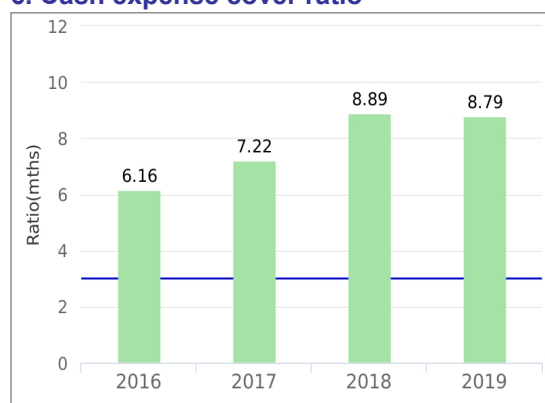
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



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 2018/19 result

2018/19 ratio 8.79 mths

Council's Cash expense cover ratio indicates Council's continued ability to be able to cover its immediate expenses without additional cash flows with a result of 8.79 months. This result continues to be in excess of the minimum benchmark of 3.00 months.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 27. Council information and contact details

Principal place of business:

Cnr Balyis and Morrow Streets
Wagga Wagga NSW 2650

Contact details

Mailing Address:

PO Box 20
Wagga Wagga NSW 2650

Telephone: 1300 292 442

Facsimile: 02 6926 9199

Opening hours:

8:30am - 5:00pm
Monday to Friday

Internet: www.wagga.nsw.gov.au

Email: council@wagga.nsw.gov.au

Officers

General Manager

Peter Thompson

Responsible Accounting Officer

Carolyn Rodney

Public Officer

Natalie Te Pohe

Auditors

Audit Office of New South Wales
Level 15, 1 Margaret Street
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 Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial 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 2019, 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 Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

Auditor's Responsibilities for the Audit of the Financial 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/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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

Delegate of the Auditor-General for New South Wales

28 October 2019
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: D1921964/1799

28 October 2019

Dear Cr Conkey

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Wagga Wagga City Council**

I have audited the general purpose financial statements (GPFS) of the Wagga Wagga City Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

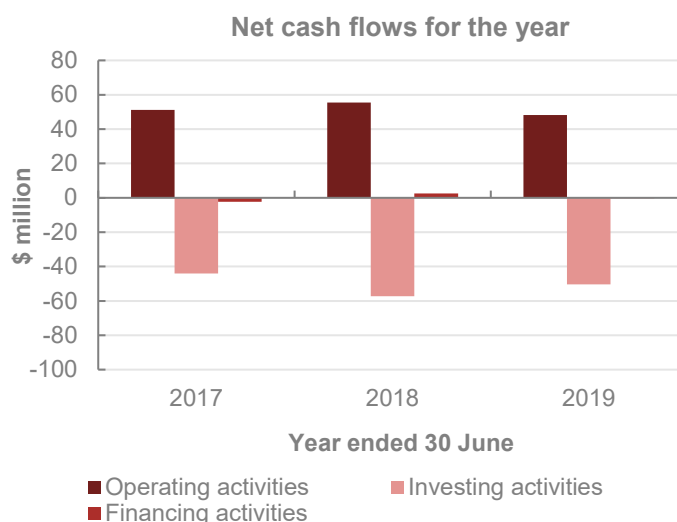
	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	66.0	63.3	4.3
Grants and contributions revenue	53.0	50.7	4.5
Operating result for the year	27.5	22.1	24.4
Net operating result before capital grants and contributions	(9.6)	(12.4)	22.6

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

- Rates and annual charges revenue was \$66.0 million (\$63.3 million for the year ended 30 June 2018). The increase of \$2.7 million (4.3%) is mainly due to the permissible rate increase of 2.3 per cent granted by the Minister for Local Government, special rate variation and increase in domestic waste management and sewerage service charges.
- Grants and contributions revenue was \$53.0 million (\$50.7 million for the year ended 30 June 2018). The increase of \$2.3 million (4.5%) was primarily due to the increase in non-cash contributed assets of \$3.6 million and drainage capital grants of \$2.5 million. This was offset by a reduction of \$2.6 million in Transport (other roads and bridges funding) grants and \$1.3 million in developer and other contributions (cash).
- Council's net operating result was a surplus of \$27.5 million (\$22.1 million surplus for the year ended 30 June 2018). The increase of \$5.4 million is mainly due to the increase of \$2.7 million in rates and annual charges revenue and \$2.3 million increase in grants and contributions revenue.
- The net operating result before capital grants and contributions was a deficit of \$9.6 million (\$12.4 million deficit for the year ended 30 June 2018). These movements were mainly due to the increase of \$2.7 million in rates and annual charges revenue.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$12.6 million (\$15.2 million for the year ended 30 June 2018). There was a net reduction in cash and cash equivalents of \$2.6 million at 30 June 2019.
- Net cash provided by operating activities has decreased by \$7.2 million. This is mainly due to the reduction in cash receipts from grants and contributions.
- Net cash used in investing activities decreased by \$6.9 million. This is mainly due to the increase in the sale of investment securities of \$16.6 million. This was offset by the increase in the purchase of investment securities of \$2.3 million and the increase of purchase of infrastructure, property, plant and equipment of \$6.1 million.
- Net cash from financing activities resulted in minimal movement during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	94.5	81.8	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$12.7 million primarily due to: <ul style="list-style-type: none"> developer contributions (\$4.4 million) sewerage services (\$4.8 million) domestic waste management (\$1.4 million) 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 reduction in the internal restrictions of \$3.7 million is primarily due to a \$3.5 million reduction relating to the Fit for the Future program. Unrestricted cash and investments was \$5.7 million, which is available to provide liquidity for day-to-day operations of the Council. Unrestricted cash has decreased as more funds have been externally restricted.
Internal restrictions	33.1	36.8	
Unrestricted	5.7	10.8	
Cash and investments	133.3	129.4	

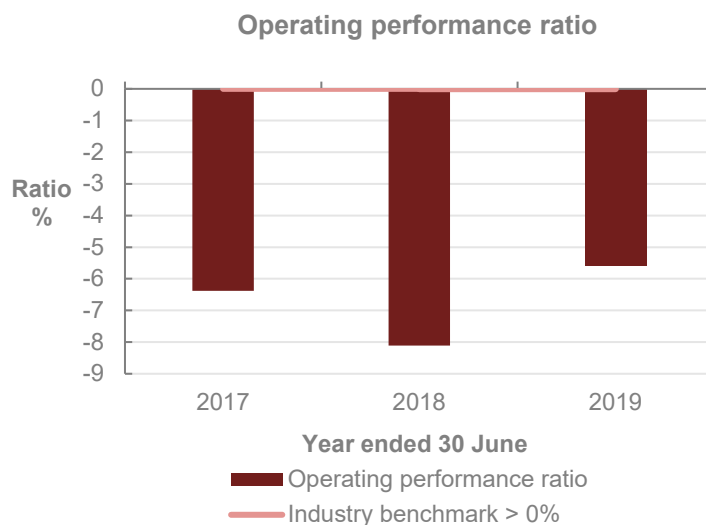
Debt

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

PERFORMANCE

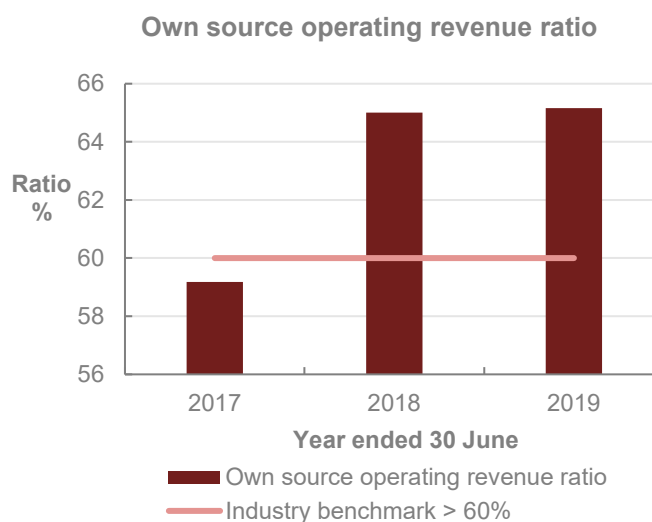
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- Council's operating performance ratio of -5.6 per cent is below the industry benchmark of greater than 0 per cent.
- The operating performance ratio increased to -5.6% (2018: -8.1%) due to the increase in the rates and annual charges revenue and interest and investment revenue during the year.



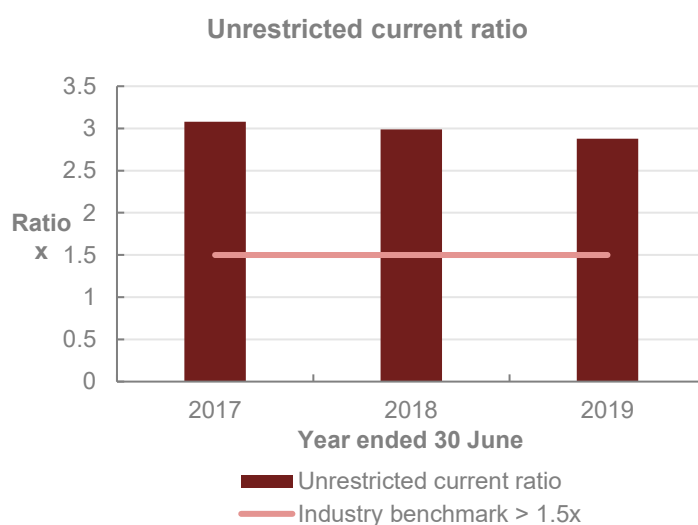
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 65.2% is above the industry benchmark of 60%. This indicates that the Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.
- The own source operating revenue ratio has remained relatively steady compared with the prior year (2018: 65.0%).



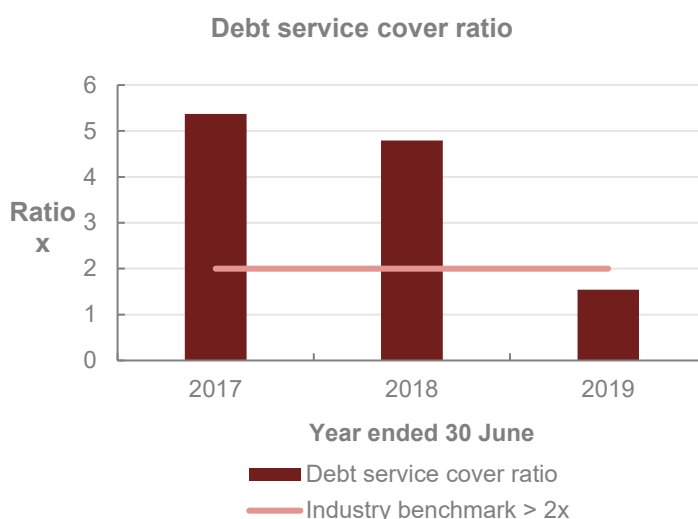
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 2.9 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained steady in comparison to the prior year (2018: 3.0 times)



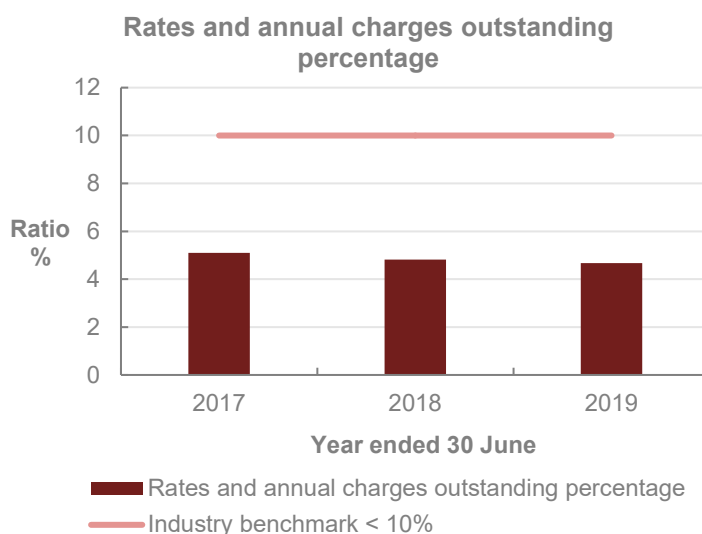
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- Council's debt service cover ratio of 1.54 times is lower than the industry benchmark of greater than 2 times.
- The decrease in the ratio compared with prior year was due to the Council refinancing a number of its existing loans during the year. This significant decrease will be a one-off impact due to the inclusion of principal payout and economic costs paid as part of the loan refinancing.
- The Council's loan refinancing will result in savings over the life of the loan and therefore a better overall result for Council. If the refinancing did not occur, the debt service cover ratio would have been 3.75 times.



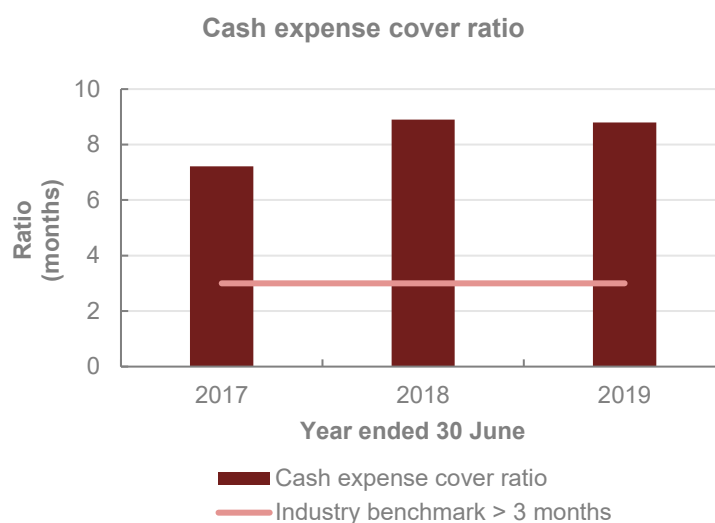
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 4.7% is within the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges outstanding percentage has decreased slightly from the previous year (4.8% in 2018) and remains below the benchmark for regional councils, which is a reflection of sound debt recovery procedures at the Council.



Cash expense cover ratio

- The liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.
- The Council's cash expense cover ratio was 8.8 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 8.8 months of operating cash expenditure without additional cash inflows as at 30 June 2019.
- The Council's cash expense cover ratio has remained steady.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$23.6 million of assets in the 2018–19 financial year, compared to \$19.9 million of assets in the prior year. The increase is primarily due to \$4.1 million of stormwater drainage asset renewal relating to the Main City Levee Stage 2 project. Renewal of road assets has remained relatively steady during the year.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

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 statements. The Council's:

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



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Peter Thompson, General Manager
Marg Nicholls, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Wagga Wagga City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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



Special Purpose Financial Statements

for the year ended 30 June 2019

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Statement of Financial Position – Water Supply Business Activity	n/a
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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Department of Planning, Industry and Environment 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 2019

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:

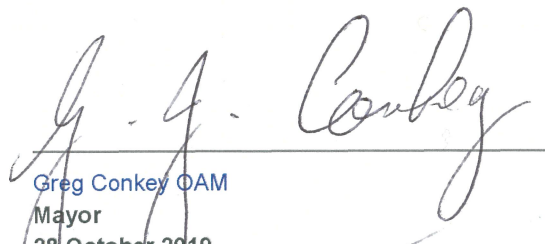
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year
- accord with Council's accounting and other records.
- present overhead reallocation charges to the sewerage businesses as fair and reasonable.


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 28 October 2019.



Greg Conkey OAM
Mayor
28 October 2019

Peter Thompson
General Manager
28 October 2019

Dallas Tout
Councillor
28 October 2019

Carolyn Rodney
Responsible Accounting Officer
28 October 2019

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	13,721	12,876
User charges	4,825	4,789
Interest	497	369
Grants and contributions provided for non-capital purposes	187	217
Other income	11	27
Total income from continuing operations	19,241	18,278
Expenses from continuing operations		
Employee benefits and on-costs	1,803	1,728
Borrowing costs	2,276	2,324
Materials and contracts	6,653	6,832
Depreciation, amortisation and impairment	5,267	5,115
Loss on disposal of assets	229	633
Calculated taxation equivalents	34	41
Other expenses	2,873	3,377
Total expenses from continuing operations	19,135	20,050
Surplus (deficit) from continuing operations before capital amounts	106	(1,772)
Grants and contributions provided for capital purposes	5,404	5,075
Surplus (deficit) from continuing operations after capital amounts	5,510	3,303
Surplus (deficit) from all operations before tax	5,510	3,303
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(29)	–
SURPLUS (DEFICIT) AFTER TAX	5,481	3,303
Opening accumulated surplus	69,957	66,654
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	34	41
– Corporate taxation equivalent	29	–
Less:		
– Tax equivalent dividend paid	(34)	(41)
Closing accumulated surplus	75,467	69,957
Return on capital %	0.8%	0.2%
Subsidy from Council	1,350	6,757
Calculation of dividend payable:		
Surplus (deficit) after tax	5,481	3,303
Less: capital grants and contributions (excluding developer contributions)	(1,633)	(1,761)
Surplus for dividend calculation purposes	3,848	1,542
Potential dividend calculated from surplus	1,924	771

Income Statement – Livestock Marketing

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Fees	5,751	5,534
Other income	50	46
Total income from continuing operations	5,801	5,580
Expenses from continuing operations		
Employee benefits and on-costs	834	698
Borrowing costs	3	3
Materials and contracts	1,844	1,746
Depreciation, amortisation and impairment	608	606
Loss on disposal of assets	13	–
Calculated taxation equivalents	21	22
Other expenses	1,094	984
Total expenses from continuing operations	4,417	4,059
Surplus (deficit) from continuing operations before capital amounts	1,384	1,521
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	1,384	1,521
Surplus (deficit) from all operations before tax	1,384	1,521
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(381)	(418)
SURPLUS (DEFICIT) AFTER TAX	1,003	1,103
Opening accumulated surplus	10,430	10,169
Plus/less: other adjustments	473	(796)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	21	22
– Corporate taxation equivalent	381	418
Less:		
– Dividend paid	(446)	(486)
Closing accumulated surplus	11,862	10,430
Return on capital %	5.4%	5.9%
Subsidy from Council	–	–

Income Statement – Airport

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Fees	3,830	4,010
Other income	261	196
Total income from continuing operations	4,091	4,206
Expenses from continuing operations		
Employee benefits and on-costs	502	547
Borrowing costs	397	463
Materials and contracts	1,958	2,036
Depreciation, amortisation and impairment	2,594	2,261
Loss on disposal of assets	–	270
Calculated taxation equivalents	73	76
Other expenses	293	402
Total expenses from continuing operations	5,817	6,055
Surplus (deficit) from continuing operations before capital amounts	(1,726)	(1,849)
Grants and contributions provided for capital purposes	–	(60)
Surplus (deficit) from continuing operations after capital amounts	(1,726)	(1,909)
Surplus (deficit) from all operations before tax	(1,726)	(1,909)
SURPLUS (DEFICIT) AFTER TAX	(1,726)	(1,909)
Opening accumulated surplus	5,760	7,856
Plus/less: other adjustments	(9)	(263)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	73	76
Closing accumulated surplus	4,098	5,760
Return on capital %	(3.9)%	(3.8)%
Subsidy from Council	1,775	2,341

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	9,986	9,597
Receivables	2,031	2,176
Inventories	212	293
Other	12	—
Total current assets	12,241	12,066
Non-current assets		
Investments	20,626	16,154
Infrastructure, property, plant and equipment	282,739	277,931
Total non-current assets	303,365	294,085
TOTAL ASSETS	315,606	306,151
LIABILITIES		
Current liabilities		
Payables	846	835
Borrowings	789	714
Provisions	778	730
Total current liabilities	2,413	2,279
Non-current liabilities		
Borrowings	30,266	30,813
Provisions	2	4
Total non-current liabilities	30,268	30,817
TOTAL LIABILITIES	32,681	33,096
NET ASSETS	282,925	273,055
EQUITY		
Accumulated surplus	75,467	69,957
Revaluation reserves	207,458	203,098
TOTAL EQUITY	282,925	273,055

Statement of Financial Position – Livestock Marketing

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	3,709	5,904
Receivables	4,097	363
Other	8	–
Total current assets	7,814	6,267
Non-current assets		
Infrastructure, property, plant and equipment	25,546	25,865
Total non-current assets	25,546	25,865
TOTAL ASSETS	33,360	32,132
LIABILITIES		
Current liabilities		
Payables	121	374
Provisions	240	198
Total current liabilities	361	572
Non-current liabilities		
Provisions	14	6
Total non-current liabilities	14	6
TOTAL LIABILITIES	375	578
NET ASSETS	32,985	31,554
EQUITY		
Accumulated surplus	11,862	10,430
Revaluation reserves	21,123	21,124
TOTAL EQUITY	32,985	31,554

Statement of Financial Position – Airport

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Receivables	797	730
Total current assets	797	730
Non-current assets		
Infrastructure, property, plant and equipment	33,801	36,337
Total non-current assets	33,801	36,337
TOTAL ASSETS	34,598	37,067
LIABILITIES		
Current liabilities		
Bank overdraft	2,944	4,324
Payables	747	424
Borrowings	1,226	966
Provisions	145	150
Total current liabilities	5,062	5,864
Non-current liabilities		
Borrowings	7,611	7,618
Provisions	6	4
Total non-current liabilities	7,617	7,622
TOTAL LIABILITIES	12,679	13,486
NET ASSETS	21,919	23,581
EQUITY		
Accumulated surplus	4,098	5,760
Revaluation reserves	17,821	17,821
TOTAL EQUITY	21,919	23,581

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

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 Department of Planning, Industry and Environment. 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 2005*, 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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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. Wagga Airport

Wagga Wagga City Airport facility.

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

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

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

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

Income tax

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

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

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 27.5%.

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 27.5% 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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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 1.32% at 30/6/19.

(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 DPIE guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

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 Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water Supply
- 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 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial 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 the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

Auditor's Responsibilities for the Audit of the Financial 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/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
- 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

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Wagga Wagga City Council

SPECIAL SCHEDULES

for the year ended 30 June 2019

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



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	43,595	42,283
Plus or minus adjustments ²	b	477	338
Notional general income	c = a + b	44,072	42,621
Permissible income calculation			
Special variation percentage ³	d	0.00%	0.00%
Or rate peg percentage	e	2.70%	2.30%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c + g)	—	—
Or plus rate peg amount	i = e x (c + g)	1,190	980
Or plus Crown land adjustment and rate peg amount	j = f x (c + g)	—	—
Sub-total	k = (c + g + h + i + j)	45,262	43,601
Plus (or minus) last year's carry forward total	l	6	27
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	6	27
Total permissible income	o = k + n	45,268	43,628
Less notional general income yield	p	45,251	43,595
Catch-up or (excess) result	q = o - p	17	33
Plus income lost due to valuation objections claimed ⁴	r	—	—
Less unused catch-up ⁵	s	—	(27)
Carry forward to next year ⁶	t = q + r + s	17	6

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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Wagga Wagga City Council

To the Councillors of Wagga Wagga City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Wagga Wagga City Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', with a stylized, cursive script.

Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

28 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^c	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard ^a	to bring to the agreed level of service set by Council ^b					1	2	3	4	5
Buildings	Buildings	22,602	5,177	2,176	1,937	128,822	167,896	51.0%	35.4%	12.3%	1.3%	0.0%
	Sub-total	22,602	5,177	2,176	1,937	128,822	167,896	51.0%	35.4%	12.3%	1.3%	0.0%
Other structures	Other structures	90	—	—	—	10,414	13,370	25.5%	73.9%	0.7%	0.0%	0.0%
	Shade sails	208	—	—	—	215	498	7.7%	49.6%	18.6%	23.2%	1.0%
	Fences	2,855	674	—	—	10,176	15,983	10.1%	72.0%	13.0%	4.5%	0.4%
	Shelters	2,648	2,128	930	—	5,875	9,086	17.8%	53.0%	20.1%	9.0%	0.0%
	Sub-total	5,801	2,802	930	—	26,680	38,937	17.2%	67.9%	10.5%	4.2%	0.2%
Roads	Sealed roads	74,536	105,130	5,995	5,184	358,748	567,686	40.9%	21.4%	21.4%	15.5%	0.8%
	Unsealed roads	25,660	18,112	2,809	2,259	35,571	60,212	32.6%	24.8%	28.4%	14.2%	0.0%
	Bridges	38,173	9,396	695	268	48,627	80,187	7.8%	44.6%	28.8%	17.7%	1.0%
	Footpaths	24,286	—	—	425	25,831	45,421	28.9%	17.7%	39.8%	11.8%	1.9%
	Shared Paths & Cycleways	999	1,171	333	—	3,190	4,695	44.2%	34.5%	14.8%	6.5%	0.0%
	Kerb & Gutter	7,380	5,366	—	229	30,193	44,088	31.3%	52.0%	16.0%	0.8%	0.0%
	Carparks	2,498	1,268	107	61	9,276	11,763	10.0%	19.7%	10.5%	7.9%	51.9%
	Culverts	17,264	6,603	4,155	171	27,882	43,255	12.0%	48.1%	29.0%	8.7%	2.3%
	Bus & Taxi Shelters	126	—	—	107	584	716	61.6%	20.7%	14.7%	3.0%	0.0%
	Sub-total	190,922	147,046	14,094	8,704	539,902	858,023	34.2%	26.6%	23.4%	14.2%	1.6%
Sewerage network	Sewer Mains	—	13,703	2,134	2,060	157,369	188,469	60.8%	39.2%	0.0%	0.0%	0.0%
	Sewer Nodes	—	—	—	—	37,966	47,318	100.0%	0.0%	0.0%	0.0%	0.0%
	Pumping Stations	4,416	8,320	1,321	831	19,938	32,174	42.7%	26.1%	17.5%	11.2%	2.6%
	Treatment Plants	4,409	756	783	437	61,690	101,191	7.2%	60.1%	28.3%	4.4%	0.0%
	Sub-total	8,825	22,779	4,238	3,328	276,963	369,152	49.6%	38.7%	9.3%	2.2%	0.2%
Stormwater drainage	Stormwater Pits & Pipes	5,560	2,177	1,493	738	139,292	194,220	39.4%	33.8%	17.0%	7.6%	2.1%
	Levee Banks ^d	550	11,564	140	2	30,030	30,462	98.2%	0.0%	0.0%	1.8%	0.0%
	Open Drains, Channels & Gross Pollutant Trap's	69	—	20	—	43,747	44,417	95.2%	4.4%	0.3%	0.2%	0.0%
	Sub-total	6,179	13,741	1,653	740	213,069	269,099	55.3%	25.1%	12.3%	5.7%	1.6%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost to bring to the agreed level of service set by Council ^b		2018/19 Required maintenance ^c	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard ^a	to bring to the agreed level of service set by Council ^b					1	2	3	4	5
Open space / recreational assets	Swimming pools	—	—	—	127	2,880	4,000	0.0%	100.0%	0.0%	0.0%	0.0%
	Playgrounds	1,211	1,385	105	94	3,724	5,631	27.8%	50.7%	21.1%	0.4%	0.0%
	Irrigation	3,257	2,183	846	—	1,454	4,796	12.7%	19.4%	27.1%	18.6%	22.2%
	Park Accessories	867	1,239	229	—	1,836	3,058	27.6%	44.1%	23.0%	4.9%	0.4%
	Sporting Equipment	1,470	2,041	51	—	6,442	9,624	19.3%	65.4%	11.7%	2.8%	0.8%
	Other	3,388	—	—	363	1,458	3,967	0.0%	14.6%	83.6%	1.8%	0.0%
	Sub-total	10,193	6,848	1,231	584	17,794	31,076	15.7%	51.5%	24.6%	4.5%	3.7%
	TOTAL - ALL ASSETS	244,522	198,393	24,322	15,293	1,203,230	1,734,183	41.7%	31.2%	17.4%	8.7%	1.0%

(a) Estimated cost to bring assets to satisfactory standard is determined by considering both the condition and risk factors for each asset category

(b) Estimated cost to bring to the agreed level of service set out by Council is the amount identified in Council's asset management plans.

(c) Required maintenance is the amount identified in Council's asset management plans.

(d) 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.

Infrastructure asset condition assessment 'key'

1	Excellent/very good
2	Good
3	Satisfactory
4	Poor
5	Very poor

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
Infrastructure asset performance indicators (consolidated) *						
Buildings and infrastructure renewals ratio ¹						
Asset renewals ²	11,998					
Depreciation, amortisation and impairment	28,042	42.79%	42.15%	39.74%	30.28%	>=100.00%
Infrastructure backlog ratio ¹						
Estimated cost to bring assets to a satisfactory standard	244,522					
Net carrying amount of infrastructure assets	1,203,230	20.32%	23.16%	28.42%	30.62%	<2.00%
Asset maintenance ratio						
Actual asset maintenance	15,293					
Required asset maintenance	24,322	62.88%	63.11%	55.80%	147.07%	>100.00%
Cost to bring assets to agreed service level						
Estimated cost to bring assets to an agreed service level set by Council	198,393					
Gross replacement cost	1,734,183	11.44%	11.90%	11.87%	4.01%	

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

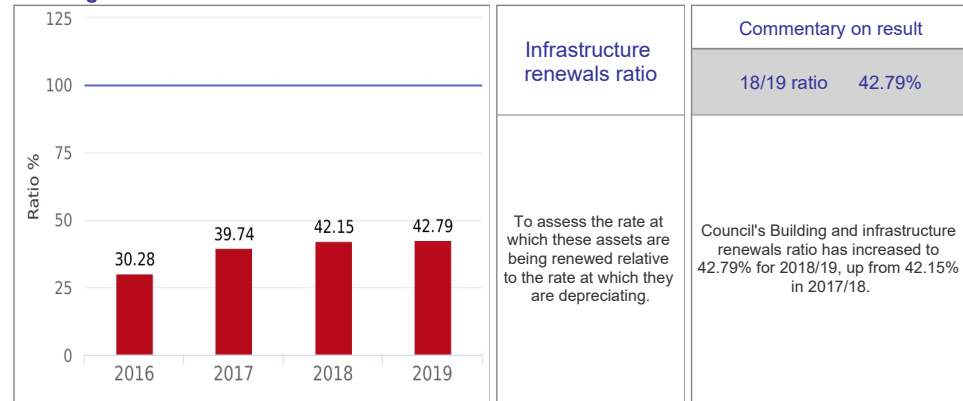
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

Buildings and infrastructure renewals ratio



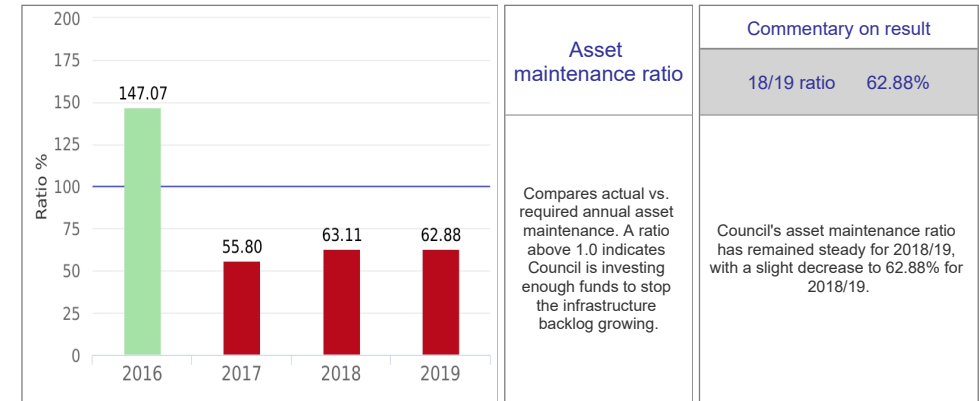
Benchmark: — $\geq 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Asset maintenance ratio



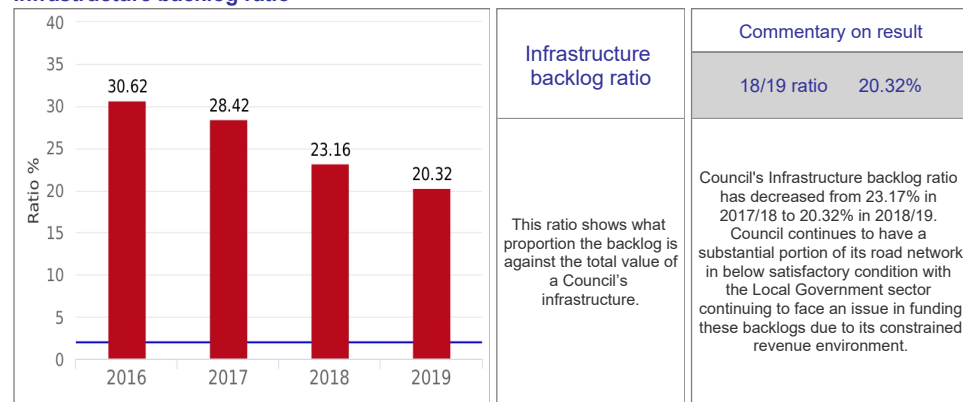
Benchmark: — $> 100.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Infrastructure backlog ratio



Benchmark: — $< 2.00\%$

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Cost to bring assets to agreed service level

